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FACTORS AFFECTING THE UTILIZATION OF FINTECH IN ONLINE BUSINESS IN MALAYSIA

NOR FARHANA BINTI CHE MAHMOOD

UNIVERSITI TEKNIKAL MALAYSIA MELAKA (UTEM)

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IN ONLINE BUSINESS IN MALAYSIA

NOR FARHANA BINTI CHE MAHMOOD

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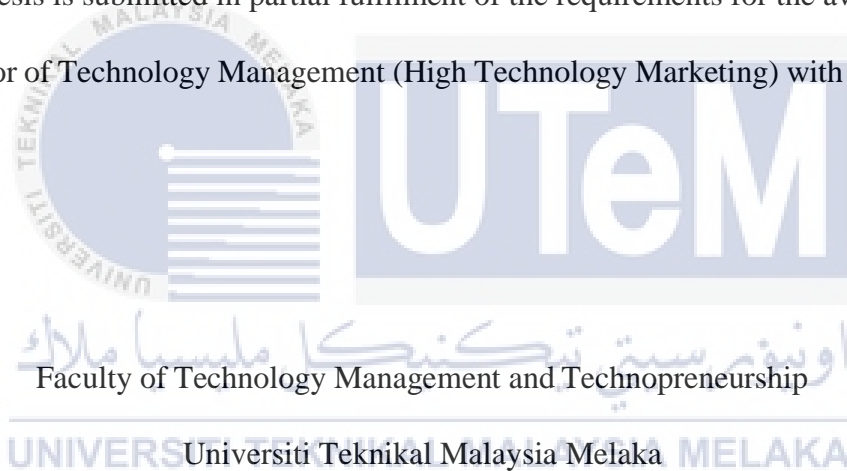
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SUPERVISOR'S APPROVAL

I/We, hereby declared that I/we had read through this thesis and in my/our opinion that this thesis is adequate in terms of scope and quality which fulfill the requirements for the award of Bachelor of Technology Management with Honours.

(High Technology Marketing)

SIGNATURE :

MOHAMMED HARIRI BIN BAKRI
Profesor Madya
Fakulti Pengurusan Teknologi Dan Teknousahawanan
Universiti Teknikal Malaysia Melaka

NAME OF SUPERVISOR : ASSOC. PROF. DR. MOHAMMED HARIRI BIN BAKRI

DATE : 2.2.2023

SIGNATURE :

DR. SITI NORBAYA YAHAYA
SENIOR LECTURER
FACULTY OF TECHNOLOGY MANAGEMENT
AND TECHNOPRENEURSHIP
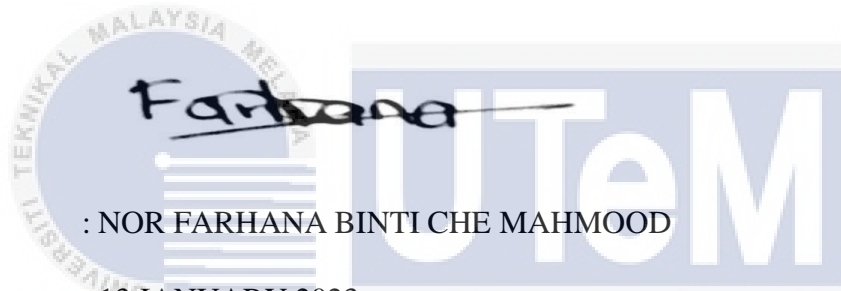UNIVERSITI TEKNIKAL MALAYSIA MELAKA

NAME OF PANEL : DR. SITI NORBAYA BINTI YAHAYA

DATE : 1/2/2023

DECLARATION OF ORIGINAL WORK

I hereby declare that all the work of this thesis entitled "FACTORS AFFECTING THE UTILIZATION OF FINTECH IN ONLINE BUSINESS IN MALAYSIA" is original done by myself and no portion of the work encompassed in this research project proposal has been submitted in support of any application for any other degree or qualification of this or any other institute or university of learning.

SIGNATURE

NAME   : NOR FARHANA BINTI CHE MAHMOOD

DATE   : 13 JANUARY 2023

DEDICATION

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ABSTRACT

Online business is a business channel that actually uses Fintech in their business and it is very important nowadays in developing countries because it follows the current of development on with developed countries. It can also be called as internet, web or home banking by just using the internet as well as to enable online businesses to conduct various financial transactions between customers more easily and manage the company more systematically. Therefore, this study needs to identify the factors that influence the use of Fintech on online business in Malaysia. This study consists of dependent variable which is Fintech intention behavior and four independent variables that are performance expectancy, effort expectancy, social influence and facilitating conditions. The purpose of this study is to investigate whether there is a significant relationship between the dependent variable and the independent variable. The results of this study show that performance expectancy, effort expectancy, social influence and facilitating conditions can influence Fintech intention behavior and it has a positive relationship hypothesis. Using a quantitative study, a questionnaire was distributed to 370 students of Universiti Teknikal Malaysia Melaka through an online survey. Based on the data collected from the universities above, the results of the statistical analysis were analyzed using SPSS software. Based on the findings in this study, it can be proven that most university users agree that Fintech behavior intention is influenced by performance expectancy, effort expectancy, social influence and facilitating conditions in online business in Malaysia.

Keywords: FinTech, Online Business, SPSS Software, Internet, Consumer

ABSTRAK

Perniagaan dalam talian adalah saluran perniagaan yang sememangnya menggunakan Fintech dalam perniagaan mereka dan ia sangat penting pada masa kini di negara membangun kerana mengikuti arus pembangunan dengan negara maju. Ia juga boleh dipanggil sebagai internet, web atau home banking dengan hanya menggunakan internet serta membolehkan perniagaan dalam talian menjalankan pelbagai transaksi kewangan antara pelanggan dengan lebih mudah dan menguruskan syarikat dengan lebih sistematik. Oleh itu, kajian ini perlu mengenal pasti faktor-faktor yang mempengaruhi penggunaan Fintech terhadap perniagaan dalam talian di Malaysia. Kajian ini terdiri daripada satu pembolehubah bersandar iaitu penggunaan Fintech dan empat pembolehubah tidak bersandar iaitu jangkaan prestasi, jangkaan usaha, pengaruh sosial dan keadaan memudahkan. Tujuan kajian ini adalah untuk menyiasat sama ada terdapat hubungan yang signifikan antara pembolehubah bersandar dan pemboleubah tidak bersandar. Hasil kajian ini menunjukkan bahawa jangkaan prestasi, jangkaan usaha, pengaruh sosial dan keadaan memudahkan boleh mempengaruhi tingkah laku niat Fintech dan mempunyai hubungan hypothesis yang positif. Dengan menggunakan kajian kuantitatif, boring soal selidik telah diedarkan kepada 370 pelajar Universiti Teknikal Malaysia Melaka melalui tinjaun dalam talian. Berdasarkan data yang dikumpul daripada universiti di atas, hasil analisis statistik telah dianalisis menggunakan perisian SSPS Berdasarkan dapatan kajian ini, dapat dibuktikan bahawa kebanyakan pengguna universiti bersetuju bahawa niat tingkah laku Fintech dipengaruhi oleh jankaan prestasi, jangkaan usaha, pengaruh sosial dan keadaan memudahkan perniagaan dalam talian di Malaysia.

Keywords: FinTech, Online Business, SPSS Software, Internet, Consumer

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LIST OF ABBREVIATIONS

ABBREVIATION	MEANING
FinTech	Financial Technology
UTAUT	Unified Theory of Acceptance and Use of Technology
SPSS	Statistical Package of Social Science
TAM	Technology Acceptance Model

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter will discuss about the factors affecting the utilization of FinTech in online business in Malaysia. The background of study, problem statement, research questions, research objectives, scope and limitation of the study, significant of study and summary will be discussed in this chapter.

1.1 Background of Study

This research is on "Factors influencing the use of Fintech on online business in Malaysia". It focuses on marketing strategies or areas of marketing that an organization can take note of where to improve and where to maintain. This study or mini research was conducted among students at Universiti Teknikal Malaysia Melaka (UTeM) which consists of the younger generation or students who actually use the shopping platform in daily life and run an online business.

Nowadays, indeed the use of Fintech is inseparable from our lives because all most purchases and businesses are indeed using Fintech. This is said so because the use of Fintech makes work easier and does not need to bring a lot of money just a card, smartphone and so on to make payments in stores and online. For example, the use of Fintech such as e-wallet, Touch 'N Go, Boost and many more Fintech related applications nowadays. Also, we know that applications Fintech such as Samsung Pay, Apple Pay, Alipay, Shopee Pay and WeChat Pay are just a few most popular mobile payment applications. According to Ahmad (2019), states the largest e-wallet platform in Malaysia is Grab Pay, Boost, and Touch n Go. FinTech is information provided about the difference technologies used, such as machine learning or robo-advisors, which has the potential to strengthen and intensify online business models (Fung et al., 2020).

Other than that, most all consumers use Fintech because it is more profitable for businesses and consumers. For example, when a buyer buys goods on Shopee and uses the payment

method with Shopee Pay will definitely get discounts and cheaper prices to attract loyal consumers to buy goods on Shopee only. So, when using Fintech of course can gain benefit and different from using traditional payment methods. As a result, economic considerations exist in the financial industry and in other companies that provide services to meet customer needs (Varga, 2017). The use of Fintech will also be able to accelerate a business to grow. The technology makes it easier for banks to connect and maintain relationships with customers (Cheng & Qu, 2020; Lee & Shin, 2018; Goldstein et al., 2019; Thakor, 2020).

Furthermore, the use of Fintech is also favored by the public and businesses because of its easy use by simply using a smartphone to stay in touch with customers, as mobile phones are not only used for communication but also for financial production which is indeed carried everywhere we go. For example, customers can access various financial activities only through the Internet from anywhere and everywhere time, with much lower operating costs and convenience (Yoon and Steege, 2013). Yoon et al., (2016) defined that there are various new digital devices used by consumers such as smartphones, smart watches, and tablets and media such as software, digital video and digital images are the main factors used to access financial information and manage financial execution business in a more orderly and efficient manner.

Besides that, FinTech was created to meet the needs and wants of consumers as well as to solve problems related to finance that are already complex. So, with the existence of Fintech it can help people about finance more efficiently and effectively. The study by Ystems (2019) inform that Fintech is an emerging technology aimed at competing with traditional financial services in terms of financial service delivery to be more efficient. Online business is also very popular with customers because it is easy and indeed uses Fintech to make payments without having to count the time and exactly where we are. Everything is just at your fingertips from buying furniture, smartphones, fashion clothes, and even food (Dentzel, n.d.). Based on Dehnert Schumann (2022), stated that they need to conclude that the characteristics of traditional banking, like human professional expertise, remains important.

Moreover, online businesses do use FinTech in their business because it actually serves as a service transaction in stores that sell traditionally that is face to face also use this fintech to avoid robbery when carrying too much money. Unlike traditional transactions, new payment

services discourage theft and other cash-related crimes (Rahman, Ismail, & Bahri, 2020). The feasibility of the incorporation of new technologies and the creation of innovative banks following the key drivers of Fintech's success will result in the development of technology, customer experience, organizational culture, government funding and regulation (Hermawan, Septiawan, & February, 2019). Using fintech, you only need to bring a card and remember the password to pay and it is easier in online business because you only need to remember the password to buy their favorite items in online shopping. As we know that payment systems using Fintech are based on fingerprints, iris scans and acoustic scans that use biometrics to verify the identity of the recipient (Tong, 2020).

According to Kristy (2017), states an overview that online business and user databases are kept very secure as they are linked to various stakeholders including government and private institutions to enable various transactions carried out easily, safely and efficiently using only fingerprint scans. The fintech financial technology is very suitable for use in the 21st century and has become common place in online businesses because it really simplifies their daily affairs. Gomber et al. (2018), stated Fintech that a financial field industry used to describe financial services introduced using cutting -edge modern technology. The concept of knowledge management has gained great consideration in corporate and management research (Razzaque and Hamdan, 2020). The FinTech financial sector also contributed especially to the emergence of these information systems.

Although, the use of Fintech will also have a positive impact on the company. This is because the use of finance has traditionally been very difficult and troublesome to calculate the return on money but with the existence of Fintech it simplifies matters causing many people to like to use this Fintech in their daily lives. For example, a study by Guo et al., (2019) and Varga (2017), informed that Fintech's ability to aim to eliminate the experience difficulties experienced by online business users in relation to financial services transactions is a significant advantage, although studies on Fintech are still lacking understood (Guo et al., 2019; Varga, 2017).

Finally, Finance companies that still use old applications and do not meet the demands of customers nowadays who actually use digital financial technology to make payment transactions will cause their business to receive less response from customers. Consumers

today also desperately want an easy and seamless way to access their financial services in purchasing goods, loans and so on. Nowadays, customers demand highly intelligent and user -friendly financial services as well as location and time at a more affordable cost on an ongoing basis (Guo et al., 2019; Gomber et al., 2018). This new market scenario raises serious concerns for incumbent banks because, in addition to offering competitive products and services, these newcomers are tracking towards new business models which is difficult to replicate by traditional banks (Stulz, 2019; Thakor, 2020).

1.2 PROBLEM STATEMENT

In this section, the researcher will elaborate on the problem statement found in this study. Online businesses nowadays have become popular as people start shopping online using their smartphones and the internet. The fact that online businesses provide a wide range of information and services as well as convenience to users without being limited to the constraints of place and time. Studies state that business through the internet is more preferred among the younger generation such as students and professionals because of its convenience, saving time and money (Daud, Mohd, Shamsudin, Zaidan, & Mohamed, 2016). According to Hanelt, Bohnsack, Marz, and Antunes Marante (2021), defined digital transformation as organizational and continuous change that can be triggered and shaped by the spread of digital technology.

Some studies do not always consider the factors that influence the use of Fintech for online business in Malaysia. Fintech firms are start -up companies that are willing to interfere with the financial industry with provide services and products that involve digital platforms and applications advanced technology (Wang, Xiuping, & Zhang, 2021). These studies show about the problem of online business that public will use Fintech as their solution. FinTech services are said to provide exceptional support and benefits to both consumers and businesses as well as the use of FinTech services will be able to provide the expected advantages (Steenis, 2019, KPMG, 2019, Hu et al., 2019, Lee & Shin, 2018). The authors only conducted a qualitative study of the variables. This study does not have a quantitative study of specific factors that researchers want to know.

Online businesses there is a lot of support from companies such as Amazon, Google, Apple and PayPal regarding these services cannot be a significant market attraction (Johnson et al.,

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2018). This is due to the Covid-19 pandemic crisis, which forced consumers to use Fintech in the payment of their goods online as well as customers also need to increase their knowledge of this method of using Fintech. With consumers trying to understand Fintech's use of the online businesses they will use, it is hoped that mobile payment platform services will provide ease of understanding, either positively or negatively (Wang et al., 2018). The use of Fintech through this online can also prevent the spread of the Covid-19 epidemic from spreading because of not making financial transactions traditionally.

According to past studies, the most critical factor influencing acceptance is the ease of use of finance which is indeed highly desirable. The findings found that ease of use regarding finance in online businesses is the least that causes Fintech to exist (Johnson et al., 2018). Also, the main reason people should use Fintech is because of risk speculation and trust in others. For example, most users feel unsafe to exchange their mobile phone numbers and personal data with strangers, believing it can carry risks and is unsafe to use (Ibidunmoye, 2018). Due to the existence of Fintech such as ShopeePay and Lazada wallet gives them the confidence to make financial transactions online as there is no need to disclose personal data to strangers as these applications are indeed trusted by the public. Another relevant and innovative concept is the e-wallet, which "is a payment devices without the use of cash or money" (Subaramaniam, Kolandaisamy, Jalil, & Kolandaisamy, 2020).

The problem that exists for consumers to buy goods online is also due to the difficulty of withdrawing money in the bank. For example, at a time when it is difficult for consumers to withdraw a lot of money if they go to the ATM bank and if they go to the bank they have to wait in long lines and it will take a long time to withdraw the money. Therefore, with the existence of Fintech, it can provide convenience to all users in Malaysia and abroad as well. A lot of money taken out of the bank will also only cause robbery to happen and will probably cause injury to oneself as well. According to J.Kurrila, L.Lazuras, and P.H. Ketikidis (2016), consumers are encouraged to use Fintech due to the rapid progress e-commerce, the Internet, and the financial and banking sectors as well as it also simplifies and saves costs.

Financial transactions when using Fintech also do not matter the time and where you are it still works very well provided you have a good internet channel. The use of Fintech is also due to the fact that the ATM bank will close if it is already twelve o'clock at night, but with Fintech

it can be used at will and simplifies matters in the event of an emergency when wanting to make a large payment financial transaction. The impact of fintech on bank performance, found that technological innovation increases bank efficiency but reduces profitability (Lee et al., 2021; Phan et al., 2020). This is said so because according to Leong et al. (2017) use the term "broad umbrella" to refer to broad of FinTech disruption technology in one of the most regulated sectors in the twenty-first century. Although researchers are on the consensus that the fourth industry 20 revolutions have begun (Yoon et al., 2016), seeking a broad standard definition for FinTech in the literature is challenging (Gimpel et al., 2018; Ryu, 2018).

The utilization of Fintech is also to further expand the online business as well as facilitate all business dealings to be more efficient and effective. For example, fintech loans and traditional lenders in mortgages the market is 20% faster pre-application process, without increasing loan risk (Fuster et al., 2019). Online businesses can make Fintech loans to reduce internal discrimination mortgage market as traditional lenders charge more to minorities for mortgage purchase and refinancing, and fintech algorithms discriminate 40% less than face-to-face lenders (Bartlett et al., 2018). According to Bazot (2013), states an overview after a business submits an online loan application, the fintech system can automatically decide whether to grant a loan or not without manual intervention. FinTech is likely to change the way financial operations include stock trading, bank loans, compliance, risk management, stock trading, insurance activities, and payment has expressed by Lynn et al., (2019), El-Masri et al., (2019), Al Romaihi, (2021).

1.3 RESEARCH QUESTION

The researcher determined four research question in this study.

1. Does the use of FinTech meet the needs and wants of users?
2. Why can FinTech provide convenience to online business users?
3. Does the use of FinTech use 100% online?
4. Are online business users proficient in using FinTech?

1.4 RESEARCH OBJECTIVE

In this research, there are three research objectives to be figured out:

1. To investigate the factors influencing the use of Fintech on online business in Malaysia.

2. To study the level of frequency of users using FinTech on online business in Malaysia.

3. To develop awareness of online business users about the use of FinTech in Malaysia.

1.5 SCOPE OF THE RESEARCH

Research on the uses and benefits of fintech on online business is conducted to know more about this fintech on online business. The purpose of this study is also to inform that this fintech is indeed very beneficial to customers and users of online businesses as well as speed up financial transactions more easily. Online business actually uses fintech in the purchase of goods made between customers and businesses in financial transactions. There are a handful of people who still do not believe in their financial security when using fintech. Thus, the study on the uses and benefits of fintech is very suitable to be conducted to open their minds and thoughts more widely and develop that fintech brings more advantages than disadvantages.

1.6 RESEARCH SIGNIFICANCE

The main purpose of this study is to provide important information and additional knowledge on the factors that influence the use of Fintech for online business in Malaysia to university students on:

Organization: This will help businesses improve in certain areas to attract their target users with the right methods and efforts with the use of Fintech. To better understand, reach out and engage them efficiently.

Students: This will help them be aware of the factors of Fintech use towards online business and purchasing. Students also spend most of their time with the Internet and in online businesses to shop for goods. Therefore, this study is very relevant to them.

Researchers: This study can be a useful resource for other researchers conducting research on the same topic or idea. The findings of this study can help researchers gain a better understanding and knowledge of the use of Fintech on online businesses and students make purchasing decisions while shopping online. As a result, researchers can replicate studies of Fintech use of similar online businesses to see differences in different businesses or areas.

This research is specifically aimed at university students who sell goods online on the internet as most of them do not have large finances to start a business. Thus, this study to some extent can help provide ideas and insightful information sharing as well as useful technological

expertise to them on the factors that influence the use of Fintech for online business in Malaysia. The importance of the study aimed at university students on the use of fintech in online business is to help their business become more advanced as well as facilitate online business transactions conducted by university students in order to further increase their financial income.

1.7 DEFINITION OF THE VARIABLES

Financial technology is a technology and innovation that aims to compete with traditional financial methods in the delivery of financial services as well as further accelerate the handling of financial transactions. It is also an emerging industry similar to online business that has now received a response from consumers who use technology to improve activities in finance to be more efficient and effective.

The dependent variable in this study is the online business that has received a lot of response from customers. This online business is a type of activity that is only carried out through the internet to create a business whether selling goods and offering services to customers. Online business is easier to run for those who have less capital because the capital for an online business is a bit like not having to pay employee salaries, electricity and shop building rent. This is because even university students who are still studying can increase income by creating an online business because it is very easy to manage the promise of clever implementation of strategies to attract customers and meet the needs and desires of users.

Independent variable a financial technology or better known as FinTech makes it easier and faster for consumers and online businesses in their daily lives. Fintech is also more accessible and generally more affordable and any time we can use and will not worry about robbery because it is only a credit card that needs to know the pin number to withdraw money. Fintech also works to companies and services that use AI, big data and encrypted blockchain technology to facilitate highly effective and secure transactions as well as more efficiently for use among internal networks.

1.8 CONCLUSION

This first chapter discusses the background of the study of factors that influence the use of Fintech for online business in Malaysia, namely convenience, data privacy and security, cost savings and accessibility, problem statement around the topic of study, research questions followed by research objectives on the relationship between variables. lean, Fintech's use of

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online business and independent variables, convenience and cost savings, along with the importance of the study. The next chapter discusses the findings from past researchers, potential hypotheses and also the framework adopted for this research paper.