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Investigation into the Role of FinTech towards Democratising Financial Services in India

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Abstract: The FinTech revolution, after the global health shock in 2019, has changed the financial landscape in the world by breaching the traditional banking territory. In India, this revolution has provided diverse platforms for easy, fast and convenient financial transactions. This paper investigates the democratisation of financial services through the lens of accessibility, people's participation and the opportunities it provides to common people. It investigates various roles of FinTech, more specifically delving into Unified Payments Service (UPI) transactions between 2017 and 2026, using a log-linear regression model. The results indicate an upward trend, and average use is high after the COVID-19 pandemic. Moreover, this paper explores the transaction risks associated with these services.

Keywords: FinTech, UPI, Democratisation of Finance and Transaction Risks

Introduction

FinTech (Finance and Technology), which became popular and spread among the masses after the COVID-19 lockdown, has been playing a crucial role in democratising financial services in India. The democratisation of financial services is defined as the easy accessibility of financial services to the masses, rather than their confinement to a few wealthy and elite groups. It is not about political ideology; it is about interaction between technological infrastructure and people's participation in finance (Paientko & Buriachenko, 2026). The use of FinTech increased after the health crisis (Gupta & Agarwal, 2021). Nowadays, without FinTech, financial transactions would be profoundly difficult. Asif et al. (2023) found in their study that FinTech companies significantly help in financial inclusion, especially for the middle class in India. FinTech has reshaped people's financial behaviour, whether related to payments, receiving money, savings, or investments. It has entered the core of finance, in both rural and urban areas, from small street vendors to large corporations. Today, the picture of the financial system is different from the pre-COVID-19 era. In India, the financial system operated under various structural constraints, relying on traditional financial transactions; now it is an era of fewer constraints and restrictions. FinTech has been playing a crucial role in introducing financial products to millions of people and providing them with an easy, fast and convenient platform to participate in the financial market. It has a positive impact on financial inclusion, making it easier to access financial services (Amnas et al., 2024). Financial technology has reshaped society by democratising global finance (Laboure & Deffrennes, 2022). It has provided a financial infrastructure that has democratised financial services. However, two major issues deeply connected to FinTech are 'digital' and 'financial illiteracy'. A digital divide and a lack of financial literacy are two challenges in the adoption and dissemination of financial services. They pose a huge risk of financial fraud and financial mismanagement. The UPI, which made payments convenient, have an impact on people's financial behaviour. The adoption of UPI can bridge the gap in the digital divide by integrating people into the financial system (Hoque et al., 2025). The UPI model has made significant progress in financial inclusion (Cornelli et al., 2024), and it is now connected to people's financial behaviour. This study investigates the role of FinTech in democratising financial services and the risks associated with it. Financial democracy has been viewed through the lens of accessibility, people's participation and opportunities in the financial system.

Literature Review

Financial innovation in the form of FinTech has helped people in accessing financial services (Beck, 2020). It drives financial inclusion in emerging and developing countries by overcoming traditional banking limitations (Mashoene et al., 2025). FinTech reduces rural and class differences by providing alternative methods of payment platforms (Tok & Heng, 2022). Mobile money and digital banking reduce the barriers for the unbanked population, supporting sustainable development goals (Care, 2025). Financial access has increased dramatically in India due to the digital economy and financial ecosystems (Arner et al., 2018). Amnas et al. (2024), in their study, identified trust, service quality, and perceived security as the fundamental drivers of adoption of a FinTech platform. In India, Jan Dhan Yojana has played a very effective role in financial inclusion (Arun & Kamath, 2015). The digital infrastructure, mainly Aadhaar and UPI, has brought many unbanked people into the financial system (Chopra et al., 2026). Digital tools and technology are the key drivers in achieving financial inclusion in India (Pandey et al., 2025). FinTech increases both financial inclusion and efficiency on the one hand, and reduces consumers' costs on the other hand (Delabarre, 2021). It serves consumers and small businesses, which are often ignored by established lenders (Claessens et al., 2018). FinTech helps in financial inclusion and access to financial wealth building (Otinga et al., 2025). FinTech has significantly increased people's participation in the capital market in India (Maurya & Kulkarni, 2022).

Methodology

This study investigates the role of FinTech in democratising financial services through the lens of people's participation in the financial system. Using secondary data, this study analyses financial democracy through financial inclusion, financial accessibility and people's participation. In this study, the diverse role of FinTech is investigated, and more specifically, the trend of the use of Unified Payments Interface (UPI) from March 2017 to March 2026 is examined. The UPI transaction data have been taken from the National Payments Corporation of India (NPCI). Moreover, the risk factors associated with FinTech are analysed. This study uses a log-linear model to examine the trend.

Model Specification:

$$\text{In (UPIt)} = \beta_0 + \beta_1 t + ut$$

Here, UPIt = Unified Payments Interface transactions (dependent variable) of time t.

t = Time (Independent variable)

u_t = Error term, and

β_0 and β_1 are constant and growth parameters, respectively.

Financial democracy is viewed in terms of financial accessibility, people's participation, opportunities available in the financial landscape and financial inclusivity.

Discussion and Result

FinTech has been playing an effective role in democratising financial services in the present financial world. Financial accessibility and people's participation have increased due to the FinTech revolution. UPI has transformed the Indian payment landscape (Copestake et al., 2025), and it accounts for 85 per cent of digital payments in India (PIB, 2025). The strong foundation behind the UPI revolution can be credited to the government's Digital India initiative, Jan Dhan Yojana and the biometric-linked Aadhaar-based identification system. The increased connectivity of 4G and 5G internet has profoundly impacted the FinTech revolution in India. The trend of UPI transactions in India from March 2017 to March 2026 has been examined by using a log-linear regression model. The values of UPI transactions are measured in crores of rupees. However, in this model, the values are converted to log values according to the model specification. The estimated model is

$$\ln(\text{UPI}) = 8.837 + .704t$$

Here, the constant parameter â0 is 8.837, and the coefficient (â1) of t (time) is .704 (positive). It is statistically significant at the 1% level ($p<0.01$), indicating an upward trend of UPI transactions. The coefficient â1 = 0.704 indicates that a 1-unit increase in the independent variable (Time) is associated with an approximately 70 per cent increase in the dependent variable (UPI transactions). The R-squared value is 0.862, indicating that 86% of the variation in the dependent variable is explained by the independent variable.

Result Summary

Model		*Unstandardised Coefficients*		*Standardised Coefficients*		
		β	*Std. Error*	*Beta*	*t*	*Sig.*
1	(Constant)	8.837	.619		14.270	.000
	t	.704	.100	.928	7.059	.000

The line mean of Log UPI in Figure 1 indicates that the average transactions increased after the COVID-19 lockdown. In India, the UPI was launched in 2016, and up to 2019, its mean transaction was comparatively low, even though the trend was rising. However, after 2019, its mean transaction increased.

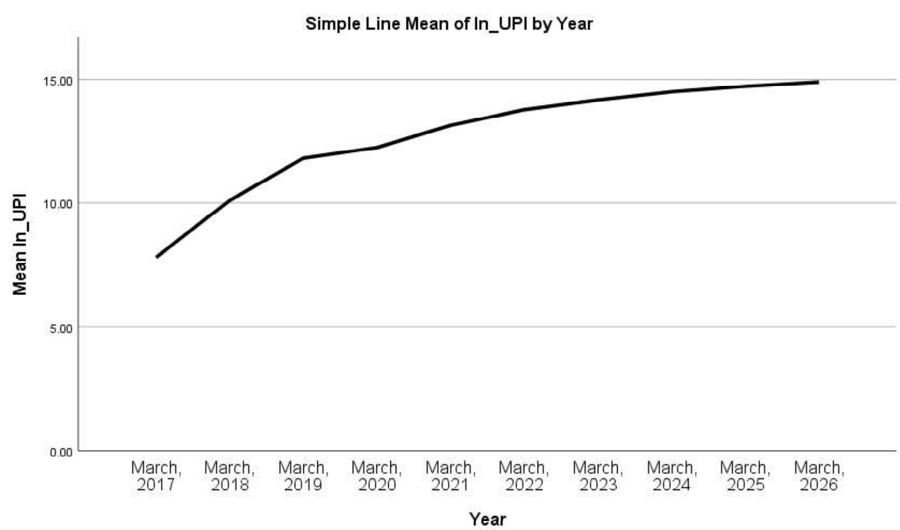

Figure 1: Mean Line of Log UPI transactions

In Figure 2, the value of UPI is shown. The data shown in the bars is not the value of the entire year; rather, each bar represents the value of a specific month of the year. The bars represent the value of transactions in March. In March 2017, the value of UPI transactions was 2424.14 crores, and this figure turned to 1,33,460. 72 crores in March 2019. The dramatic increase in transactions was seen from 2019, and it reached 29,52,542.05 crores in March of 2026. The trendline shows an upward trend from March 2017 to March 2026, and it increased by 121647.28 per cent.

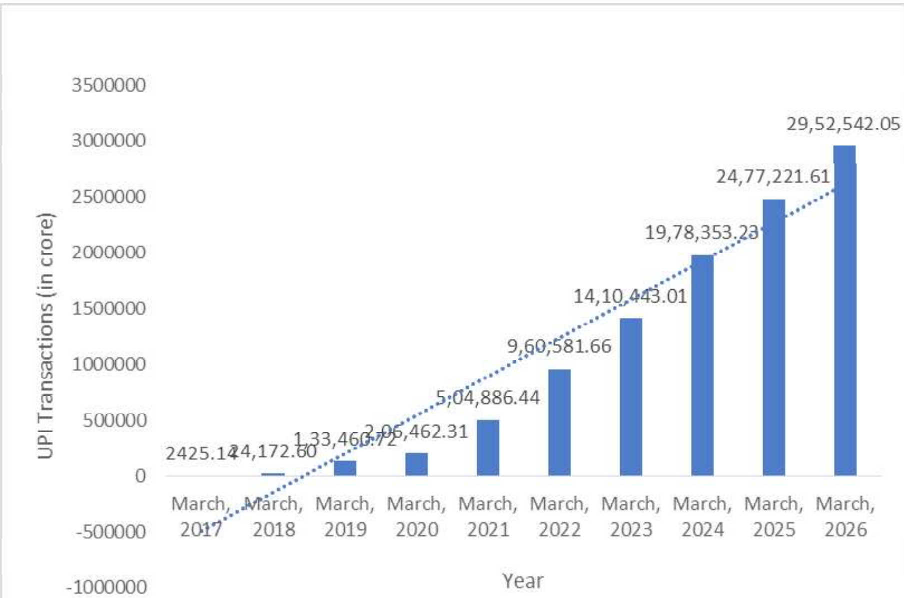

Figure 2: Value of UPI Transactions (in Cr.)

Source: NPCI

The robust increase in UPI transactions in India indicates inclusivity, easy accessibility and high participation by people in the financial system.

Besides UPI services, FinTech plays various roles in delivering financial services. It has transformed the credit and equity markets and helped in driving financial inclusion (Hmoud et al., 2025). In India, various FinTech companies like Groww, Zerodha, Angel One, Upstox, 5paisa, INDmoney, etc., have been able to introduce financial instruments such as stocks, bonds, mutual funds, ETFs (Index ETFs and Commodities' ETFs) among the budding investors who aspire to build their capital. The FinTech companies could bring many new investors under the umbrella of the financial system through their mobile applications. The digitisation of finance has increased investors' participation and automation in the stock market, and reduced the gap between traditional banking and the unbanked population (Khurana et al., 2025) by easing access to financial services. Moreover, taking loans and their repayments have become easier due to FinTech companies.

The major roles of FinTech in delivering financial services are given in Figure 3. FinTech helps people in wealth management, such as stocks, bonds, mutual funds, Exchange Traded Funds (ETFs), etc. Managing wealth in financial assets has become easier for people. Mobile Apps are playing a significant role in such management. It also plays a crucial role in the insurance sector, such as life insurance, health insurance, term insurance, property insurance, etc. It is very easy to buy insurance in India through these FinTech (InsuTech) platforms. These platforms help in buying and selling cryptocurrencies, such as Bitcoin (BTC), Ethereum (ETH), Tether, Dogecoin, etc., and the transactions in these currencies are completely decentralised. It helps in payments or transfer of money, e.g. using UPI, e-wallets and Peer-to-Peer (P2P) transfer. FinTech companies also provide loans to needy borrowers, P2P lending and crowdfunding platforms. They also help in the authentication of documents, Know Your Customers (KYCs) and fraud detection services.

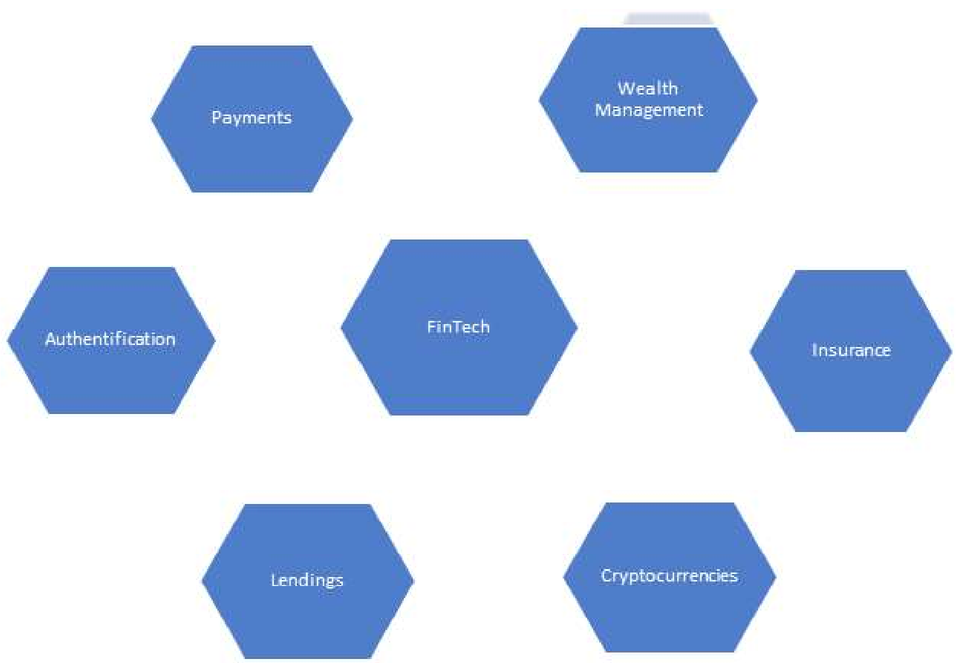

Figure 3: Major Roles of FinTech

Hence, after examining the various roles of FinTech, it is found that it increases financial accessibility, people's participation, and opportunities in the financial system.

Transaction Risks in FinTech Services

There are enormous challenges in adopting FinTech, even though it benefits the masses in the present financial landscape. It has disrupted the normal financial system by crossing the traditional banking territory and brought new challenges for the financial regulator (Ojha, 2022). The digitally illiterate are often the victims of scams and financial fraud. Cyber threats and data security risks are associated with FinTech. Jain et al. (2023) found that financial technology has reduced physical financial crime on the one hand, but has simultaneously increased cybercrime. The poor and digitally illiterate people are often preyed upon by financial scammers. Even digitally literate people suffer from financial loss through these platforms. The trading of Futures & Options (F & O) is legal, and perhaps people who engage in such trading are digitally literate. However, according to the Securities and Exchange Board of India (SEBI, 2024), 93% of Individual Traders incurred losses in equity F & O trading between FY-2022 and FY-2024. FinTech companies provide a digital platform for buying and selling digital gold or e-gold products. But buying such products might carry a risk, as they are outside the purview of SEBI (2025).

Some of the major risks associated with using FinTech services are illustrated in Figure 4. One of the primary risks is data privacy and security, as customers' personal information, such as mobile numbers, PAN numbers, Aadhaar numbers, bank account details, and addresses, may be stolen and misused by cybercriminals. Mandic et al. (2025) identified several challenges associated with FinTech adoption, including data privacy breaches, digital illiteracy, and regulatory uncertainty. In addition, customers may fall victim to financial fraud through fake mobile applications, phishing attempts, fraudulent calls, QR code scams, and other deceptive practices. Some FinTech companies may also operate without proper regulatory registration, exposing users to financial losses. Furthermore, technical issues, such as internet connectivity problems and server failures, may disrupt transactions and reduce user confidence. Transparency-related concerns, including hidden charges, processing fees, and penalty charges, also pose risks to consumers. Therefore, although FinTech represents a disruptive innovation with significant benefits, it also introduces several technological, financial, regulatory, and security-related risks that require careful management (Bu et al., 2023).

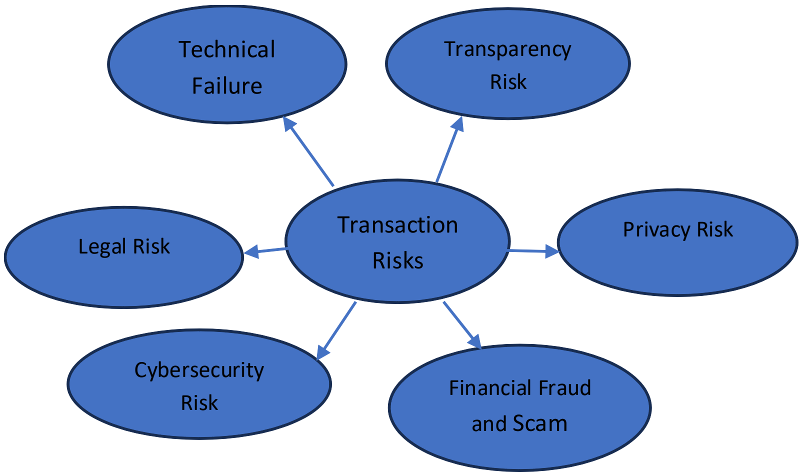

Figure 4: Risks in Using Fintech

Conclusion and Recommendations

FinTech plays various roles in disseminating financial services among the masses. It is fast and convenient in democratising and inclusive in distributing financial products. FinTech companies are providing platforms through which people unfamiliar with financial products can enter the capital market using just a smartphone and an internet connection. People sitting at home can buy insurance for their life, health and property. People can receive and make payments from any nook and corner because of the invention of FinTech. These companies assist people in the financial domain and make transactions easier, even though they carry certain risks. In this study, we have found that the use of UPI is a positive trend over time. Its average use has been high since the COVID-19 nationwide lockdown in India. To roll out FinTech platforms more effectively to the grassroots levels, some recommendations are given below:

(i) Strict punishment laws should be instituted to prevent financial scams and fraud.

(ii) The FinTech companies should be strictly instructed to manage the privacy data of customers through the regulatory authority. At present, data leakage is one of the major problems for FinTech companies.

(iii) The regulatory authority or the government should be proactive in the early detection of fraud in FinTech companies.

(iv) Financial knowledge should be included in school education. The lack of financial education is one of the major problems in our current education system.

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