

Fintechs and Banks: Working Together, Competing, or Converging? Theoretical Approach

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Abstract

This article examines how the relationship between financial technology firms (fintechs) and traditional banks has evolved from initial competitive tension to increasingly collaborative and convergent models. The purpose of the study is to clarify the mechanisms through which these interactions develop and to determine their implications for the future structure of financial services. The scope focuses on strategic, technological, and regulatory factors shaping this evolution, particularly within the European financial ecosystem. The methodology is based on a critical review of recent academic literature, complemented by empirical evidence from industry reports, institutional publications, and contemporary market examples. This combined approach enables the identification of consistent patterns in the responses of fintechs and banks to technological disruption, regulatory developments, and changing consumer expectations. The analytical framework draws on theories of industrial organization, coopetition, and digital transformation in banking. The findings demonstrate a three-phase progression. First, competition arises as fintechs employ technological agility, product specialization, and data driven decision making to challenge banking incumbents in areas such as payments, consumer lending, and wealth management. Second, cooperation intensifies as both sectors recognize mutually beneficial complementarities. This results in collaborative models involving API based open banking integrations, white label technological solutions, joint product development, strategic investments, and accelerator programmes. Third, convergence emerges as fintechs pursue banking licenses and expand regulated activities, while banks adopt fintech like models through digital only units, embedded finance architectures, and banking as a service platforms. Regulatory frameworks such as PSD2 and DORA facilitate this shift by promoting interoperability, data sharing, and operational resilience. The article contributes to the field by demonstrating that fintech–bank boundaries are becoming increasingly fluid. It argues that the financial sector is transitioning toward a hybrid ecosystem that integrates technological innovation with regulatory robustness, providing important implications for policymakers, financial institutions, and scholars examining the digital transformation of financial intermediation.

Keywords: fintech–bank convergence, digital financial ecosystems, coopetition in financial services, regulatory frameworks (PSD2/DORA)

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