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PERCEIVED EFFECT OF APP BASED LENDING SERVICES ON LENDING BEHAVIOUR OF BANKS: AN EMPIRICAL STUDY IN BENGALURU

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ABSTRACT

This study explores the perceived impact of app-based lending services on the lending behavior of traditional banks in Bengaluru. With the rapid emergence of FinTech platforms, banks are increasingly challenged to reassess their lending strategies and technological adaptability. The research adopts a quantitative approach using Partial Least Squares Structural EquationModeling (PLS-SEM) to examine relationships among variables such as awareness, perceived usefulness, threat perception, and adaptability. Data from 275 respondents were analyzed to understand how these factors influence banks' responses to digital lending innovations. The findings suggest that perceived usefulness significantly drives banks' adaptability, while awareness plays a key role in shaping both perceived threat and utility. Although model fit indicators showed partial limitations, the results offer valuable insights into how traditional financial institutions perceive and respond to FinTech disruptions. The study emphasizes the need for strategic collaboration between banks and digital lenders and serves as a reference for policy formulation and innovation integration.

KEYWORDS: *Perceived Effect, App Based Lending, Lending Behaviour of Banks, Awareness and Threat Perception.*

INTRODUCTION

The financial landscape in India is undergoing a seismic shift. The advent of app-based lending services, powered by the rise of financial technology (FinTech), is not just reshaping how individuals and small businesses access credit but also fundamentally challenging howtraditional banks in urban centres like Bengaluru operate, adapt, and survive. With Bengaluru known as India's Silicon Valley, the city has become the breeding ground for both FinTech innovation and financial disruption, making it a critical case study for understanding how traditional banking institutions perceive and respond to this digital wave.

At ground level, the problem faced by traditional banks is twofold: customer migration and operational inertia. Consumers, especially millennials, gig workers, and small business owners, are increasingly bypassing traditional loan application processes and opting for mobile apps that offer near-instant approvals, minimal documentation, and user-friendly interfaces. These platforms, backed by AI, machine learning, and alternative data models, are redefining how creditworthiness is assessed considering mobile usage, social media behavior, and digital payment patterns in place of conventional credit scores. The result is a rapid erosion in themarket share of traditional banks, particularly in the retail lending space, which was once their stronghold. Banks, however, are not passive observers. Some institutions have begun embracing hybrid models or forming strategic alliances with FinTech firms to maintain relevance. But many still remain cautious, constrained by regulatory uncertainty, legacy systems, and risk aversion. This inertia could cost them dearly if they fail to pivot quickly.

Yet, this disruptive force also presents a once-in-a-generation opportunity for banks to reinvent themselves. App-based lending, ifperceived and leveraged correctly, canbe atoolfor expanding financial inclusion, enhancing operational efficiency, and deepening customer engagement. The strategic integrationofFinTech models into banking operations allows institutions to move from being gate keepers of capital to becoming enablers of digital credit ecosystems. For banks willing to adapt, this is not just a threat but a lifetime opportunity to rebuild trust, broaden their consumer base,and elevate their social value by supporting segments traditionally excluded from formal financial systems.

From a bird's-eye view, the Indian financial ecosystem presents a unique interplay of policy innovation, technological acceleration, and demographic transformation. The government's emphasis on digital inclusion through initiatives like Aadhaar, UPI, and e-KYC has laid the groundwork for scalable FinTech operations. Simultaneously, India's burgeoning youth population, armed with smartphones and driven by aspirations, has demonstrated a strong preference for digital-first solutions. This convergence of infrastructure and demand has facilitated the explosive growth of app-based lending platforms in urban centres, particularly in Bengaluru. However, this transformation is not without complications. Studies reveal that app- based platforms have also introduced ethical dilemmas, such as data privacy violations,predatory lending, and internalized borrower

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guilt in the event of default particularly among financially distressed users. The unregulated segments of this industry are growing faster than regulatory bodies can respond, resulting in an oversight vacuum that jeopardizes not only consumer protection but the integrityofthe entire financialecosystem. Traditionalbanks, known for their regulatorycompliance and customer trust, are now at a crossroads: whether to compete with or collaborate with these agile disruptors.

RESEARCHGAP

This empirical study addresses a critical research gap the perception and behavioral response of banksto app-based lending services. While existing literature extensively discusses the technical evolution of FinTech, the benefits to underserved populations, and even user-side behavior and vulnerabilities, limited academic work has been dedicated to understanding how banks themselves perceive these changes and how this perception affects their lending behavior. Previous works (e.g., Murunga, 2017; Agarwal et al., 2020) largely focus on end-users or macroeconomic impacts, often sidelining the strategic decision-making of banks, especially in local, tech-driven ecosystems like Bengaluru. Moreover, the empirical data regarding banks' adaptability, the mediating roles of perceived usefulness and threat, and the indirect influences of awareness remains sparse. The structuralfindings ofthis studyrevealthat banks inBengaluru do not merely respond based on perceived threats or benefits in isolation. Instead, their lending behavior is shaped by a chain of cognitive (usefulness), emotional (threat), and informational (awareness) responses, confirming the necessity of multi-dimensional behavioral models to capture their transformation. These insights contribute not onlyto academic literature but also to the design of practical frameworks that can help banks evolve strategically and ethically in the face of digital disruption.

The potential beneficiaries of this study span across several key domains. First and foremost, banking institutions and financial strategists stand to gain by understanding the psychological and structural mechanisms through which app-based lending affects their operations. This insight will support informed decision-making regarding technology investments, policy revisions, and organizational restructuring. Second, FinTech developers and digital lending platforms can benefit by tailoring their offerings to complement, rather than compete with, the conventional banking ecosystem fostering synergistic partnerships. Third, policy-makers and regulators can use the findings to shape balanced regulatory frameworks that promote innovation while safeguarding consumer rights and financial integrity. Lastly, academic researchers and business scholars can draw on this work to explore further dimensions of organizational adaptability, technology acceptance, and inter-sectoral collaboration within emerging economies. Additionally, consumers themselves indirectly benefit from better-informed financial systems that balance agility with accountability.

In conclusion, the perceived effect of app-based lending on the lending behavior of banks is not a question of binary disruption. Instead, it is a complex, evolving narrative of mutual influence, strategic recalibration, and socio-technological negotiation. Bengaluru offers a vivid microcosm of this change, representing both the intensity of digital innovation and the institutional friction it generates. By exploring how banks perceive, internalize, and react to app-based lending, this study offers not only academic value but actionable intelligence for reshaping India's financial future in a way that is inclusive, intelligent, and innovative.

OBJECTIVES

1. To examine the relevance of app based lending services in relation to lending behaviour of banks.
2. To determine how adaptability in lending is impacted through Perceived usefulness, awareness and threat perceptions.
3. To find if app based lending services has significantly impacted bank's lending behaviour or not.

LITERATUREREVIEW

The rapid evolution of financial technology (FinTech) has significantly transformed the landscape of financial services across the globe. One ofthe most disruptive innovations has been the rise of app-based lending, particularly in emerging economies like India. This literature review explores the transformative role of FinTech in reshaping lending mechanisms, with a specific focus on the Indian context.It examines the implications for traditional banking, the role of technology in enhancing financial inclusion, and the risks and challenges associated with digital lending platforms.

FinTech has gained remarkable traction in India due to the widespread adoption of smartphones, growing internet penetration, and the government's push towards digitalization. App- based lending platforms, powered by advanced technologies such as artificial intelligence (AI), machine learning(ML), and big data analytics, have redefined how loans are assessed, approved, and disbursed. As Khatri and Bandyopadhyay (2022) note, these platforms leverage digital verfication systems, real-time analytics, and automation to streamline loan processes, resulting in faster approvals and greater accessibility, particularly for previously underserved or excluded segments of the population.

The increased efficiency and convenience provided by app-based lending have made these platforms especially attractive in urban centers such as Bengaluru, where tech-savvy consumers and small business owners seek quick credit without the bureaucractic hurdlers of traditional banking systems. Consequently, the competitive edge ofFinTech lenders has posed a significant challenge to conventional banks, prompting them to reevaluate their operational models. The emergence of digital lenders has created a dichotomy in how traditional banks respond. On one end, certain banks adopt a cautious stance, hindered by regulatory uncertainity and risk aversion. On the other end, some institutions are actively embracing digital transformation by incorporating hybrid models that blend traditional lending mechanisms with

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modern, app-based features. This shift is not just a reaction to competition but also a strategic move to remain relevant in an increasingly digitized financial ecosystem.

A central theme in this transformation is the shift incredit evaluation methods. Traditional banks have long relied on credit scores and formal financial histories. However, FinTech platforms are now utilizing alternative data sources suc as mobile usage patterns, utility payments, and social media behaviour to assess creditworthiness. This shift has pressured banks to refine their credt models, adopt more data- driven approaches, and consider alternative indicators to serve a broader customer base. One of the most frequently cited benefits of app-based lending is its potential to promote financial inclusion. By moving beyond traditional credit scoring, digital lenders can extend credit to individuals who lack formal credit histories- such as gig economy workers, self- employed individuals, and rural populations. Murunga (2017) emphasizes that FinTech innovations can bridge financial gaps by offering easy access to credit, thereby empowering marginalized communities.Agarwal et al. (2020) further argue that big data and machine learning algorithms used in FinTech lending significantly enhance financial inclusion, especially among millenials. These technologies utilize mobile and social footprints asalternative credit indicators, allowing lenders to make more nuances risk assessments. This innovation has made it possible for individuals without formal banking relationships to access credit, thus fostering greater financial equity.

India's digital public infrastructure has also played a crucial role in supporting this movement. D'silva et al. (2019) describe India's financial infrastructure as a public good, with initiatives like Aadhaar (biometric ID system), UPI (Unified Payments Interface), and e-KYC (Electronic Know Your Customer) facilitating seamless access to financial services. Thes frameworks have laid the foundation for scalable and inclusive financial systems, supporting the rapid growth of app-based lending. Understanding user behaviour is critical to analyzing the success of FinTech platforms.Lee(2017) identifies percieved ease of use, percieved usefulness, and user satisfaction as key factors influencing the adoption of mobile peer-to-peer (P2P) lending apps. Adamek and Solarz (2023) reinforce these findings, highlighting percieved trust, financial health, and risk perception as additional determinants of user engagement with digital lenders.

These factors underscore the importance of user- centric design in app-based lending platforms.Intuitive interfaces, quick disbursal, transparent terms, and responsive customer support enhance user satisfaction, which in turn increases customer loyalty and platform adoption. However, this rapid adoption is not without its pitfalls, particularly among vulnerable users. Despite its advantages, app-based lending has raised serious concerns about power asymmetries and ethical implications. Ramesh et al. (2022) delve into the dynamics between borrowers and instant loan platforms in India, focusing on financially distressed users. Their research reveals that many borrowers view these platforms favourably despite experiencing negative outcomes such as privacy violations, harassment and recurring debt cycles.

A key insight fom this study is the phenomenon of internalised blame. Borrowers often hold themselves accountable for falling into debt, rather than questioning the exploitative design ofthe platforms. This self-blame, combined with a lack of AI literacy and regulatory awareness, reinforces unequal power relationships. Moreover, the study notes that standard accountability mechanisms like audits and explainability fall short in the Global South, where regulatory structures are often weak and public trust in AI is high. To address these issues, Ramesh et al. propose a series of interventions including participatory platform design, community-based transparency mechanisms, and practioner self-reflection.These measures aim to enhance user agency and promote equitable platform governance, ensuring that technological solutions are context-sensitiveandsociallyresponsible. Asapp-based lendingcontinuesto expand, regulatory oversight has struggled to keep pace. Suryono et al. (2021) highlight the growing disparity between registerd and illegal FinTech platforms, warning of sigicant risks such as data breaches, fraud and predatory lending practices. The proliferation of unregulated platforms not only jeopardizes consumer protection but also undermines trust in the broader FinTech ecosystem.

This regulatory gap neccesitates stronger institutional frameworks that can monitor, license and audit digiatl lenders. The development of a comprehensive FinTech policy in India--encompassing data protection, ethical AI use and borrower rights is critical tomitigating these risks and ensuring sustainable growthinthe digital lending sector. While the focus ofthis review is on app- based lending and FinTech, insights from traditional banking literature remain relevant. Bhaumik and Piesse (2006) explore how bank ownership affects lending behaviour in emerging markets revealing that foreign-owned banks may be risk-averse and less inclined to lend to small or informal businesses. Their findings suggest that traditional banks may have structural biases that FinTech platforms are beginning to address through alternative risk assessment methods.

Similarly, Nachane, Ghosh, and Ray(2006) examine how internationalregulatorystandards like Basel II influence bank lending practices, with implications for monetory policy and credit availability. These insights provide a backdrop against which the flexibility and innovation of FinTech lenders can be contrasted. Moreover, Ortiz-Molina (2006) discusses the role of loan maturity in managing information asymmetry, a challnege that FinTech addresses through real- time data analytics and continuous borrower monitoring. Wilson et. Al contribute to this conversation by reviewing literature on bank performance, governance, and risk management, especially in the post-financial crisis era. Their work highights the necessity of balancing innovationwith financialstability – a challenge that becomes even more pressing inthe FinTech era.

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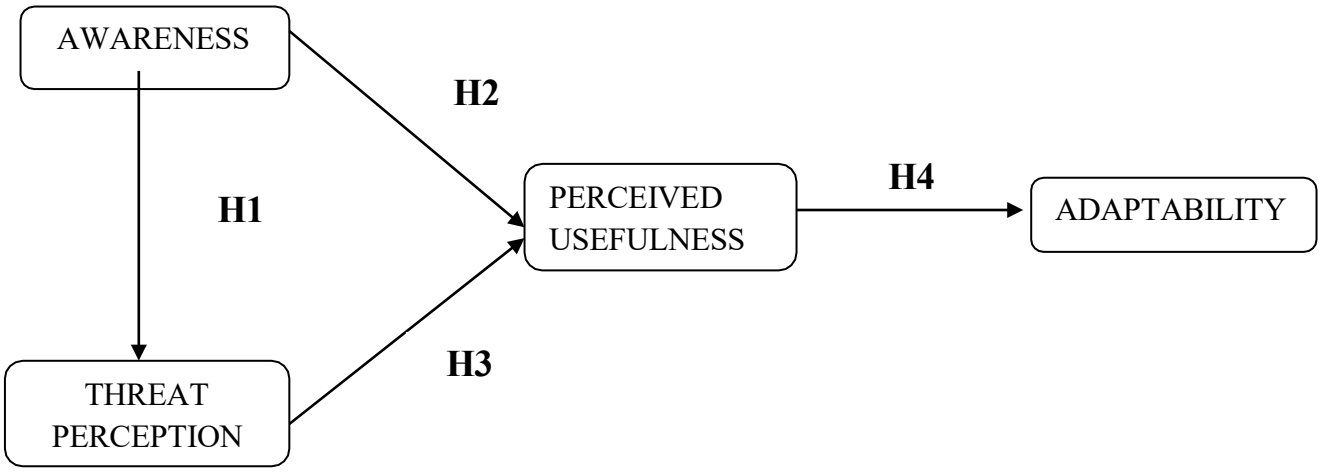
Rather than viewing FinTech as a disruptive threat, many banks are now pursuing strategic collaborations with digital enders. Berg, Fuster, and Puri (2021) as well as Seyed, Yang, and Vogel (2017) argue that such partnerships allow traditional institutional to harness the strengths of FinTech such as speed, scalability, and data driven insights while maintaining regulatory compliance and operational resilience. These collaborations can take variousforms, including while labeled lending platforms, API integrations, and data-sharing agreements. The goal is to create hybrid financial models that combine the trust and infrastructure of banks with the agility and innovation of FinTech. This approach offers a pragmatic pathway for navigating the futureof lending.

The literature reviewed highlights the profound transformation underway in India's lending ecosystem. App-based lending enabled by FinTech innoavtions, has rededined how credit is assessed, delivered, and repaid.It has broadened access to financial services, especially for underservedpopulationsand introduced new ways of evaluating risk through alternative data and AI-driven algorithms. However, this progress is accompanied by new challenges.Issues of power imbalance, lack of transparency, data misuse, and insufficient regulation raise serious ethical and structural concerns. While the promise of FinTech is undeniable, its long term impact willd epend on the development of inclusive, context-aware and accountable financial systems. Moving forward, collaboration between traditional banks and FinTech firms, along with a robust regulatory framework, will be key to ensuring that digital lending serves not only as a tool for efficiency butal so as an instrument of financial justice.As the Indian landscape continues to evolve, the balance between innovation, oversight, and inclusivity will determine the true success of app-based lending.

RESEARCHMETHODOLOGY

This study employs that using Smart PLS and a quantitative research methodology is justified for this study as it enables robust analysis of complex relationships between observed and latent variables, particularly in behavioral finance and technology adoption contexts (Hair et al., 2019). The empirical nature of the research, involving structured data collection from banks and users, aligns with quantitative methods, ensuring objectivity and generalizability (Creswell&Creswell, 2018). Smart PLS is especially suited for exploratory studies and theory development, making it ideal for assessing the perceived effects of app-based lending on bank behavior.

Hypothesis Formation



- **H1:** Awareness of app-based lending services has a significant positive effect on threat perception among traditional banks.
- **H2:**Awareness of app-based lending services positively influences the perceived usefulness of such technologies in the banking sector.
- **H3:**Threat perception dueto app-based lending services significantly impacts the perceived usefulness of these technologies among traditional banks.
- **H4:**Perceived usefulness of app-based lending services positively affects the adaptability of traditional banks toward such technologies.

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ANALYSIS OF THE SURVEY

Path Coefficients

Path Coefficients	
AWS->PU	0.411
AWS->TP	0.788
PU->ADL	0.873
TP->PU	0.494

Table 1.0:Showing Path coefficients

The path analysis reveals significant relationships among key variables. Awareness positively influences Perceived Usefulness (β = 0.411) and strongly impacts Threat Perception (β = 0.788), indicating that increased awareness of app-based lending elevates both recognition of utility and perceived competitive threat. Perceived Usefulness strongly predicts Adaptability (β = 0.873), suggesting that banks perceiving such platforms as beneficial are more inclined to adapt. Additionally, Threat Perception positively affects Perceived Usefulness (β = 0.494), implying that perceived threats may also highlight functional value. Overall, the findings reflect acomplex, interrelated dynamic driving banks' strategic responses to digital lending innovationsin Bengaluru.

Specific Indirect Effects

Specific Indirect Effects	
TP->PU->ADL	0.431
AWS-> PU->ADL	0.359
AWS-> TP-> PU->ADL	0.340
AWS-> TP->PU	0.389

Table1.1: Showing Specific Indirect Effects

The specific indirect effects analysis reveals key mediation pathways. Threat Perception influences Adaptability significantly through Perceived Usefulness (β = 0.431), underscoring the critical role of utility perception in shaping adaptive behavior. Likewise, Awareness indirectly impacts Adaptability via Perceived Usefulness (β = 0.359), and through a sequential path— Awareness → Threat Perception→ Perceived Usefulness → Adaptability—witha notable effect (β = 0.340). Additionally, Awareness impacts Perceived Usefulness via Threat Perception (β = 0.389).These findings highlight the multi dimensional influence of awareness and perceived risks, demonstrating how both cognitive and emotional factors mediate banks' adaptability to app-based lending.

Total Effects

Totaleffects	
AWS->ADL	0.698
AWS->PU	0.800
AWS->TP	0.788
PU->ADL	0.873
TP->ADL	0.431
TP->PU	0.494

Table1.2:Showing Totaleffects

The total effects analysis reveals that Perceived Usefulness has the strongest influence on Adaptability (0.873), followed by Awareness (0.698) and Threat Perception (0.431). Awareness also strongly affects Perceived Usefulness (0.800) and Threat Perception (0.788), suggesting its foundationalrole in shaping bothperceptionsand responses. Notably, Threat Perception exertsa moderate effect on Perceived Usefulness (0.494). These findings underscore the pivotal role of Awareness in fostering adaptability both directly and indirectly through mediators. The effect sizes indicate substantial relationships, aligning with established standards (e.g., Hair et al.,2017) for interpreting path coefficients in structural equation modeling.

Outer Loadings

	Outerloadings
ADL1<-ADL	0.860
ADL2<-ADL	0.760
ADL3<-ADL	0.635
ADL4<-ADL	0.772
ADL5<-ADL	0.846
AWS1<- AWS	0.805
AWS2<- AWS	0.747

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AWS3<- AWS	0.733
AWS4<- AWS	0.458
AWS5<- AWS	0.868
PU1 <-PU	0.823
PU2 <-PU	0.533
PU3 <-PU	0.851
PU4 <-PU	0.788
PU5 <-PU	0.837
TP1<-TP	0.878
TP2<-TP	0.775
TP3<-TP	0.869
TP4<-TP	0.604
TP5<-TP	0.773

Table1.3:ShowingOuterloadings

The outer loadings indicate that most indicators exhibit strong relationships with their respective constructs, meeting the recommended threshold of ≥0.70 (Hair et al., 2017). All Adaptability items load above 0.63, with ADL3 slightly below the ideal cutoff. Awareness items mostly perform well, though AWS4 (0.458) falls below the acceptable limit and may require reconsideration or removal. Perceived Usefulness shows strong loadings except for PU2 (0.533), suggesting limited contribution.

Threat Perception indicators are all acceptable, with TP4 (0.604) being marginal. Overall, the measurement model demonstrates satisfactory indicator reliability, though a few items warrant refinement for improved construct validity.

Construct Reliability and Validity:

	Cronbach's alpha	**Composite reliability(rho_a)**	**Composite reliability (rho_c)**	**Average variance Extracted (AVE)**
ADL	0.834	0.841	0.884	0.606
AWS	0.775	0.819	0.850	0.541
PU	0.828	0.852	0.881	0.601
TP	0.839	0.849	0.888	0.618

Table1.4:Showing Construct reliability and validity

The constructs demonstrate strong internal consistency and convergent validity. Cronbach's alpha values range from0.775 to 0.839, exceeding the recommended 0.70 threshold (Hair et al., 2017), indicating reliable scale measurement. Composite reliability (ρc) values are all above0.85, confirming high construct reliability. Average Variance Extracted (AVE) values surpassthe 0.50 benchmark for all constructs, with Threat Perception exhibiting the highest AVE (0.618), indicating satisfactory convergent validity. These results confirm that the measurement Model exhibits reliable internal consistency and adequate construct validity, supporting the robustness of the latent variables used in the structural equation modeling.

Discriminant Validity

	ADL	**AWS**	**PU**	**TP**
ADL				
AWS	0.971			
PU	1.054	0.989		
TP	0.889	0.977	0.977	

Table1.5:Showing Discriminant Validity

The discriminant validity assessment, based on inter-construct correlations, reveals significant concerns. All latent constructs Adaptability, Awareness, Perceived Usefulness, and Threat Perception display extremely high correlations, with some exceeding 1.0 (e.g., Perceived Usefulness Adaptability = 1.054), indicating potential multicollinearity or model misspecification. According to Fornell and Larcker(1981), correlations should remain below 0.85 to confirm adequate discriminant validity.

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Values close toor exceeding 1.0 violate the basic assumption of discriminant validity, suggesting the constructs may not be empirically distinct. Further analysis, such as HTMT ratios or model respecification, is recommended to address these issues and ensure theoretical clarity and measurement accuracy.

Model Fit

	Saturated Model	Estimated Model
SRMR	0.128	0.129
d_ULS	3.446	3.506
d_G	1.429	1.442
Chi-square	2798.763	2823.965
NFI	0.575	0.572

Table 1.6: Showing Model fit

The model fit indices suggest an inadequate model fit. The Standardized Root Mean Square Residual (SRMR) for the saturated and estimated models is 0.128 and 0.129 respectively, both exceeding the recommended threshold of 0.08 (Hu & Bentler, 1999), indicating poor fit. Similarly, the Normed Fit Index (NFI) values of 0.575 (saturated) and 0.572 (estimated) fall below the acceptable cut off of 0.90, suggesting insufficient comparative fit. Thed_ULSandd_G values are notably high, and the Chi-square statistics (2798.763 and 2823.965) further indicate potential misfit. These findings highlight the need for model respecification to improve structural validity and fit adequacy.

DISCUSSIONS

The results of this study highight a complex interplay between awareness, perceived usefulness, threat perception, and adaptability in shaping bank's responses to app based lending innovations in Bengaluru. The structural model indicates that awareness of such digital platforms is apivotal factor, significantly influencing both perceived usefulness and threat perception. Notably, awareness exerts the strongest total effects on perceived usefulness (β = 0.800) and threat perception (β= 0.788), demonstrating its foundational role in shaping cognitive and emotional evaluations of app-based lending.

Perceived usefulness emerged as the most powerful direct predictor of adaptability (β = 0.873), suggesting that when banks recognize the utility of these platforms, they are more inclined to adapt operationally and strategically.Furthermore, threat perception does not fumction solely as a deterrent; instead, it exerts an indirect influence on adaptability via perceived usefulness (β= 0.431),indicating that competitive concerns mayenhance attentivenessto the functional benefits of innovation.

The analysis of indirect and total effects underscores the mediating role of perceived usefulness, particularly in the path from awareness and threat perceptions to adaptability. This suggests a nuanced mechanism wherein awareness fosters both rational evaluations (usefulness) and affective responses (threat), both of which coalesce to influence adaptive behaviour.

However, despite the theoretical strength of these relationships, the model exhibits poor fit indices (SRMR> 0.12; NFI < 0.60), raising concerns about model validity. Discriminant issues especially inter-construct correlations exceeding 1.0 suggest issues especially inter-construct correlations exceeding 1.0 suggest multicollinearity and lack of construct distinctiveness. These findings indicate that while the conceptual model offers valuable insights into strategic adaption, methodological refinements such as indicator pruning, construct redefinition, or alternative model configurations are essential to enhance empirical clarity.

Implications for Research

The findings of this study offer valuable implications for future research in digital banking and financial innovation adoption. Firstly, the demonstrated mediating role of Perceived Usefulness in linking both Awareness and Threat Perception to Adaptability highlights the importance of examining cognitive and emotional pathways simultaneously. Future research can build on this integrated framework to explore how these psychological dimensions interact in other geographic and institutional contexts. Additionally, the observed high inter-construct correlations and poor model fit suggest that more refined measurement approaches and alternative model specifications are necessary. Scholars should explore advanced structural equation modeling techniques such as higher-order constructs or latent class analysis to better capture the multidimensional nature of bank behaviour in response to fintech disruptions. Lastly, the study opens up avenues for comparative research across countries or bank sizes to understand how contextual differences moderate the pathways to strategic adaptability.

Implications for Practice

From a practical standpoint, the study offers actionable insights for banking institutions seeking to navigate the rising trend of app-based lending. The dominant influence of Perceived Usefulness (β = 0.873) on Adaptability suggests that emphasizing the functional benefits of digital lending platforms can significantly foster openness to innovation among bank decision-makers. Furthermore, Awareness serves as a foundational driver, impacting both perceived usefulness and competitive threat. Thus, training programs, internal workshops, and strategic communication campaigns that increase awareness of fintech trends may enhance not only acceptance but also strategic responsiveness. Interestingly, the dual role of Threat Perception as both a motivator and a cognitive trigger points to the need for banks to reframe threats as potential growth opportunities.

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Policymakers and consultants can also utilize these insights to design interventions that balance risk awareness with benefit recognition to drive digital transformation more effectively.

Limitations of the Study

Despite offering critical insights into banks' adaptability toward app-based lending, this study faces several limitations. The poor model fit indices (SRMR > 0.12; NFI < 0.60) anddiscriminant validity concerns such as inter-construct correlations exceeding 1.0 raise concerns about the robustness and distinctiveness of the constructs used. Additionally, the findings are context-specific to Bengaluru and may lack generalizability to other regions or banking environments. The study also relies heavily on perceptual measures, which can be subject to respondent bias. Future research should incorporate longitudinal data and diverse geographic samples to validate and extend these findings.

CONCLUSION

his study shows about App-based lending has changed bank lending practices in Bengaluru by creating an environment of increased competition and operational efficiency and new customer- focused innovations. The digital platforms take advantage of AI alongside big data and machine learning expertise to deliver quick accessible loan strategies which particularly benefit underserved consumer groups. Traditional banking institutions must now adjust their operations because they need to boost digital competencies and modify their loan practices. Researchreveals fundamental changes in banking organizations because they adopt FinTech principles to staycompetitiveandrelevant inthe market.Theincreasingdemand for app-based lendingshows that customers are experiencing a basic shift in their preferences despite banks maintaining their regulatory trust and infrastructure strength. Such transformations in financial services indicate both modern operational methods and technologydependence that will push forward sustainable lending practices while prioritizing digital innovation and financial inclusion.

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