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Exploring Individual Perspectives on Financial Technology (Fintech) Usage and Its Impact: A Malaysian Perspective.

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Abstract

Rapid advancements brought forth by the Industrial Revolution 4.0 have revolutionized many aspects of daily life, particularly in financial technology (Fintech). Despite its benefits, such as time efficiency, transaction flexibility, and service convenience, mobile application security risks remain a major concern for Fintech users and innovators. The growing, tech-savvy population further drives the need for secure digital financial solutions. Advanced encryption technologies and increased usage of mobile apps and digital wallets enhance the security and trustworthiness of online transactions. This study aims to identify key factors influencing Fintech usage from individuals' perspectives. It highlights how Fintech aids daily life activities, focusing on a youthful, tech-savvy population in Klang Valley, Malaysia. Using causal research, data was collected online via Google Forms from 300 respondents and analyzed with SPSS (Version 27) through descriptive and multiple regression methods. Results indicate that security, innovativeness, and benefits factors significantly predict Fintech usage in Klang Valley, Malaysia. These findings suggest that financial institutions are crucial in promoting digital literacy and encouraging Fintech adoption. Additionally, the government should accelerate ICT infrastructure improvements, expand mobile broadband, support Fintech start-ups, provide regulatory sandboxes, and encourage financial institutions to innovate for the unbanked population. This research provides valuable insights for regulators, policymakers, financial institutions, and the public on Fintech's role in daily life.

Keywords
Fintech, Digital Literacy, Mobile Application Security, ICT Infrastructure, Financial Innovation

1.0 Introduction

Fintech refers to any technological innovation applied to the financial sector, aiming to enhance the delivery of business services. It encompasses the transformative processes within the financial sector through the introduction and utilization of information and communication technology (Gomber, Koch, & Siering, 2017). The evolution of Fintech began in the 1950s with the introduction of credit cards to simplify daily transactions and ATMs to replace human tellers. By the late 1970s, electronic stock trading and the use of mainframe computers for record-keeping emerged as significant advancements in financial technology. The 1990s saw the rise of the internet and e-commerce, further transforming financial transactions. Entering the new millennium, financial institutions began transitioning from traditional customer service methods to modern technological solutions. Mobile banking, for instance, allows users to conduct financial transactions remotely using smartphones or tablets. This service extends beyond mobile payments to include electronic funds transfers via debit or credit cards at points of sale. Today, individuals and businesses can easily access Fintech services. Fintech enables companies to leverage technology for various services, including banking,

shopping, bill payments, and insurance. Popular examples of Fintech applications include mobile payment systems like Apple Pay, PayPal, and Google Wallet. These technologies offer user-friendly options for consumers, enhancing convenience. For instance, services like Credit Karma enable users to compare and select credit offers quickly, streamlining the decision-making process.

According to Salehi and Torabi (2012), information technology plays a crucial role in overcoming barriers related to location and time, enabling users to access information more efficiently and promptly. The increasing availability of digital information on the Internet facilitates planning across various sectors, including business, scientific research, and technology, thereby boosting the global economy and creating new challenges and opportunities. Despite efforts to ignore technological advancements, their significance is evident in the ongoing evolution and daily functioning of technology-based services.

As users increasingly transition to cashless transactions, technology becomes essential in supporting this shift, with Fintech providing a solid foundation for digital payments, electronic money transfers, and e-wallet services (Alam et al., 2021). The adoption of financial technologies by banks, businesses, and the e-commerce sector is crucial for offering secure and real-time financial solutions. In Malaysia, the introduction of credit cards in the 1950s marked the beginning of Fintech innovations aimed at reducing the need for physical cash. The 1990s saw the development of internet banking, and the 21st century brought significant advancements, including robo-advisors, crowdfunding platforms, mobile wallets, and payment applications (Huei et al., 2018). From 2016 to 2018, Malaysia's e-payment transaction value per capita rose from RM550,703 to RM668,785, and the number of electronic payments per person increased from 97.5% to 124.6%. In contrast, the reliance on checks diminished, with their transaction value decreasing from RM52,646 to RM44,215 and the volume falling from 4.2% to 3.1% (Rafiuddin, 2019).

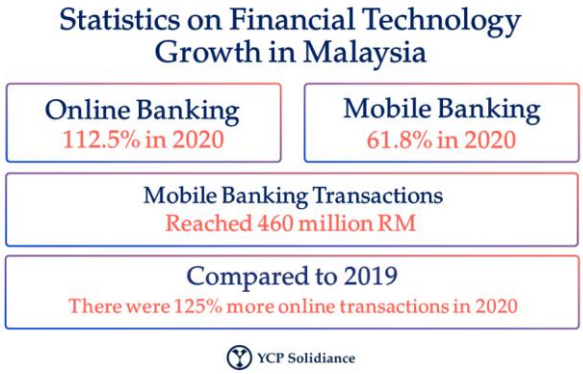

Figure 1: Statistics on Financial Technology Growth in Malaysia
Source: YCPS Marketing & Communication Group, Noah Imson (2022)

Based on Figure 1, advancements in artificial intelligence and machine learning are driving Malaysia's Fintech landscape, with digital transfers, cryptocurrency, crowdfunding, and other financial innovations such as digital payments and e-wallets at the forefront. The pandemic in March 2020 accelerated the adoption of Fintech applications due to government-imposed movement restrictions, pushing banks and financial institutions to operate virtually and encouraging customers to use digital platforms. This shift allowed banks to expand their digital offerings with enhanced features and security measures. In response to the growing Fintech trend, Bank Negara Malaysia (BNM) and Malaysia Digital Economy Corporation

(MDEC) launched the Fintech Booster in August 2020 to support Fintech development. At the end of 2020, BNM issued a Policy Document on Licensing Framework for Digital Banks, paving the way for digital banking and Neobank establishments in Malaysia. In 2021, MoneyLion's Foong Chee Mun became the first Malaysian Fintech founder on the NYSE. In April 2022, five digital bank licenses were awarded to consortia under the Financial Services Act 2013 and Islamic Financial Services Act 2013, marking a significant milestone in Malaysian Fintech history. Subsequently, the Prime Minister launched Malaysia Digital initiatives, led by MDEC, to further enhance the Fintech business environment (Hamid, Suria, Jasni, 2024).

Although many researchers and practitioners believe Fintech can revolutionize the financial industry, its adoption remains uncertain. Skepticism persists among users due to significant risks. Key barriers to adoption include financial risks (such as potential losses and additional fees), regulatory uncertainties, security and privacy vulnerabilities, and operational concerns within Fintech companies. Customers weigh the expected value of adopting Fintech by considering both its benefits and risks, ultimately deciding to adopt only if the perceived benefits outweigh the associated risks (Ryu, 2018)

Fintech, encompassing technological innovations applied to the financial sector, has significantly transformed financial services by integrating information and communication technology (Gomber, Koch, & Siering, 2017). Its evolution from the introduction of credit cards in the 1950s to modern applications like mobile banking and digital wallets illustrates a continuous advancement in how financial transactions are conducted. In Malaysia, this evolution is marked by increased adoption of e-payments and digital banking, with a notable surge in Fintech usage driven by advancements in artificial intelligence and the impacts of the COVID-19 pandemic (Alam et al., 2021; Huei et al., 2018; Rafiuddin, 2019). Despite the promising advancements, skepticism persists among users due to perceived risks, including financial uncertainties, regulatory issues, and security concerns (Ryu, 2018).

However, there remains a critical gap in understanding how individual perspectives on Fintech influence its adoption and usage. Existing research often focuses on the technological or regulatory aspects of Fintech, leaving a gap in exploring how personal attitudes and experiences impact the acceptance and practical use of these technologies. This study aims to address this gap by investigating individuals' perspectives on Fintech usage, using Descriptive Statistics, Correlation Analysis, and Regression Analysis with SPSS version 27. By analyzing these perspectives, the study seeks to offer a comprehensive understanding of the factors driving Fintech adoption and its impact on personal financial management.

The remainder of the paper is structured as follows: Section 2 reviews the existing literature on Financial Technology (Fintech), highlighting key trends, methodologies, and research gaps. Section 3 provides a detailed explanation of the research design and methodology. Section 4 presents and discusses the findings from the data analysis, emphasizing significant patterns, correlations, and the impact of Fintech usage on individual financial behaviors. Finally, Section 5 summarizes the results, offers conclusions on the influence of Fintech on personal finance management, and provides recommendations for future research and practical implications for enhancing Fintech applications and user experiences.

2.0 Literature Review

In Malaysia, Fintech is a rapidly developing sector. As a result, the country faces both opportunities and challenges in utilizing cutting-edge technologies (Yusoff et al., 2022). Positively, the number of Fintech start-ups is growing. The Malaysian Digital Economy Corporation (MDEC) aims to accelerate the

development of the digital economy, making it inclusive and profitable for all Malaysians (MDEC, 2022). MDEC's three main objectives are to stimulate investments in the digital industry, empower Malaysians with digital skills, and support technology-driven enterprises.

Fintech is undoubtedly transforming the financial services industry (Milian et al., 2019). However, banks are often hesitant to embrace Fintech due to internal issues, traditional banking culture, and external factors. While innovation involves risk, banks' public image centers around security (Yusoff et al., 2022). The relative ease of launching Fintech companies has made them significant contributors to the startup ecosystem, intensifying competition within the sector. However, the dominance of established traditional banks poses a significant barrier to the emergence of Fintech startups as industry leaders (Mohsin, Ahmad, & Chan, 2022). Cybersecurity remains a top concern for both banks and Fintech companies. In the fourth quarter of 2022, Malaysia experienced an average of 84 million cyberattacks daily. As of February 2023, Cyber Security Malaysia (CSM) reported 456 fraud incidents and 4,741 cases of cyber threats in 2022 (Hui, 2023). The Malaysian Communications and Multimedia Commission (MCMC) oversees the Network Security Centre (NSC), which handled 3,099 network security incidents in 2022. Phishing was the most common type of incident, with 1,653 cases, followed by malware and botnets with 754 incidents. Other incidents included spam, vulnerabilities, attempted invasions, and denial-of-service (DDoS) attacks (NSC, 2022).

A notable incident reported by The Star (2023) involved a business losing RM1.9 million when hackers obtained its bank account details. This highlights the need for a partnership between banks and Fintech firms to meet market demands for secure contactless payments. Fintech innovation often involves the collection and analysis of vast amounts of personal and financial data, raising concerns about consumer protection and data privacy (Meng & Tian, 2021; Barroso & Laborda, 2022). Malaysia's legal frameworks may not adequately address the growing security threats and data privacy issues, causing consumer hesitation in using Fintech services (Urus & Mohamed, 2022).

Studies show rapid Fintech adoption in the West (Khraim et al., 2011), while in Malaysia, it is still in its early stages (Cheah et al., 2011). PricewaterhouseCoopers (2016) found that most Malaysians are open-minded towards Fintech, but 74% still have reservations about certain transactions via technological devices. Thus, Fintech usage remains unfamiliar and underutilized (Venkatesh & Bala, 2008). The digital transformation of the Fintech industry depends heavily on a digitally skilled workforce (Urus & Mohamed, 2021). Muniandy and Samsudin (2017) found that young Malaysians often neglect safe practices due to overconfidence and ignorance. This is concerning as young people are more likely to use Fintech products and are more vulnerable to scams due to a lack of understanding of the potential impact of cyberattacks. The Malaysian financial industry still faces a shortage of digital capabilities (The Edge Malaysia, 2023). The skills gap in Malaysian Fintech is primarily due to a lack of trained personnel (Vijai, 2019). Few studies have examined Fintech usage, particularly in the context of the ongoing pandemic (Gupta et al., 2023). Therefore, this study aims to address this research gap.

2.1 Hypotheses Development

Cybersecurity concerns pose a significant challenge for the banking sector, especially with the widespread adoption of information technology applications in e-banking (Hussain et al., 2017). These concerns encompass cyber-attacks on customer data, account hijacking, data message fraud, and breaches of

customer privacy and financial transaction secrecy. As technology advances, data security becomes increasingly critical, making cybersecurity a key aspect of information security. The integration of smart devices, mobile technologies, and the internet highlights the importance of cybersecurity in various contexts. Based on previous research underscoring the significance of security in financial technology adoption, the following hypothesis is proposed:
H1: There is a significant positive relationship between security and the usage of Fintech.

User innovativeness, defined as an individual's willingness to try out new technologies (Lu et al., 2005), plays a crucial role in the adoption of Fintech services. According to Hu et al. (2019), user innovativeness reflects each person's acceptance of novel products, technological innovations, or new services. Consumers with a high degree of innovativeness are typically eager to experiment with Fintech services, demonstrating a willingness to try new technologies and an aspiration to be early adopters of the latest innovations. Previous studies have shown a positive correlation between user innovativeness and technology adoption (Hu et al., 2019; Morosan & DeFranco, 2014). Building upon this research, the following hypothesis is proposed:
H2: There is a significant positive relationship between innovativeness and the usage of Fintech.

Fintech revolutionizes payment digitization by enhancing efficiency, reducing transaction costs, and fostering economic growth across various sectors (Agarwal et al., 2020). Technological advancements not only improve operational efficiency but also create a more user-friendly environment for consumers. Fintech payment technologies hold great promise for transforming payment methods and facilitating peer-to-peer transactions on social media platforms (Chiu, 2017). The benefits of Fintech include ease of use of financial services, advancements in financial inclusion, improved living standards, stimulation of start-up growth, mitigation of high-interest loan issues, and provision of low-interest business capital for Micro, Small, and Medium-Sized Enterprises (MSMEs). Building upon these advantages, the following hypothesis is proposed:
H3: There is a significant positive relationship between benefit and usage of Fintech.

This study significantly contributes to the existing body of knowledge on Fintech adoption by addressing critical gaps identified in the literature. Despite the rapid development of the Fintech sector in Malaysia, there remains a lack of comprehensive understanding regarding the factors influencing its adoption. This research aims to fill this gap by examining the relationships between security, innovativeness, and perceived benefits with the usage of Fintech. By exploring these factors, the study provides valuable insights into consumer attitudes and behaviors towards Fintech, particularly in the Malaysian context where digital transformation is still in its early stages. Additionally, the research highlights the importance of cybersecurity, user innovativeness, and the tangible benefits of Fintech services in driving adoption. These findings can inform policymakers, financial institutions, and Fintech companies in developing targeted strategies to enhance Fintech adoption, thereby fostering a more inclusive and secure digital economy in Malaysia.

3.0 Methodology

The research framework depicted in Figure 1 integrates the Technology Acceptance Model (TAM) Theory and the Innovation Integration Theory (IIT) to examine the usage of Fintech. In this framework, three independent variables are considered: security factor, innovative factor, and benefit factor. These variables are hypothesized to influence the dependent variable, which is the usage of Fintech.

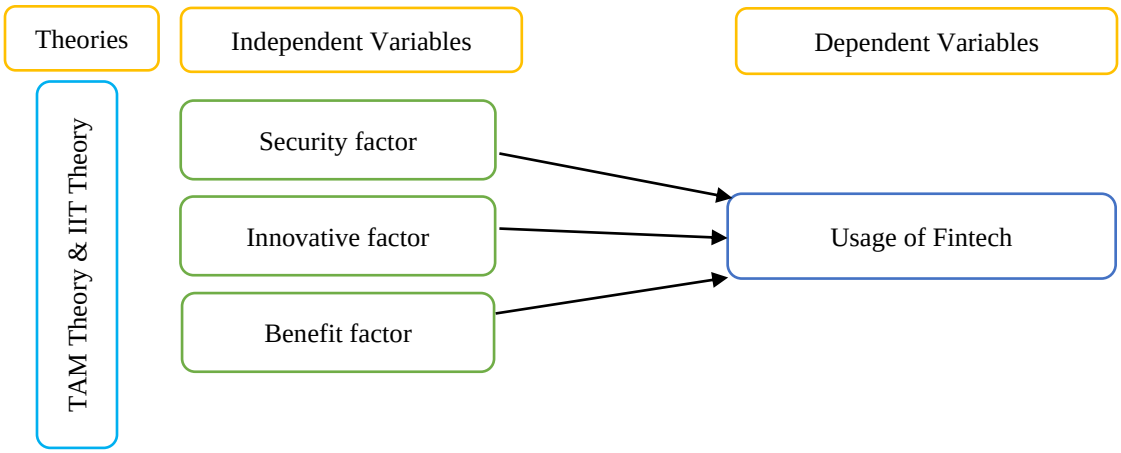

Figure 2: Research Framework

To assess the factors influencing the usage of Fintech from an individual's perspective, a quantitative approach was employed to statistically analyze numerical data obtained from survey questionnaires. The questionnaire was adapted from prior studies (Ryu, 2018) to ensure relevance and comprehensiveness in capturing key aspects of Fintech usage. To enhance the validity and reliability of the questionnaire, a two-phase validation process was undertaken. Firstly, content validity was established through expert review. The draft questionnaire was reviewed by three experts in the fields of Fintech and financial technology to ensure that the questions adequately covered the research domains and aligned with the study's objectives. Their feedback led to revisions that improved the clarity and relevance of the items.

Secondly, construct validity was assessed through a pilot study involving 30 participants who were not part of the final sample. The pilot study aimed to identify any ambiguities or issues with the questionnaire items. Based on the feedback from the pilot study, further adjustments were made to ensure that the questions effectively measured the intended constructs. Reliability testing was performed using Cronbach's alpha coefficient to evaluate the internal consistency of the questionnaire. A Cronbach's alpha value of 0.7 or higher was considered acceptable, indicating that the items within each section of the questionnaire consistently measured the same underlying construct. The results of the reliability tests confirmed that the data met the reliability threshold, ensuring that the questionnaire responses were consistent and dependable.

The questionnaire was then distributed online using Google Forms, with distribution channels including WhatsApp and email. A five-point Likert scale ranging from 1 to 5 was utilized to measure responses. The final questionnaire, divided into five main sections (Demographic Information, Effect of Security on the Usage of Fintech, Effect of Innovativeness on the Usage of Fintech, Effect of Benefit on the Usage of Fintech, and Individual's Perspective on the Usage of Fintech), was administered to individuals aged 21 and above residing in Shah Alam, Selangor, Malaysia. The Klang Valley, known for its economic significance and rapid population growth, provided a suitable context for this Fintech research.

Sample size determination followed Roscoe's (1975) guideline, and a probability sampling method was applied to ensure representativeness. The collected data were assessed for normality, confirming that the data are normally distributed and suitable for subsequent statistical analyses.

4.0 Results and Discussion

4.1 Descriptive analysis

Descriptive statistics are essential tools in data analysis that help summarize and interpret the key characteristics of a dataset. They provide a clear and concise overview of the data by organizing, presenting, and summarizing it in meaningful ways.

Table 1: Descriptive Analysis for Presenters

Gender of respondents:	**Frequency**	**Percentage (%)**
Male	83	32.5%
Female	172	67.5%
Age of respondent of respondents:		
21 -30 years old	135	52.9%
31- 40 years old	97	38.0%
41 - 50 years old	23	9.0%
51 years old onwards	0	0%
Race		
Malay	177	69.4%
Chinese	31	12.2%
Indian	33	12.9%
Others	14	5.5%
Academic Qualification		
SPM	4	1.6%
Diploma	59	23.1%
Bachelor's Degree	160	62.7%
Master's Degree	32	12.5%
Doctor of Philosophy	0	0%
Occupation		
Private Sector Worker	189	74.1%
Public Sector Worker	19	7.5%
Self-Employed	47	18.4%
Unemployed	0	0%
Fintech Familiarity		
Yes	200	78.4%
No	55	21.6%

Table 1 illustrates the respondent demographics for this study on Fintech usage in Shah Alam, Selangor, Malaysia. The sample comprised 172 (67.5%) female and 83 (32.5%) male respondents, suggesting higher engagement among women in Fintech services. The age distribution showed 135 participants (52.9%) aged 21-30, 97 participants (38.0%) aged 31-40, and 23 participants (9.0%) aged 41-50, with no respondents aged 51 and above, indicating that younger individuals are more likely to engage with Fintech services, aligning with global trends of tech-savvy younger generations adopting new financial technologies. In terms of ethnicity, 177 (69.4%) of respondents were Malays, 33 (12.9%) Indians, 31 (12.2%) Chinese, and 14 (5.5%) from other races, reflecting the general ethnic composition of the Malaysian population, particularly in urban areas like Klang Valley. Regarding academic qualifications, 160 respondents (62.7%) held a bachelor's degree, 59 (23.1%) had a diploma, 32 (12.5%) possessed a master's degree, and 4 (1.6%) held an SPM certificate. This high level of education suggests that Fintech users are generally well-educated, which may correlate with their ability to understand and use complex financial technologies.

Employment status revealed that 189 respondents (74.1%) worked in the private sector, 19 (7.5%) in the public sector, and 47 (18.4%) were self-employed. This indicates that private sector employees and entrepreneurs are more inclined towards using Fintech services, likely due to the need for flexible and innovative financial solutions in dynamic business environments. Regarding Fintech familiarity, 200 respondents (78.4%) were familiar with Fintech, while 55 (21.6%) were not. This high level of familiarity underscores the growing penetration and acceptance of Fintech in Klang Valley, highlighting significant opportunities for further growth and adoption. Overall, the demographic profile suggests that Fintech services in Klang Valley are predominantly used by young, well-educated individuals working in the private sector, with a high level of familiarity with these technologies. These insights are crucial for stakeholders in the Fintech industry to tailor their products and services to effectively meet the needs of their primary user base.

4.2 Regression Analysis

Table 2: Regression Analysis

Variable	Unstandardized Coefficients	Std Error	t-stat	p-value	VIF
Constant	1.938	0.321	6.034	<.001	
Security	-0.122	0.052	-0.2355	0.019	1.038
Innovativeness	0.219	0.067	3.274	0.001	1.092
Benefit	0.420	0.049	8.634	<.001	1.053
R (R^2)	0.543 (0.286)				
F-statistic (p-value)	34.958(0.000)				

Table 2 summarizes the results of the multiple regression analysis investigating the factors influencing Fintech usage among individuals in the Klang Valley, Selangor, Malaysia. The moderate positive correlation (R = 0.543) between the predictors—security, innovativeness, and benefit—and Fintech usage, with an R^2 value of 0.295, indicates that these variables collectively explain about 29.5% of the variance in Fintech adoption. This demonstrates a significant relationship between the predictors and the dependent variable, underscoring the model's adequacy in capturing key influences on Fintech usage.

The study investigates the impact of fintech usage, focusing on key factors such as perceived benefits, security, and innovativeness. The measurement of these impacts was conducted using a multiple regression analysis, which allows for examining the relationships between these independent variables and the dependent variable, fintech usage. This method was chosen for its ability to quantify the extent to which each factor contributes to the adoption of fintech services.

The regression analysis revealed that perceived benefits have the strongest positive impact on fintech usage, with a coefficient of 0.420 and a significance level of $p < 0.001$. This suggests that enhancements in convenience, accessibility, and time-saving are crucial drivers for fintech adoption. The significance level indicates that this relationship is statistically robust, underscoring the importance of providing tangible benefits to users in promoting fintech usage.

Conversely, the analysis showed a negative relationship between security and fintech usage (coefficient = -0.122, $p = 0.019$). This negative association may initially appear counterintuitive, but it reflects the growing concern about cybersecurity risks and data privacy breaches among users. The significance level

($p = 0.019$) confirms that this negative impact is statistically significant and warrants attention. It suggests that while users recognize the benefits of fintech, their concerns about security can undermine their willingness to adopt these services.

Innovativeness was found to have a positive association with fintech usage (coefficient = 0.219, $p = 0.001$), indicating that individuals who are more open to new technologies are more likely to engage with fintech solutions. The significance level ($p = 0.001$) supports the reliability of this finding and aligns with previous research on technology readiness.

Overall, the regression results provide a nuanced understanding of how different factors impact fintech usage. The significance levels offer robust evidence of the relationships, highlighting that perceived benefits and innovativeness are strong predictors, while security concerns can hinder adoption. Future research should delve deeper into the reasons behind security concerns and explore additional variables that might influence fintech usage.

5.0 Conclusion

The rise of Fintech has transformed the financial sector by offering enhanced convenience, accessibility, and affordability through mobile and online platforms. Innovative technologies like AI have improved security and streamlined operations, but challenges such as cybersecurity risks and regulatory hurdles still impede broader adoption. This study explored consumer attitudes towards Fintech, focusing on the impact of security, innovativeness, and perceived benefits on its usage.

The study provides valuable insights into the factors influencing Fintech usage among individuals in the Klang Valley, Malaysia. The demographic analysis reveals that Fintech services are predominantly utilized by younger, well-educated individuals in the private sector, with a high level of familiarity with these technologies. This demographic profile aligns with global trends where younger, tech-savvy populations are early adopters of financial technologies. Understanding these characteristics is crucial for Fintech providers aiming to tailor their products and services to meet the needs of their primary user base effectively.

The regression analysis highlights that perceived benefits, such as convenience and efficiency, have the strongest positive impact on Fintech adoption, demonstrating the significant role that practical improvements play in driving technology usage. This finding underscores the importance of emphasizing the tangible advantages that Fintech solutions offer to users. Conversely, the negative relationship between security and Fintech usage, despite its statistical significance, suggests that concerns about cybersecurity and data privacy are major barriers to adoption. This issue needs to be addressed comprehensively to build user trust and enhance the overall adoption of Fintech services.

In summary, while benefits and innovativeness are key drivers of Fintech usage, addressing security concerns is essential for fostering greater adoption. The study recommends that Fintech providers focus on enhancing the perceived value of their services and implementing robust security measures to alleviate user concerns. Future research should delve deeper into the impact of security concerns on Fintech adoption and explore additional variables that may influence user engagement with financial technologies. By doing so,

stakeholders can better understand and address the challenges associated with Fintech adoption, ultimately contributing to the growth and success of the industry.

This study has several limitations, including its focus on a specific geographic area (Klang Valley, Malaysia) and a sample primarily composed of younger, well-educated individuals, which may not fully represent the broader population. The reliance on self-reported data from online surveys may introduce response biases, and the study does not account for other potentially influential factors such as financial literacy and personal attitudes towards technology. Additionally, the cross-sectional design limits insights into the long-term evolution of Fintech adoption and changes in user behavior over time.

Future research should address these limitations by expanding the geographic scope and demographic diversity of the sample to enhance generalizability. Exploring additional factors, including financial literacy and regulatory awareness, through both qualitative and quantitative methods could provide deeper insights into Fintech adoption. Longitudinal studies would offer a dynamic view of how Fintech usage evolves and the impact of technological advancements. Investigating regulatory frameworks and their effects on user trust could also contribute valuable insights for both policymakers and industry stakeholders.

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