


Chapter 14

Investigation of Factors Affecting Adoption of FinTech in Financial Institutions

Subhashini Sailesh Bhaskaran

 <https://orcid.org/0000-0003-0517-9866>

Ahlia University, Bahrain

ABSTRACT

FinTech, a compound term for financial technology, signifies the usage of technology to provide financial assistance. Ever since its evolution FinTech has been growing tremendously, despite its positive and negative aspects. In the literature review, there are many factors affecting the adoption of FinTech. It was found that the ease of use of technology (Technology Acceptance Theory), investment decisions in crowdfunding (Decision Theory), and the risks involved in the adoption of FinTech (Prospect Theory) are the main factors that might affect the adoption of FinTech. However, there is a paucity of studies linking all these factors in the adoption of FinTech using these theories. This research project investigates the influence of these factors in the adoption of FinTech. In order to analyze these factors, a questionnaire was used. As a result, it was found that there is a positive relationship between the ease of use and FinTech's adoption; between FinTech's adoption and investment decisions in crowdfunding and between the level of risks when adapting to FinTech.

Keywords: FinTech; Factors; Bahrain; Adoption; Financial Institutions

INTRODUCTION

Financial Services or “FinTech” has attracted increasing attention in recent years. The term comes from the contraction of the words finance and technology. It refers to technology startups that take advantage of the most modern technologies to create innovative digital financial services. In other words, the term FinTech is also applied to describe these financial services. It is a revolution of the customer experience, in some cases creating new unique services, in others improving or disrupting existing ones. It all depends

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on the type of technological financial products used in a company. (Bradley Rice, 2018). FinTech services are aimed at final customers, whether individuals, professionals or companies, excluding intermediaries. Societal conduct and organizational activities are fundamentally being affected by technology and the digital revolution. The very essence of our lives is always being influenced by connectivity.

According to the statistics recorded in 2016, at least 95% of the businesses prevalent in OECD 'Organization for Economic Co-operation and Development' initiated in 1961 to stimulate economic development and the global trades, had internet connectivity and more than 75% were found to be operation online. The monetary industry has always been influenced by technology at large; resulting in it being the first to adopt every new technological aspect that comes in the market (Gurria, 2008).

The very first Automated Teller Machine (ATM) was set up in 1967 in London at a branch of Barclays bank. From that point forward customers have demanded proximity in response to which many automated services have been introduced; Point-Of-Sale (POS) systems, debit card, credit card, virtual trade, banking services, and many other services (Panetta, 2018).

The practice of digitalized financial services is set to rise, inspired by customer expectations, the extent of the reach of the internet, smartphones, tablets, and the stable drop in data storage costs and the upgrade in the capacity of systems.

The development documented in the preceding years is outstanding; for instance, the total amount of data exchanged across international borders reached over 45% in 2005, while the subsequent cost of data storage is 10 times less than what it used to be. In response to the contradiction of this situation's setting that "FinTech" came into the picture. Though it has been known only since 2014, it started attracting responsiveness from managers, industry participants, and clients (Arner, 2015). An industry that had previously been deemed stable over the course of decades was suddenly threatened with new emerging market entrants influenced by digital innovation. A stream of new companies emerged providing digitized financial solutions, promising to transform the entire industry.

BACKGROUND

Origin and Definition

FinTech, a compound term for financial technology, signifies the usage of technology to provide financial assistance. The term was first heard in the 1990s, where it began from a project started by Citigroup to enable the technical assistance activities, "Financial Services Technology Consortium". A number of varied views are available upon the definition of FinTech:

- Since the first establishment of FinTech in Bahrain in 2016, FinTech has been able to define itself as a distinct segment within the financial services industry. The key components of this segment are the corporations and startups that provide services similar or identical in nature to those being provided by traditional financial institutions and intermediaries. Although, in contrast with the traditional financial service providers, companies might fall within the FinTech segment could be inclined towards using the latest technology and internet-based software, in order to reach clients satisfaction (PwC, 2016).

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