

UNIVERSITI TEKNOLOGI MARA

**DETERMINANTS OF FINTECH FIRMS'
SURVIVABILITY-MODERATING ROLE
OF FINTECH EXPERIENCE**

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ABSTRACT

Financial technology (Fintech) has become a significant area of research because it is changing the economy and consumers' lives in unexpected ways. Fintech refers to companies or agents that use advanced and innovative technologies to connect them with financial services. Most researchers have studied the concept of Fintech, the development of Fintech, the relationship between Fintech and banks, and the impact of Fintech on the banking sector. The Fintech industry is characterized by intense competition and a high rate of company failures. Further understanding of the issues and contributing factors towards survivability of Fintech firms should be gathered and empirically tested. This research seeks to empirically investigate these issues, focusing on industry specific characteristics, firm specific characteristics, Fintech specific characteristics, and the experiences of Fintech firms in Malaysia, aiming to provide empirical evidence and insights into what contributes to the survivability of Fintech firms in the Malaysian context. Industry specific characteristics were represented by the independent variables of pressure intensity and regulatory support. Firm specific characteristics included the independent variables: firm size, size of the management team, and internationalization scope. Fintech capabilities represented Fintech specific characteristics. Additionally, Fintech experience acted as a moderator between firm specific characteristics and Fintech firms' survivability. In this study, a quantitative approach using the questionnaire survey method was used to collect data. The population of this study were 233 Fintech companies in Malaysia as the unit of analysis. Based on the population, stratified random sampling was used to select the sample which yielded 102 usable questionnaires. Statistical Package for Social Sciences (SPSS) version 25 and SmartPLS version 4 were used for data analysis. The hypotheses of the study were tested using SmartPLS version 4 as it meets the measurement and complexity criteria of the study's data scale. The results showed that regulatory support and Fintech capabilities significantly affect the Fintech firms' survivability. However, pressure intensity, firm size, size of management team, internationalization scope, and Fintech capabilities do not significantly influence Fintech firms' survivability. This study has a few important potential implications. First, it could fill the gaps in the existing literature and provide useful guidelines that could promote the survivability of Fintech firms in Malaysia. The findings of this study could also be relevant to policymakers seeking to support the Fintech sector.

Keywords: Financial Technology, Fintech Firms' Survivability, Industry specific Characteristics, Firm specific Characteristics, and Fintech specific Characteristics

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

This chapter provides an overview and the foundation for this thesis that focuses on the factors determining the financial technology (Fintech) firms' survivability in Malaysia. Fintech has become increasingly prevalent in Malaysia in recent years. As the sector has flourished, so has the necessity to comprehend the factors contributing to these firms' survivability. In 2021, the Malaysian government issued the Twelfth Malaysia Plan, 2021-2025 (Twelfth Plan), which listed Fintech as one of its priorities. This initiative aims to position Malaysia as a regional hub for Fintech, delivering both conventional and Islamic Fintech services. These initiatives will involve introducing Fintech accelerator programmes to encourage the establishment of Fintech companies in Malaysia. This initiative will also facilitate networking, investment, mentorship, and customer acquisition for early-stage Fintech companies to facilitate business expansion and speed up innovation in digital financial services (The Twelfth Malaysia Plan, 2021–2025).

The firm's survivability is essential to study for various reasons. Fintech is a relatively new type of business, and there is still much to be known about its long-term prospects. As the Fintech sector continues to grow and evolve, it is vital to understand the factors contributing to a firm's survivability over time. By knowing these essential factors, Fintech firms can lay the foundation for long-term growth and success. As the industry continues to grow and evolve, firms must keep up with the latest changes to maintain their competitive edge. To thrive and meet the challenges, Fintech businesses must be agile. Realizing the factors contributing to a firm's survivability is essential to success in the Fintech industry.

Therefore, this study seeks to test the factors determining Fintech firms' survivability in Malaysia. Factors that drive Fintech firms' survivability will be classified under three characteristics: industry specific characteristics, firm specific characteristics, and Fintech specific characteristics. A theoretical model was developed to close the knowledge gaps found in previous studies. In addition, this research