

**FACTORS AFFECTING FINTECH USAGE AMONG YOUNG ADULTS  
IN MALAYSIA**



**UNIVERSITI TEKNIKAL MALAYSIA MELAKA**

## Pengesahan Penyelia

‘Saya/Kami\* akui bahawa telah membaca  
karya ini dan pada pandangan saya/kami\* karya ini  
adalah memadai dari segi skop dan kualiti untuk tujuan penganugerahan  
Ijazah Sarjana Muda Pengurusan Teknologi (Inovasi Teknologi)’



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**FACTORS AFFECTING FINTECH USAGE AMONG YOUNG ADULTS IN  
MALAYSIA**



This report submitted in fulfilment of the requirements for the  
Bachelor of Technology Management (Technology Innovation) with Honours.

Faculty of Technology Management and Technopreneurship  
UNIVERSITI TEKNIKAL MALAYSIA MELAKA

JUNE 2022

## DECLARATION

I hereby declare that this project report is written by me and is my own effort and that no part has been plagiarized without citations.



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## DEDICATION

This study is dedicated to my beloved supervisor, ASSOC. PROF DR. JUHAINI BINTI JABAR, as well as my panel, DR. NOR AZAH BINTI ABDUL AZIZ, for their invaluable guidance and advise. They are willing to help me with my research by spending time with me. Also, thank you to my wonderful family for their unfailing support and patience. They are constantly concerned about my education and provide me with the drive to complete this assignment. Finally, this research is dedicated to my friend. They gave helpful recommendations and shared information on how to do this assignment more effectively.

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## ABSTRACT

National lockdowns in Malaysia as a result of Covid-19 have accelerated Fintech implementation. Fintech adoption has been increased in Malaysia as a result of measures taken to combat the Covid-19 epidemic. This research is to evaluate what are the factors affecting the sudden Fintech use in Malaysia. The study aims to discover the relationship between performance expectancy, effort expectancy, social influence, facilitating condition, perceived risk and government initiatives with the use of Fintech. Based upon the Unified Theory of Acceptance and Use of Technology (UTAUT) and the Theory of Reasoned Action (TRA), the quantitative method was employed via online survey of 156 respondents.

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## ABSTRAK

Penutupan negara di Malaysia akibat Covid-19 telah mempercepatkan pelaksanaan Fintech. Penerimaan Fintech telah meningkat di Malaysia hasil daripada langkah-langkah yang diambil untuk memerangi wabak Covid-19. Penyelidikan ini adalah untuk menilai apakah faktor yang mempengaruhi penggunaan Fintech secara tiba-tiba di Malaysia. Kajian ini bertujuan untuk mengetahui hubungan antara jangkaan prestasi, jangkaan usaha, pengaruh sosial, keadaan memudahkan, persepsi risiko dan inisiatif kerajaan dengan penggunaan Fintech. Berdasarkan Unified Theory of Acceptance and Use of Technology (UTAUT) dan Theory of Reasoned Action (TRA), kaedah kuantitatif telah digunakan melalui tinjauan dalam talian terhadap 156 responden.

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## CHAPTER 1

### INTRODUCTION

#### 1.1 INTRODUCTION

An introduction highlights all that the researcher discovered during their investigation. While it may seem wonderful to finish their prologue fast, students should first compose the body of their work. Then it will be simple for them to build a clear overview. Include a powerful quote or tale right away. (Microsoft 365, 2021)

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#### 1.2 RESEARCH BACKGROUND

Fintech means financial technology; it is use to describe technological advances to develop and automate the availability and utilisation of financial services. It is basically cashless. To put it another way, fintech is a term that refers to a variety of innovative services supported by advances in information and communication technology. The word refers to a large and rapidly expanding industry that services both consumers and corporations. (Alt et al., 2018) Fintech also describes any software, solutions, or technological advancements that enhance, automate, or improve the



delivery of financial products and services. (Nafis, 2021) It is a type of technology-based financial service that has played a significant role in enhancing financial services performance and efficiency. (Yahaya & Ahmad, 2019) Fintech is divided into five distinct categories: payments, wealth management, insurance, alternative finance, and regulation. (Nafis, 2021)

Fintech encompasses a wide range of transactions, including insurance technology, financial data, payment and banking systems, and mobile banking, with payment services being the broadest segment covered by Fintech. (Rangan, 2021) Fintech payment systems have revolutionised how individuals do business. Fintech products allow users to track, manage, and facilitate their financial from a distance. (Ahmad et al., 2021) Fintech has simplified transactions. It is blurring the barriers between service providers, allowing bankers and technology suppliers to deliver services that are almost identical. FinTech has attracted significant investment from some investors. This will assist in providing better services to Millennial clients. (Batada, 2021)

Fintech is a key enabler in the financial services industry. This is because it influences way individuals purchase products and services and manage their finances. Fintech is assisting many businesses and organisations in achieving success in areas where conventional methods have failed. Most Fintech businesses are designing products and services to improve money management in order to stay up with the pace. (Batada, 2021) Borrowing and lending money has been more transparent in recent years. Crowdfunding and peer-to-peer financing are progressively integrating into the traditional way of borrowing bank loans. To make money more accessible, new models are being deployed. (Batada, 2021)

In the stock market, artificial intelligence and machine learning are utilised in algorithmic and automated trading. This has enabled people to have access to facilities that were previously only available to corporate investors. Through data processing

and analysis tools, FinTech has also improved asset management. As a result, asset rebalancing and automation have risen. (Batada, 2021)

Digital payment systems and e-wallets provided by local operators like Grabpay, Shopeepay, Touch 'n Go, and so on, which are mostly driven by the industry's younger players, are at the forefront of the country's booming Fintech business. Following this are insurtech, lending, remittances, investment, and funding. (Boey, 2021) The Fintech sector includes innovative companies that provide technology-based financial services. It goes without saying that 2020 was a challenging year due to the pandemic, which unexpectedly affected the millions of livelihoods but at the same time also worked as the catalyst for Malaysia's quick rise in the Fintech area. Nowadays, there are more and more Fintech services that are available in Malaysia. (Boey, 2021) Below is showing a thorough picture of Malaysia's Fintech ecosystem:

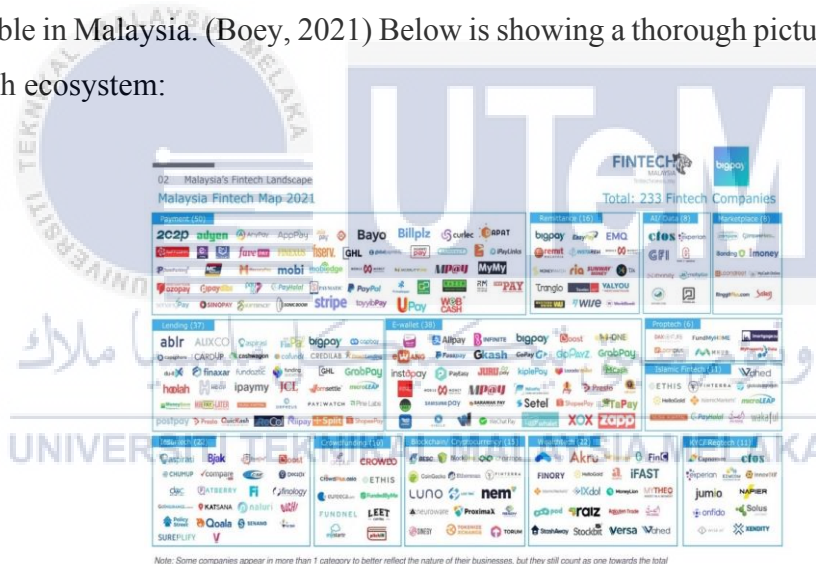


Figure 1.2: Malaysia Fintech Map 2021

Source: Fintech Malaysia Report. (2021)

Fintech innovations are reducing the cost of delivering services, allowing more individuals to be reached, and minimising the necessity for face-to-face contacts, all of which are important for keeping the economy running during the pandemic. Data is now more accessible through analytics, artificial intelligence, and cloud computing because Fintech. Fintech's rapid expansion is offering new investment options. Digital work is becoming a cashless workplace. (Boey, 2021) According to the "Perception,

Adoption, and Pattern of Usage of FinTech Services by Bank Customers: Evidences from Hojai District of Assam” article, has founded that the younger generation is more likely to use technology-based financial services. (Das & Das, 2020)

### 1.3 PROBLEM STATEMENT

This research is to evaluate what are the factors affecting the sudden Fintech use in Malaysia. According to the “What Is Fintech And How Does It Affect How I Bank?” article stated that although Fintech is buzzy, but it does not mean it is brand new. Despite the fact that the word was first joined to Merriam-Webster dictionary in 2018, the idea has been around for decades. ATMs and signature verification technologies were formerly deemed cutting-edge fintech when they were initially utilised by banks in the 1860s. In recent years, fintech has progressed from being identified with scrappy start-ups to being a critical component of established and legacy financial institutions. (Walden, 2020)

Fintech shortens the days, weeks, or even months it used to take to acquire a credit report or send money internationally. These duties can be finished in a small fraction of the time it would have taken even five years ago thanks to platforms like Upstart and TransferWise. Fintech's potential to speed up traditionally slow processes, such allocating funds for economic stimulus programmes, has been debated. Fintech has the potential to increase financial inclusion as well. In some parts of the world, where institutional or governmental support is lacking, fintech addresses unbanked needs. The fact that fintech is based on numbers rather than human capabilities and views is one of the reasons it may simplify previously complicated operations. While many fintech systems mix parts of conventional brokers/advisers with algorithms, others assist consumers in dealing with financially difficult activities without requiring them to engage with a real, live human. (Walden, 2020)

For instance, modern customers may use Lending Club to apply for a loan or even a mortgage without going to a conventional bank (Better). Casual investors may now examine their options online or even use chatbots to assist them in making selections instead of having in-person meetings with financial advisors to discuss the specifics of their portfolios. (Walden, 2020)

Furthermore, the “Fintech and the digital transformation of financial services: implications for market structure and public policy” book also state that as economies, financial services providers, firms, and individuals navigate the pandemic and the post-COVID-19 environment, digital connectivity in the processes that provide financial services will become increasingly vital. (Feyen et al., 2021).

Same as the article of “Fintech to help drive economic revival” in The Edge Malaysia Weekly tells that Fintech is becoming an important aspect of the country's financial services industry. As the corporate community tries to fulfil rising demand from digital natives and smartphone users in Malaysia and its regional neighbours, the post-pandemic new normal will see even more digital financial services, largely delivered by Fintech. (Boey, 2021)

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In the news “Malaysia: A Flourishing Fintech Ecosystem” also tells that Malaysia is ideally positioned to benefit from Fintech innovation. Malaysian businesses and consumers are ready to embrace Fintech, from mobile wallets and electronic payments to crowdfunding and "insurtech" (the merging of insurance and technology). (Malaysia: A Flourishing Fintech Ecosystem 2020)

However, this rising digitization is not endless. Despite the increased demand of internet banking, not everyone like it, and even those who do, did not use it for all of their financial needs. (Digitalisation of banking 2021) Moreover, Malaysian's businesses are generally said to be slow when it comes to digital applications adoption, across all business sizes and industries, digital adoption is still low and inconsistent. (Positioning Malaysia as a regional leader in the Digital Economy 2021)

Based on what is stated in “The future of FinTech” news, consumer behaviour in form of technology adoption is a crucial element in Fintech, it will affect Fintech’s advancement. Therefore, it is important for us to find out the reason that affecting the young adult or higher education students, who will be future entrepreneurs, are eager or hesitant to use Fintech. (Traif et al., 2021) This will also help improve Malaysia’s Fintech service. (Batada, 2021) So, this research will zoom into the tertiary education young adult, specifically UTeM FPTT students in Malaysia.

Before this, we need to know what are the benefits of Fintech in order to find out what are the function that makes the tertiary education young adult or UTeM FPTT students in Malaysia adopt the technology. We also need to know the factors affecting Fintech usage among young adults in Malaysia. This is because it is important to understand our consumer behaviour and their opinion towards Fintech in order to find out the reason that affecting the consumer to the sudden use of Fintech. So this report is mainly to see what are the most influencing factor of Fintech usage among young adults in Malaysia and talking about the Factors Affecting Fintech Usage Among Young Adults In Malaysia.



#### **1.4 OBJECTIVE**

1. To identify what are the benefits of Fintech.
2. To investigate the factors affecting Fintech usage among young adults in Malaysia.
3. To evaluate the most influencing factor affecting Fintech usage among young adults in Malaysia.

## 1.5 RESEARCH QUESTIONS

1. What are the benefits of Fintech?
2. What are the factors affecting Fintech usage among young adults in Malaysia?
3. What are the most influencing factors affecting Fintech usage among young adults in Malaysia?

## 1.6 SCOPE OF THE RESEARCH

The scope of the research will be the Fintech service in Malaysia and the tertiary education young adult, specifically UTeM FPTT students in Malaysia.



## 1.7 SUMMARY

Nobody knows what financial advancements may occur in the future, and the pandemic's unpredictable nature further adds to the uncertainty. Early 2020 estimates that the mature industry will continue to expand in 2020 were only partially correct. According to Deloitte, interest rate drops and the economic roller coaster caused by the coronavirus have upended business beliefs about Fintech's immediate future. (Walden, 2020)

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 INTRODUCTION



A literature review is a collection of scholarly documents that provides a high-level overview of a topic. A literature review is a compilation of the most essential and notable literature on a topic, offering a comprehensive overview of the content and writers on the topic. (Writing a literature review 2020)

#### 2.2 FINTECH IN MALAYSIA

Cashless transactions are becoming more common as financial technology (Fintech) advances. Consumers are transitioning from cash to cashless transactions. Young adult users in the twenty-first century are seen as technologically competent because they were born during the smartphone era. According to the Erik Eriksons'

stage of human development, a young adult is someone aged 19 to 39. (Karim et al., 2020) While another research paper “The Financial Health and The Usage of Financial Technology among Young Adults” stated that a young adult is someone aged 18 to 29. (Anthony et al., 2021) So in this research, it will focus on the age range 19 – 29, which is the results by combining the two-age range that defines by two different research papers.

Millennials (born between 1984 and 1996) and Generation Z (born between 1997 and 2012) are more likely to be aware of and utilise Fintech. As a result, when it comes to generational preferences, it is clear that millennials, also known as generation Y and generation Z, prefer and trust technology-based financial services. (Das & Das, 2020) As what have been stated in chapter 1, this research, will specifically zoom into the tertiary education young adult, specifically UTeM FPTT students in Malaysia. This is because FPTT enhance the knowledge and abilities of human capital by integrating a commercial and technological approach, this means that, UTeM students in this faculty will have the knowledge in the areas of technology management and technopreneurship. This will help us to have a better understanding of why higher education young adult students, who will be future entrepreneurs, are eager or hesitant to use, prefer or trust Fintech. (Traif et al., 2021)

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The use of digital innovation in banking dates back to the 1990s, so the convergence of financial services and technology is not new. With the advancement of technology and the development of global consumer behaviour and socio-economic activities, new business solutions and market prospects for Fintech have developed. Over the past decade, we have seen major organisations, leading banks and financial institutions in Malaysia expand their reach by implementing new technologies for front and back office systems to meet customer expectations. At the same time, a range of new entrants, including domestic and international start-ups, specialized Fintech firms, and consortiums of financial organisations collaborating with tech companies, are competing with traditional financial service providers. (Tiu, 2022)