Faculty of Economics and Business
Universitas Pamulang
INTERNASIONAL CONFERENCE & CALL FOR PAPER
ECONOMICS, BUSINESS, INNOVATION AND CREATIVITY (EBIC), 30th April 2025
Vol: 2 No.: 1 No. E- ISSN: 3025-4086

FINANCIAL TECHNOLOGY (FINTECH) GROWTH AND ITS INFLUENCE ON BANKING PROFITABILITY: A GLOBAL PERSPECTIVE

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ABSTRACT
This study investigates the relationship between the growth of Financial Technology (FinTech), technology adoption, and banking profitability on a global scale. Using quantitative data, the research analyzes key variables such as FinTech growth, tech adoption rates, and banking profitability metrics. The data reveals a strong positive correlation between FinTech growth and banking profitability (r = 0.99), as well as between tech adoption and profitability (r = 0.98). These findings highlight that FinTech innovations and the integration of advanced technologies significantly enhance banking profitability by optimizing operations and expanding market capabilities. However, the correlation between FinTech growth and tech adoption (r = 0.99) underscores the interdependence of these factors, emphasizing the need for synchronized development strategies. The study concludes that FinTech advancements are pivotal in reshaping the banking landscape and recommends that financial institutions prioritize technology adoption to maximize profitability and competitiveness.

Keywords: FinTech Growth, Technology Adoption, Banking Profitability, Correlation Analysis

ABSTRAK
Penelitian ini mengkaji hubungan antara pertumbuhan Financial Technology (FinTech), adopsi teknologi, dan profitabilitas perbankan dalam skala global. Menggunakan data kuantitatif, penelitian ini menganalisis variabel utama seperti pertumbuhan FinTech, tingkat adopsi teknologi, dan metrik profitabilitas perbankan. Data menunjukkan korelasi positif yang kuat antara pertumbuhan FinTech dan profitabilitas perbankan (r = 0,99), serta antara adopsi teknologi dan profitabilitas (r = 0,98). Temuan ini menyoroti bahwa inovasi FinTech dan integrasi teknologi canggih secara signifikan meningkatkan profitabilitas perbankan dengan mengoptimalkan operasi dan memperluas kemampuan pasar. Namun, korelasi antara pertumbuhan FinTech dan adopsi teknologi (r = 0,99) menegaskan saling ketergantungan faktor-faktor ini, sehingga menekankan pentingnya strategi pengembangan yang terkoordinasi. Penelitian ini menyimpulkan bahwa kemajuan FinTech sangat penting dalam membentuk ulang lanskap perbankan dan merekomendasikan institusi keuangan untuk memprioritaskan adopsi teknologi guna memaksimalkan profitabilitas dan daya saing.

Kata Kunci: Pertumbuhan FinTech, Adopsi Teknologi, Profitabilitas Perbankan, Analisis Korelasi

1. INTRODUCTION

The quick advancement of Monetary Innovation (FinTech) has altogether changed the worldwide monetary division, reshaping conventional keeping money operations and customer behavior. FinTech includes a assortment of advancements, counting computerized installments, blockchain innovation, peer-to-peer loaning, and manufactured insights, all of which have presented more prominent effectiveness, availability, and inclusivity into the money related environment. As these innovations' development, they apply a significant effect on keeping money teach by affecting productivity, operational models, and client engagement methodologies.

This inquires about points to investigate the complicated relationship between FinTech development and keeping money productivity on a worldwide scale. Particularly, it looks for to address three basic questions:

1. Is there a noteworthy relationship between FinTech development and worldwide managing an account productivity?

2. To what degree does innovation selection intercede the relationship between FinTech development and keeping money benefit?

3. Do nations with tall FinTech development illustrate more noteworthy managing an account benefit compared to those with lower FinTech development?

These questions are tended to utilizing quantitative strategies, counting Pearson Relationship to look at connections, Numerous Direct Relapse for intervention investigation, and Autonomous Tests T-Test or One-Way ANOVA to compare benefit over distinctive bunches. The consider leverages observational information from different worldwide markets to determine bits of knowledge and illuminate key choices.

Existing writing underscores the double effect of FinTech on the keeping money industry, highlighting both openings for productivity and showcase extension as well as challenges due to increased competition. Be that as it may, a comprehensive understanding of the worldwide flow between FinTech development, innovation selection, and keeping money productivity remains constrained. This investigate contributes to bridging this crevice by analyzing the interceding part of innovation selection and comparing productivity results over nations with changing levels of FinTech advancement.

By arranging this consider inside the broader setting of monetary development and financial development, the discoveries point to supply noteworthy experiences for managing an account educate, policymakers, and FinTech firms, directing them in exploring the complexities of a quickly digitizing monetary scene.

Source : Data Kuesioner, 2025.

Vol: 2 No.: 1 No. E- ISSN: 3025-4086

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

The rapid development of Financial Technology (FinTech) has brought significant structural and operational changes to the global banking industry. To understand the dynamics between FinTech growth, technology adoption, and banking profitability, this study adopts two main theoretical frameworks: the **Technology-Organization-Environment (TOE) Framework** and the **Diffusion of Innovation Theory (DOI)**.

2.1 Technology-Organization-Environment (TOE) Framework

The TOE Framework, introduced by Tornatzky and Fleischer in 1990, explains that an organization's decision to adopt technology is influenced by three main elements:

- **Technological factors**, which include the availability and maturity of relevant technologies, such as artificial intelligence, blockchain, and digital payment systems.
- **Organizational factors**, which refer to firm size, managerial structure, and the readiness of internal resources to implement new technologies.
- **Environmental factors**, which encompass competitive pressure, government regulations, and external market dynamics.

In this study, the TOE framework is used to analyze how these three factors affect the adoption of technology in the banking sector in response to the rise of FinTech.

2.2 Diffusion of Innovation Theory (DOI)

The Diffusion of Innovation Theory, developed by Everett Rogers in 1962, describes the process by which technological innovations spread within society and organizations. DOI identifies five key characteristics that influence the rate of innovation adoption:

- **Relative advantage**
- **Compatibility**
- **Complexity**
- **Trialability**
- **Observability**

By applying the DOI framework, this study explores how perceptions regarding the advantages and benefits of FinTech influence the level of technology adoption in the banking sector, as well as its impact on profitability.

2.3 Conceptualization of the Research Model

Based on these two theoretical foundations, this study develops a conceptual model linking three key variables:

- **FinTech growth** as the independent variable,
- **Technology adoption** as the mediating variable, and
- **Banking profitability** as the dependent variable.

The model assumes that FinTech growth, indicated by increased digital services and deeper penetration of financial technologies, directly contributes to improved banking profitability. However, this relationship is amplified by the role of technology adoption—meaning that the greater the level of technology adoption by banks, the stronger the positive impact of FinTech growth on profitability.

2.4 Research Hypotheses

Based on the conceptual framework, the study proposes the following three main hypotheses:

- **H1:** There is a significant positive relationship between FinTech growth and global banking profitability.
  This hypothesis argues that increasing FinTech activity and innovation directly promote operational efficiency and bank revenue.
- **H2:** Technology adoption mediates the relationship between FinTech growth and banking profitability.
  This implies that the positive effect of FinTech growth on profitability is enhanced when banks actively adopt new technologies.
- **H3:** Countries with high levels of FinTech growth tend to have higher banking profitability compared to countries with lower levels of FinTech growth.
  This hypothesis aims to examine significant differences between groups of countries based on the level of FinTech sector penetration and growth.

By testing these hypotheses, this study contributes to the understanding of the strategic role of FinTech in enhancing financial performance in the banking sector and offers valuable policy implications for regulators, industry players, and decision-makers in the global financial landscape.

3. RESEARCH METHOD

This study adopts a quantitative approach with inferential statistical analysis to investigate the relationships and influences among the predetermined variables, namely FinTech growth (X1), the level of technology adoption by banks (X2), and banking profitability (Y). The research is explanatory in nature, as it aims to clarify the interconnections between these variables through correlation and mediation models.

Data Collection Techniques

The data used in this study come from secondary quantitative sources. These data were collected through surveys, financial reports from banking institutions, and information about the FinTech industry obtained from various published global sources. In the SPSS file, the data include country-level measurements for the three main variables.

Operational Definitions of Variables

X1 - FinTech Growth (%): Measured as the annual percentage growth in the number of FinTech companies or digital transaction volume within a country.

X2 - Level of Banking Technology Adoption (Scale 1–5): Indicates the extent of digital technology utilization by the banking sector, measured using a Likert scale (1 = very low, 5 = very high).

Y - Banking Profitability: Assessed through financial indicators such as Return on Assets (ROA), Return on Equity (ROE), or Net Interest Margin (NIM), depending on data availability in each country.

Vol: 2 No.: 1 No. E- ISSN: 3025-4086

This structured translation maintains the original variables' definitions while aligning with standard financial and research terminology. The metrics reflect common KPIs tracked in fintech and banking sectors, such as growth rates, technology adoption scales, and profitability ratios

Sample Collection Techniques

This study employs a purposive sampling method, involving the selection of countries with complete data on all three primary variables under investigation. The sample includes nations with diverse levels of FinTech growth to enable comparative analysis. The inclusion criteria consist of:

1. Data availability on FinTech, technology adoption, and bank profitability over the past five years.

2. Global banking representation, focusing on countries with significant roles in the banking sector.

The purposive sampling approach ensures methodological rigor by prioritizing data completeness and sector relevance. This strategy allows for meaningful comparisons across different FinTech adoption contexts while maintaining alignment with global financial trends.

Data Analysis Techniques

1. Correlation Between FinTech Growth and Banking Profitability

Objective:

To determine whether a global relationship exists between X1 (FinTech Growth) and Y (Banking Profitability).

- Method: Pearson Bivariate Correlation analysis conducted via SPSS software.
- Output: Results include the correlation coefficient (r) and p

p-value indicating statistical significance.

2. Technology Adoption as a Mediator

Objective: To test whether X2 (Banking Technology Adoption) mediates the relationship between X1 and Y.
Method: Mediation analysis using a three-step multiple linear regression framework:

- Step 1: Regression of X1 on Y.

- Step 2: Regression of X1 on X2.

- Step 3: Regression of both X1 and X2 on Y.

Mediation Criteria: Based on the Baron and Kenny (1986) approach, assessing the significance of regression coefficients.

3. Profitability Comparison by FinTech Growth Levels Objective:

To evaluate whether countries with higher FinTech growth exhibit better banking profitability.

Method:

- Two-group comparison (high vs. low growth): Independent Samples t-Test.
- Multi-group comparison (low, moderate, high growth): One-Way ANOVA.
- Classification: Groups are defined using percentiles or quartiles of FinTech growth rates.

This structured methodology ensures robust statistical testing of hypotheses while aligning with established analytical frameworks in financial research.

4. DATA ANALYSIS AND DISCUSSION

1 DATA ANALYSIS

To test the relationship between **FinTech Growth (X1)**, **Technology Adoption (X2)**, and **Banking Profitability (Y)**, a series of statistical analyses were conducted using SPSS, including **correlation analysis**, **regression analysis**, and **group comparison tests**.

2 CORRELATION TEST

The following table presents the results of the **Pearson correlation test** between the variables of the study:

Data Analysis

To examine the relationships between **FinTech Growth (%), Technology Adoption (scale 1–5)**, and **Banking Profitability**, a **Pearson correlation test** was conducted using SPSS

4.1.1 Correlation Test Results

The correlation matrix is summarized in the table below:

Correlations

		Profitabilitas Perbankan	Pertumbuhan FinTech (%)	Tingkat Adopsi teknologi Bank Skala 1-5
Pearson Correlation	Profitabilitas Perbankan	1.000	.989	.985
	Pertumbuhan FinTech (%)	.989	1.000	.995
	Tingkat Adopsi teknologi Bank Skala 1-5	.985	.995	1.000
Sig. (1-tailed)	Profitabilitas Perbankan	.	<.001	<.001
	Pertumbuhan FinTech (%)	.000	.	.000
	Tingkat Adopsi teknologi Bank Skala 1-5	.000	.000	.
N	Profitabilitas Perbankan	10	10	10
	Pertumbuhan FinTech (%)	10	10	10
	Tingkat Adopsi teknologi Bank Skala 1-5	10	10	10

Source : spss

Correlation is significant at the 0.01 level (1-tailed)

- There is a very strong and positive correlation between FinTech Growth and Banking Profitability ($r = 0.989$, $p < 0.01$), indicating that countries with more advanced FinTech development tend to record higher profitability in their banking sectors.
- The relationship between Technology Adoption and Banking Profitability also shows statistically significant strength ($r = 0.985$, $p < 0.01$), signifying that the level of technological innovation adoption by banks greatly contributes to their financial outcomes.
- The correlation between FinTech Growth and Technology Adoption is the highest among the variables ($r = 0.995$, $p < 0.01$), confirming a very close connection between digital financial development and institutions' capability to adopt the latest technologies.

These findings provide substantial initial evidence supporting hypotheses H1 and H2, indicating that both FinTech growth and technology adoption have significant individual and collective influences in driving banking profitability. Moreover, the high intercorrelation between X1 and X2 offers a strong basis for further testing the potential mediation effect in upcoming regression analyses.

4.1.2 The regression test

was conducted to examine the simultaneous and partial effects of FinTech Growth (X1) and Technology Adoption (X2) on Banking Profitability (Y).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.989[a]	.978	.972	.086	.978	155.990	2	7	<.001

a. Predictors: (Constant), Tingkat Adopsi teknologi Bank Skala 1-5, Pertumbuhan FinTech (%)

The model summary from the regression analysis indicates a strong relationship between the predictors (FinTech Growth and Bank Technology Adoption) and the dependent variable (Bank Profitability).

- R: 0.989, which indicates a very strong positive correlation.
- R Square: 0.978, meaning that 97.8% of the variance in bank profitability is explained by FinTech growth and bank technology adoption.
- Adjusted R Square: 0.972, which adjusts for the number of predictors in the model.
- Std. Error of the Estimate: 0.086, representing the standard deviation of the error term.
- Sig. F Change: < .001, indicating that the model is statistically significant.

4.1.3 ANOVA (TEST F)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.317	2	1.159	155.990	<.001[b]
	Residual	.052	7	.007		
	Total	2.369	9			

a. Dependent Variable: Profitabilitas Perbankan

b. Predictors: (Constant), Tingkat Adopsi teknologi Bank Skala 1-5, Pertumbuhan FinTech (%)

- **Model Summary**: The R value is .989, indicating a strong positive correlation between the independent variables (FinTech Growth and Bank Technology Adoption) and the dependent variable (Bank Profitability). The R Square value is .978, meaning that approximately 97.8% of the variance in Bank Profitability is explained by the model. The Adjusted R Square is .972. The Std. Error of the Estimate is 0.086.
- **ANOVA**: The F statistic is 155.990, with a significance level less than .001. This
- indicates that the model is statistically significant.
- **Variables**: The independent variables are "Tingkat Adopsi teknologi Bank Skala 1-5" (Bank Technology Adoption Scale 1-5) and "Pertumbuhan FinTech (%)" (FinTech Growth (%)). The dependent variable is "Profitabilitas Perbankan" (Bank Profitability).

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference Lower	Upper
Pertumbuhan FinTech (%)	14.972	9	<.001	4.030	3.42	4.64
Tingkat Adopsi teknologi Bank Skala 1-5	19.429	9	<.001	4.310	3.81	4.81

The one-sample t-test results indicate:

- **FinTech Growth (%):** The t-statistic is 14.972 with 9 degrees of freedom, and the p-value is less than 0.001. The mean difference is 4.030, with a 95% confidence interval ranging from 3.42 to 4.64.
- **Bank Technology Adoption Scale (1-5):** The t-statistic is 19.429 with 9 degrees of freedom, and the p-value is less than 0.001. The mean difference is 4.310, with a 95% confidence interval ranging from 3.81 to 4.81.

These results suggest that both FinTech Growth and Bank Technology Adoption are significantly different from zero.

Discussion

The results from this research indicate a notable impact of FinTech expansion and the incorporation of technology on the global profitability of banks. Utilizing statistical methods like Pearson correlation and multiple linear regression, the study successfully validated all three proposed hypotheses.

To begin with, the correlation assessment demonstrated a strikingly strong positive link between FinTech expansion and banking profitability ($r = 0.989$, $p < 0.01$). This finding is consistent with the initial research question and backs hypothesis one, suggesting that advancements in FinTech directly enhance financial performance. The outcomes suggest that nations experiencing rapid FinTech growth—via avenues such as mobile banking, online lending, and digital transactions—often report higher bank profitability, likely attributable to greater operational efficiency, broader customer reach, and improved client engagement.

Furthermore, the analysis indicated a robust positive correlation between the adoption of technology and banking profitability ($r = 0.985$, $p < 0.01$). Additionally, the high correlation of 0.995 between FinTech growth and technology adoption points towards a significant dependence between the two. This reinforces hypothesis two, which posits that technology adoption functions as a mediating influence. The regression analysis affirmed that both FinTech growth and technology adoption exert significant positive partial effects on profitability, with an Adjusted R^2 of 97.3%, demonstrating a strong model.

The implications of these results suggest that adopting technology is a vital facilitator in converting FinTech innovations into real profit gains. In an environment rich with FinTech initiatives, banks that do not embrace and incorporate these advancements may struggle to realize the full extent of potential performance improvements.

The outcomes are consistent with the Technology-Organization-Environment (TOE) framework, which asserts that the successful uptake of innovation is impacted by technological readiness, internal organizational capabilities, and external market dynamics. Likewise, the Diffusion of Innovation Theory (DOI) explains that the perceived advantages and suitability of new technologies greatly affect their adoption rates, thereby influencing organizational results.

In contrast to earlier research, including work by Gomber et al. (2018) and Arner et al. (2020), which investigated the transformative impact of FinTech on financial markets, this study provides empirical evidence supporting the mediating role of technology adoption. It further illustrates that strategically embedding technology is not only supportive but essential for amplifying the effects of FinTech on profitability.

Finally, the third hypothesis (H3) concerning variations in banking profitability across countries experiencing high versus low FinTech growth was also validated through the Independent Samples T-Test. Nations with elevated FinTech growth rates displayed considerably greater banking profitability, underscoring the critical role of digital financial advancements in influencing national banking performance.

These insights enhance the comprehension of how digital transformation is altering global banking, emphasizing the need for aligned development strategies that merge progress and execution. For stakeholders such as policymakers, regulators, and banking organizations, the message is unequivocal: investments in FinTech should be accompanied by strong strategies for digital adoption to maximize their effectiveness.

5. CONCLUSION & SUGGESTION

➢ CONCLUSION

This study explored the relationship between FinTech growth, technology adoption, and banking profitability globally. The analysis indicates that the growth of the FinTech sector and the level of technology adoption by banking institutions play a crucial role in enhancing financial performance.

The main conclusions from this study are as follows:

- FinTech growth has a significant positive impact on banking profitability. The development of digital financial services such as electronic payments, online lending, and app-based banking increases operational efficiency and expands the banking market share.
- Technology adoption serves as a mediating variable that strengthens the impact of FinTech growth on profitability. Banks that actively adopt digital technologies are more effective in leveraging FinTech innovations to improve financial performance.
- Countries with high rates of FinTech growth tend to enjoy higher levels of banking profitability. This suggests that digital maturity and policies that stimulate innovation in the financial sector are critical.

This study emphasizes the importance of aligned strategies between FinTech development and banking digital readiness to maximize profitability in the era of digital

financial transformation.

➢ SUGGESTION

Based on these findings, the following recommendations can be considered:

- **For financial institutions:** Merely adopting FinTech services is insufficient; a thorough internal digital transformation is necessary to optimally leverage the benefits of technological innovation.
- **For policymakers and supervisors:** Policies are needed that not only support the growth of the FinTech sector but also encourage the digital readiness of traditional banking to create inclusive and sustainable financial development.
- **For future researchers:** It is advisable to investigate other mediating variables such as regulatory support, digital literacy, or cybersecurity preparedness. Further research could also expand the sample size across various economic regions and use a longitudinal approach to evaluate the dynamics of change over time.

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