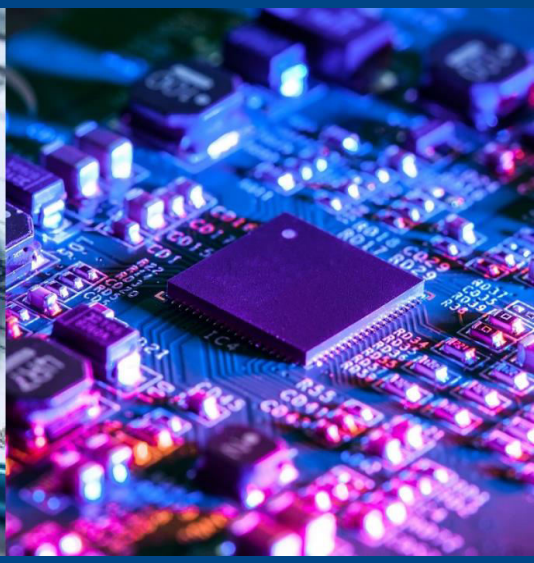
ISSN: 2582-7219





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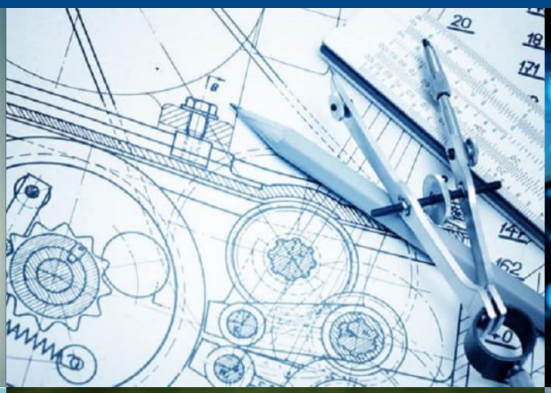

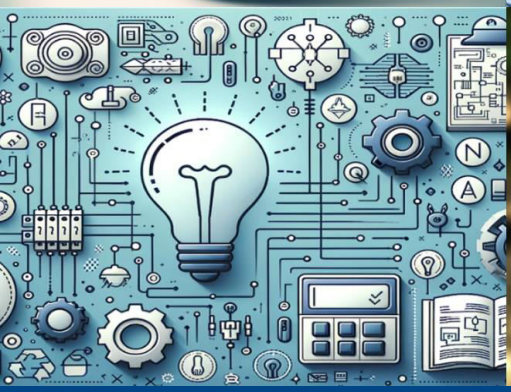

Impact Factor: 8.206 **Volume 9, Issue 4, April 2026**

© 2026 IJMRSET | Volume 9, Issue 4, April 2026| DOI:10.15680/IJMRSET.2026.0904102

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Blockchain Adoption in the Indian Financial Services Sector: Opportunities and Risks with Reference to Banks and FinTech Firms

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ABSTRACT: Blockchain technology has emerged as a transformative innovation with the potential to significantly enhance efficiency, transparency, and security within financial systems. This study examines blockchain adoption within the Indian financial services sector, focusing on public sector banks, private sector banks, and FinTech firms, represented by State Bank of India, ICICI Bank, and Paytm. The research aims to identify key determinants influencing blockchain adoption and to evaluate associated opportunities and risks within a regulated emerging market context.

Primary data were collected from 120 professionals using a structured questionnaire and analyzed using descriptive statistics, reliability testing, correlation analysis, and multiple regression techniques. The findings indicate that blockchain adoption in India is moderate and uneven across institutions, with FinTech firms demonstrating higher adoption intensity compared to traditional banks. Technological readiness emerges as the most significant determinant of adoption, followed by perceived usefulness and regulatory clarity, while perceived risk negatively impacts adoption. The study contributes to existing literature by integrating behavioral and institutional theoretical frameworks to explain blockchain adoption in regulated financial environments. It also provides practical insights for financial institutions and policymakers to enhance blockchain implementation through improved infrastructure, regulatory clarity, and risk management.

KEYWORDS: Blockchain, Financial Services, FinTech, Technology Adoption, Regulatory Clarity, India

I. INTRODUCTION

The global financial services sector is undergoing rapid transformation driven by digital technologies, automation, and data-centric innovation. Among these advancements, blockchain technology has emerged as a critical infrastructure capable of redefining financial transactions, record-keeping, and institutional trust mechanisms. Unlike traditional centralized systems, blockchain operates as a decentralized distributed ledger that ensures transparency, immutability, and real-time transaction verification.

In financial services, blockchain offers significant advantages by reducing dependency on intermediaries, lowering transaction costs, and enhancing operational efficiency. Processes such as clearing, settlement, reconciliation, and compliance verification—traditionally complex and time-consuming—can be streamlined through blockchain-based systems. Additionally, the technology enables secure and tamper-proof record-keeping, reducing fraud and improving auditability.

India represents a unique context for studying blockchain adoption due to its rapid digital transformation, supported by initiatives such as UPI, Aadhaar, and digital banking platforms. Despite these advancements, structural inefficiencies such as delayed reconciliation, redundant KYC processes, and fraud vulnerabilities persist. Blockchain technology has the potential to address these challenges by enabling secure data sharing and decentralized verification.

However, adoption within India remains cautious and uneven. Regulatory uncertainty, integration challenges with legacy systems, scalability issues, and cybersecurity concerns

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|

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continue to hinder widespread implementation. Furthermore, adoption varies across institutional types, with FinTech firms demonstrating higher agility compared to traditional banks.

This study aims to examine blockchain adoption across different institutional categories and to identify key factors influencing adoption within the Indian financial ecosystem.

II. LITERATURE REVIEW

Blockchain technology has been widely studied across multiple dimensions, including technological architecture, economic implications, and financial applications. Nakamoto (2008) introduced blockchain as the underlying mechanism for Bitcoin, demonstrating how decentralized systems can enable secure transactions without intermediaries. Subsequent research expanded its scope to financial services, highlighting its potential to enhance transparency, efficiency, and trust.

Tapscott and Tapscott (2016) conceptualized blockchain as a transformative technology capable of disrupting traditional financial systems through smart contracts and decentralized processes.

However, their work largely focuses on theoretical benefits and lacks empirical validation in regulated environments. Catalini and Gans (2016) examined blockchain from an economic perspective, emphasizing its ability to reduce transaction and verification costs. Similarly, Peters and Panayi (2016) explored its application in banking operations, particularly in clearing and settlement processes, highlighting efficiency gains and cost reductions.

Behavioral perspectives are informed by the Technology Acceptance Model (Davis, 1989), which identifies perceived usefulness as a key determinant of adoption. Institutional Theory (DiMaggio & Powell, 1983) further emphasizes the role of regulatory pressures in shaping organizational behavior, particularly in highly regulated sectors such as banking.

Kshetri (2018) highlights that adoption in developing economies is often constrained by infrastructural and institutional limitations. Casino et al. (2019) identify scalability, interoperability, and security as major technical challenges in blockchain implementation.
Despite extensive research, there remains a lack of empirical studies examining blockchain adoption within the Indian financial sector, particularly across different institutional types.

RESEARCH OBJECTIVES AND HYPOTHESES

This study aims to examine blockchain adoption within the Indian financial services sector and identify the key determinants influencing adoption across different institutional types.
The specific objectives are as follows:

- To evaluate the level of blockchain adoption across public sector banks, private sector banks, and FinTech firms
- To identify opportunities associated with blockchain adoption such as efficiency, transparency, and fraud reduction
- To analyze risks including regulatory uncertainty, cybersecurity concerns, and integration challenges
- To examine the relationship between technological readiness, perceived usefulness, regulatory clarity, perceived risk, and blockchain adoption intensity

© 2026 IJMRSET | Volume 9, Issue 4, April 2026| DOI:10.15680/IJMRSET.2026.0904102

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Table 1: Research Hypotheses

Hypothesis	Test Applied	Expected Outcome
H1: Perceived usefulness positively influences blockchain adoption	Correlation + Regression	$\beta > 0, p < 0.05$
H2: Technological readiness positively influences blockchain adoption	Regression Analysis	$\beta > 0, p < 0.05$
H3: Regulatory clarity positively influences blockchain adoption	Regression Analysis	$\beta > 0, p < 0.05$
H4: Perceived risk negatively influences blockchain adoption	Regression Analysis	$\beta < 0, p < 0.05$

III. RESEARCH METHODOLOGY

3.1 Data and Sample

The study is based on primary data collected from 120 respondents working in financial institutions, including State Bank of India, ICICI Bank, and Paytm. Respondents were selected using purposive sampling to ensure domain expertise in areas such as IT, compliance, and digital transformation.

Data were collected using a structured questionnaire based on a 5-point Likert scale, measuring key constructs such as blockchain adoption intensity, perceived usefulness, technological readiness, regulatory clarity, and perceived risk.

3.2 Analytical Framework

The study adopts a quantitative analytical approach using SPSS software. The methodology includes:

- **Descriptive statistics** to analyze mean values and variability
- **Reliability analysis (Cronbach's Alpha)** to assess internal consistency
- **Pearson correlation** to examine relationships between variables
- **Multiple regression analysis** to test hypotheses The regression model is specified as:

$$BAI = \beta_0 + \beta_1(PU) + \beta_2(TR) + \beta_3(RC) + \beta_4(PR)$$

where blockchain adoption intensity (BAI) is the dependent variable and the remaining variables are independent predictors.

IV. DATA ANALYSIS AND RESULTS

5.1 Descriptive Analysis

The descriptive analysis indicates that blockchain adoption in the Indian financial sector is moderate, with a mean value of **3.65**. Significant variation exists across institutions, with FinTech firms demonstrating higher adoption levels compared to traditional banks.

Key variable means include:

- Perceived Usefulness: **4.02**
- Technological Readiness: **3.88**
- Regulatory Clarity: **3.52**
- Perceived Risk: **3.45**

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These results suggest strong recognition of blockchain benefits but moderate readiness and regulatory uncertainty.

5.2 Reliability Analysis

Cronbach's Alpha values for all constructs exceed **0.70**, indicating acceptable internal consistency.

Variable	Cronbach's Alpha
Blockchain Adoption Intensity	0.82
Perceived Usefulness	0.85
Technological Readiness	0.81
Regulatory Clarity	0.79
Perceived Risk	0.78

5.3 Correlation Analysis

Correlation analysis reveals significant relationships between variables:

- Technological Readiness → BAI (**r = 0.61**)
- Perceived Usefulness → BAI (**r = 0.58**)
- Regulatory Clarity → BAI (**r = 0.48**)
- Perceived Risk → BAI (**r = -0.42**)

The results indicate that infrastructure and perceived benefits positively influence adoption, while risk acts as a barrier.

5.4 Regression Analysis and Hypothesis Testing

Regression analysis confirms the significance of all variables:

Variable	Beta (β)	Significance
Technological Readiness	0.41	$p < 0.001$
Perceived Usefulness	0.36	$p < 0.01$
Regulatory Clarity	0.32	$p < 0.01$
Perceived Risk	-0.27	$p < 0.05$

The model explains **64% of variance ($R^2 = 0.64$)**, indicating strong explanatory power.

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Hypothesis Results:

- H1: Accepted
- H2: Accepted
- H3: Accepted
- H4: Accepted

V. FINDINGS AND DISCUSSION

The study reveals that blockchain adoption in India is progressing gradually, with significant variation across institutional types. FinTech firms demonstrate higher adoption due to agility and digital infrastructure, while public sector banks show cautious adoption due to regulatory and structural constraints.

Technological readiness emerges as the strongest determinant, indicating that infrastructure plays a critical role in adoption. Perceived usefulness also significantly influences adoption, confirming the relevance of behavioral theories such as TAM.

Regulatory clarity plays an important enabling role, while perceived risk acts as a major barrier, particularly in regulated institutions. These findings highlight that blockchain adoption is influenced by a combination of technological, behavioral, and institutional factors.

VI. CONCLUSION

This study concludes that blockchain adoption in the Indian financial services sector is moderate and evolving, driven primarily by technological capability and institutional dynamics. While financial institutions recognize the benefits of blockchain, adoption remains constrained by infrastructural limitations, regulatory uncertainty, and risk perception.
The findings confirm that technological readiness is the most critical factor influencing adoption, followed by perceived usefulness and regulatory clarity. Perceived risk negatively impacts adoption, highlighting the importance of effective risk management.

The study contributes to literature by integrating behavioral and institutional frameworks and provides practical insights for financial institutions to enhance blockchain adoption through
infrastructure development, regulatory alignment, and strategic implementation.

VII. LIMITATIONS

The study has certain limitations. It is based on cross-sectional data, which may not capture
changes over time. The use of self-reported responses may introduce bias, and the sample size is limited to three institutions. Additionally, the study focuses on selected variables and does not
include factors such as organizational culture or competitive dynamics.

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