

Influence Of Fintech Companies on the Financial Behavior of Consumers

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Abstract:

The digital revolution and technological developments have significantly reshaped the financial services industry. India is now home to over 3085 Fintech companies with a market valuation of over USD 226 billion as of 2023. Fintech services have replaced traditional financial services in financial services industry. Thanks to fintech, the financial behaviour of people and financial behaviour patterns have been transformed. The current Fintech movements revolve around e-money institutions, embedded finance, and digital regulatory standards. The study therefore endeavours to know as to why people have been adopting Fintech and how the trend of that adoption has changed their financial behaviour patterns with respect to managing their finances, investing, saving and spending. The survey was having consumers of Fintech applications located in Chennai. Using purposive sampling the data collected from a total of 384 respondents, regression and correlation analyses were performed by using SPSS. These include utility, ease of use, individual performance, social influence, trust and security, hazards in using the technology, and financial as well as technology literacy. Ultimately these influences on the use of Fintech impact financial behaviour, and in turn significantly influence the acceptance and satisfaction with Fintech in general. The study says that each aspect of financial behaviour is impacted by the elements with variation in proportion. As a result, the adoption of Fintech has altered how people behave with regard to their financial goals and planning.

Key words: Fintech adoption, Security, Financial Behavior, Saving, Financial Planning

INTRODUCTION:

The necessity for technology-driven development and the country's growing population are driving the financial services industry's rapid expansion in India. Fintech, which makes use of artificial intelligence, has improved the sector by streamlining procedures and customizing financial services. To improve financial services, startups, and established businesses are working with traditional service providers. Peer-to-peer lending and online insurance services were introduced by the Indian government's UPI project, which also had an impact on fintech. But there are problems with security, ignorance, trust, integration, and the fear of data abuse. Fintech and its many facets are summarised in the paper "Financial Technology- Fintech Definition" (Kagan, 2024). Financial technology, or fintech, is the term used to describe the application of new technologies to enhance and automate the provision of financial services. It entails using specific computer and smartphone software and algorithms to assist consumers, entrepreneurs, and businesses in better managing their financial operations (Kagan, 2024). The way society uses information and services has been profoundly changed by Industry 4.0, as have many other facets of human existence. With the rise of Fintech platforms, the digital era has brought about a change in a number of industries, including banking and finance. Increased acceptance of technology and a change in customer behaviour in financial transactions are driving the Fintech industry's explosive expansion. Nonetheless, the Fintech sector must contend with issues including consumer protection, data security, proper regulation, and unequal access to technology across societal groups. By determining how factors including perceived utility, perceived ease of use, perceived gain, perceived danger, and trust interact and influence one another, this study seeks to understand how users behave when utilizing Fintech services in India. This study finds how the financial behaviour of the consumer influenced by the fintech companies that is with ease use of fintech how the purchase pattern changes, changes in investment, security issues, trust towards fintech, adoption of fintech, financial planning and insecurity prevailing in data abuse.

Research objectives:

- To find the level of fintech adoption and longevity of usage of fintech apps among various consumers.
- To find the source of awareness about fintech apps,

- To get the opinion about cyber security issues in fintech usage.
- To find the relationship of factors affecting fintech usage and the purchase behaviour of the consumer.
- To find the relationship of factors affecting fintech usage and the saving and investment behaviour of the consumer.
- To find the relationship of factors affecting fintech usage and the financial management behaviour of the consumer.

REVIEW OF LITERATURE:

Recent studies have revealed the influence of fintech on consumer behaviour. Fintech adoption is driven by factors like perceived usefulness, ease of use, trust and security. (Nalini & Sreelakshmi, 2024, Erick Fernando et al., 2019). These elements have a big influence on how people behave financially, including how they save, invest, and manage money. (Nalini & Sreelakshmi, 2024). The Technology Acceptance Model (TAM) has been widely used to analyse consumer behaviour in fintech acceptance, with perceived usefulness evolving as the most significant factor (Fernando et al., 2019)

By promoting greater financial inclusion, fintech has also been established to have a favourable impact on the financial behaviour of micro, small, and medium- sized businesses (MSMEs) (Khatri et al., 2020). To create effective strategies and enhance financial practices for both enterprises and consumers, fintech companies, financial institutions, and legislators must have a thorough understanding of these behavioural objectives ((Khatri et al., 2020).

In order to comprehend consumer behavioural intention toward Fintech services, the study investigates the difficulties faced by fintech service providers in Saudi Arabia, such as lack of awareness, competition, legislation, data protection, and cyber security, and cyber security concerns (Bajunaied, Hussin, Kamarudin, n.d., 2023).

The findings of the report, user innovativeness and attitude are important determinants of adoption, and merging Fintech and the financial sector is essential for the financial inclusion of Indonesia's unbanked people (Setiawan et al., 2021). FinTech services are contemporary digital solutions that help people and companies manage their finances and conduct safe, easy financial transactions (Hua and Huang, 2021, Alkhwalid et al., 2022, Hassan et al., 2022).

METHODS:

The study population is residents of Chennai city who have used or are currently using fintech technology to accomplish the financial management aspects. Using purposive sampling, the sample was selected from among those who were deemed to provide the best responses. It is impractical to find out the exact amount of Chennai people who have used or are currently utilizing fintech applications, and using Lemeshow technique, the sample was rounded to 384 responses (Yu, 2017) which is recommended for sufficiently large data sets in that the power of the test is generally constant. This study uses primary and secondary data. Primary data refers to information that is specific in nature and collected in the inquiry process, such as questionnaires that respondents fill out that include questions or other information. The data analysed by the Cronbach's Alpha, correlation and descriptive statistics methods.

Data analysis and findings:

The SPSS software was used to analyse the data, and the results were as follows. The Cronbach's Alpha dependability score is 0.749, which symbolizes the veracity and dependability of the information gathered.

Table 1: Descriptive Statistics of Demographic profile

VARIABLES	PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE %
GENDER	Male	220	57
	Female	164	43
AGE	Below 25 years	80	21
	26- 30 years	101	26

	31-35 years	71	18
	36-40 years	80	21
	41-45 years	35	10
	46-50 years	15	4
	Above 51 years	2	0.5
MARITAL STATUS	Married	230	60
	Unmarried	154	40
EDUCATION	Bachelor Degree	116	30
	Master Degree	205	54
	Professional	63	16
MONTHLY INCOME	Upto Rs.25000	65	17
	Rs.25,001 -50,000	86	22
	Rs.50,000-1,00,000	78	20
	Rs 100001-150000	20	5
	Rs.150001 -200000	30	8
	Above 200000	4	1
OCCUPATION	Private Sector	213	55
	Public Sector	52	14
	Self Employed	119	31

INTERPRETATION :

According to the descriptive analysis, the majority of respondents are male, age ranges between 26-30 years, have completed their post-graduation education, are employed, have salaried jobs and the majority work in the private sector. The individual's monthly income is in the range Rs.50,000 to Rs.100,000. The majority of respondents are married.

Table 2: Descriptive statistics of Opinions about Fintech usage

Fintech Applications Used	Gpay	180	47
	PayTm	112	29
	Phonepe	58	15
	Others	34	9
How do you start using Fintech Apps	Influenced by Peers	191	50
	Through advertisements	52	13
	Awareness through social media	80	21
	Due to digitalization	61	16
	Yes	217	57

Has fears about Cybersecurity Issues while using Fintech App	No	167	43
How long you are using Fintech App	1-4 years	227	59
	5 -10 years	94	25
	10 -15 years	63	16

Interpretation :

Analysis shows that more people use Google pay compare to other payment apps. Additionally, it was discovered that the majority of respondents began to use Fintech after the influence of peers. Most of the Fintech users have been utilizing for 1 to 4 years. It was discovered that majority of the fintech users opted that fear of data abuse as the major challenges faced. Regarding opinion on cybersecurity issues in fintech usage majority of the fintech users, opted that, there is fear of financial insecurity while transactions.

Hypothesis testing:

H₁₀ : There is no significant relationship between factors affecting Fintech use and consumers savings and investment behaviour.

Table 3: Correlation between factors affecting Fintech use and savings and investment behaviour

Factors affecting Fintech Use	Savings and Investment	
	Pearson Corelation (r)	Significance P
Fintech adoption	0.773 ^{**}	0.001
Ease of Use	0.712 ^{**}	0.001
Social influence	0.701 ^{**}	0.000
Trust and cybersecurity	0.511 ^{**}	0.000
Fear of Data abuse	0.542 ^{**}	0.004
Financial and Technological literacy	0.612 ^{**}	0.000

Interpretation :

The table's Pearson correlation coefficients (r) show how strongly and in which direction certain Fintech use parameters are related to investing and savings behaviour. Regarding Fintech adoption factor($r = 0.773$, $p = 0.001$): There is a clear positive correlation between increased use of fintech technologies and improved investing and saving practices. Regarding Fintech App Usability ($p = 0.001$, $r = 0.712$): There is a strong positive association between the ease of use of fintech platforms and the likelihood that consumers will save and invest. Regarding Social influence factor: There is a strong positive association between peer and societal influence and fintech-based savings and investment ($r = 0.701$, $p = 0.000$). Regarding Cybersecurity and trust factor($r = 0.511$, $p = 0.000$): There is a moderately favourable association between users' readiness to save and invest utilising fintech and their level of trust and cybersecurity. A somewhat good association was found between fear of data exploitation ($r = 0.542$, $p = 0.004$). This implies that even fear can encourage more cautious and thoughtful financial behaviours using fintech platforms. Regarding Finance Literacy and Technology factor ($r = 0.612$, $p = 0.000$): There is a moderate-to-strong association between users' use of fintech for investing and saving and their level of financial and technological literacy. Every relationship is positive and statistically significant ($p < 0.01$ or 0.05), indicating that users' improved saving and investing habits are linked to these factors affecting the Fintech Use' improvements. Hence the null hypothesis is rejected and the alternate hypothesis is accepted.

H2₀ : There is no significant relationship between factors affecting Fintech use and consumers expenditure behaviour.

Table 2: Correlation between factors affecting Fintech use and expenditure behaviour

Factors affecting Fintech Use	Expenditure	
	Pearson Corelation (r)	Significance (p)
Fintech adoption	0.673**	0.001
Ease of Use	0.627**	0.000
Social influence	0.688**	0.000
Trust and cyber security	0.572**	0.000
Fear of Data abuse	0.581**	0.001
Financial and Technological literacy	0.654**	0.000

Interpretation:

The data shows regarding Fintech adoption factor($r = 0.673$, $p < 0.001$), spending on these platforms is typically higher among those who are more receptive to Fintech adoption. Regarding Usability factor($p = 0.000$, $r = 0.627$), Users are more likely to use Fintech apps frequently and spend more money when they find them easy to use. Regarding Social Influence factor($r = 0.688$, $p = 0.000$), Peer usage and social norms had the most effects on spending, indicating that peer usage or recommendations may spur more Fintech spending. Regarding Trust and Cybersecurity factor($p = 0.000$ and $r = 0.572$). Increased confidence and trust in Fintech platforms' security have a favourable impact on user spending patterns. Regarding Fear of Data Abuse factor ($r = 0.581$, $p < 0.001$), Interestingly, fear still has a positive link with spending, which may indicate cautious but continuous use. Regarding Technological and Financial Literacy factor ($r = 0.654$, $p = 0.000$), Users are more confident in their ability to handle digital transactions, users with greater financial and technological knowledge typically spend more. Numerous parameters influencing Fintech use and user expenditure have a substantial and statistically significant positive link, according to the research. Hence the null hypothesis is rejected and the alternate is accepted. This implies that spending through Fintech platforms tends to rise in tandem with improvements or increases in these aspects.

H3₀ : There is no significant relationship between factors affecting Fintech use and consumers financial management behaviour.

Table 3: Correlation between factors affecting Fintech use and financial management behaviour

Factors affecting Fintech Use	Financial management behaviour	
	Pearson Corelation (r)	Significance(p)
Fintech adoption	0.573**	0.000
Ease of Use	0.627**	0.000
Social influence	0.665*	0.000
Trust and cybersecurity	0.541**	0.000
Fear of Data abuse	0.531**	0.000
Financial and Technological literacy	0.674**	0.000

Interpretation :

The data indicates regarding Fintech Adoption parameter ($r = 0.573$, $p = 0.000$), Individuals who actively adopt Fintech tools are more likely to engage in better financial planning and control. Regarding Ease of Use parameter ($r = 0.627$, $p = 0.000$), When Fintech applications are user-friendly, users are more likely to utilize them effectively for financial tasks, improving their financial discipline. Regarding Social Influence parameter ($r = 0.665$, $p = 0.000$) Social pressure or encouragement from peers or influencers contributes significantly to promoting responsible financial behaviours. Regarding Trust and Cybersecurity parameter ($r = 0.541$, $p = 0.000$), When users trust the security of Fintech platforms, they are more confident in using them for managing their personal finances. Regarding Fear of Data Abuse ($r = 0.531$, $p = 0.000$), Even with concerns about data privacy, users still engage in financial management through Fintech, indicating cautious yet active participation. Regarding Financial and Technological Literacy ($r = 0.674$, $p = 0.000$), this shows the strongest relationship, meaning that individuals who are financially and technologically literate are the most effective in managing their money through Fintech tools. The findings indicate that all the identified factors have a positive and statistically significant correlation with financial management behaviour. Hence the null hypothesis is rejected and alternate is accepted. This suggests that these factors positively influence how individuals manage their finances through Fintech platforms.

Findings:

From the data analysis, it is clear that the majority of the young consumers is using the Fintech apps frequently especially majority of them using Gpay app compare to other apps. Based on the study majority confirmed that awareness of the Fintech apps influenced by the peers as well as majority opted the longevity of usage of the fintech apps ranges from 1-4 years. And the majority mentioned that they have fear of data abuse especially cyber security issues. Regarding spending behaviour among fintech users through apps and the factors affecting Fintech usage have strong positive relationship. Even the relationship between savings and investments behaviour of Fintech consumers and the factors affecting Fintech usage positive. Financial Management Behaviour and the factors affecting Fintech usage also have positive relationship.

DISCUSSIONS:

The study explores the influence of Fintech on traditional financial services and the rise of Buy Now Pay Later (BNPL) companies in Saudi Arabia, using Independent Variables analysis encompassing Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), and Facilitating Conditions (FC) to understand consumer perceptions and inform policy development within the Fintech ecosystem (Kutbi et al., 2024). As like other studies this study finds the relations between the independent variables Fintech adoption, Social influence, Ease of use, Fear of data abuse, Trust and cybersecurity and financial and technological literacy and dependent variables expenditure, savings and financial management behaviour.

CONCLUSIONS:

Fintech is the term used to describe financial services delivered via technology. According to the report, Chennai has a higher proportion of young people using Fintech services as well as having finished their post-graduation coursework. This indicates that the adoption of Fintech is significantly influenced by literacy. In addition, these age groups have been effectively reached by social media advertisements and heightened societal influence, which has encouraged them to utilise Fintech. It is surprising to see that the variables influencing Fintech use have a big impact on saving habits. People who spend a lot of money have established the habit of saving money in their thought processes. Individual performance, trust, and cybersecurity are very influential elements towards the usage of Fintech. The government also has to increase regulations in the cybersecurity to improve the trust towards Fintech usage.

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