

# The Effect of Financial Capability and Trust on The Adoption Fintech Services

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## Abstract

This study examines whether financial capability and trust influence the adoption of fintech services. The research model was analyzed from 40 respondents in Palu, Central Sulawesi, Indonesia. The research sample was determined based on accidental sampling technique. A quantitative approach was used as the data analysis method. Data were analyzed using multiple regression analysis (MRA) and descriptive statistical analysis. The results showed that financial capability has no effect and trust has a significant effect on the adoption of fintech services. However, it simultaneously affects the adoption of fintech services.

**Keyword:** Financial, Fintech Service, Financial Capability, Trust, Palu City

## 1. Introduction

Since the onset of the Covid-19 pandemic, people have increasingly favored digital solutions that require minimal human contact (Al-Qudah et al., 2024). One of the most impacted areas is financial/payment services, which have increasingly transitioned to digital platforms, offering more convenient ways to manage payments, control finances, and process transactions (Kaur & Arora, 2020). Suler et al. (2021) observed that with the increasing number of internet users, consumer behavior has transitioned from traditional finance to digital finance, facilitated by advancements in both software and hardware in smartphones. The Indonesian Financial Services Authority has explicitly supported the innovation of financial services that leverage technology, commonly referred to as Fintech (Nugraha et al., 2024). FinTech is the merging of finance and technology, focusing on the creation of innovative and enhanced financial solutions (Cheng & Qu, 2020; Li & Xu, 2021; Thakor, 2020).

Financial capability refers to individual abilities such as knowledge, skills, attitudes, habits, motivations and opportunities to access basic financial products and services to manage financial problems individually and in groups (Çera et al., 2020). Financial capability pertains to an individual's financial knowledge, demonstrated by their ability to effectively manage and control their money and resources (Ajaz Khan et al., 2022). Russell et al. (2020) highlights the importance of financial planning and financial advice in achieving financial capability, emphasizing the need for individuals to have access to relevant financial information and guidance to make informed financial decisions.

Perlman & Wechsler (2019) discovered that the implementation of digital financial services has enhanced financial inclusion in developing countries by providing basic financial

services to unbanked and underserved populations. Jünger & Mietzner (2019) showed that a household's likelihood of switching to FinTech is influenced by its trust and comfort with new technology, financial literacy, and the overall transparency of the technology. Effective and transparent communication by FinTech providers about their security practices, data management, and privacy policies can enhance trust and encourage greater use of their services (Bajunaied et al., 2023; Kilani et al., 2023).

The objective of this research is to analyze how financial capability and trust impact the adoption of fintech services. Specifically, it aims to examine how financial knowledge, skills, and behaviors influence individuals' likelihood to adopt fintech, and assess the role of trust in fintech providers in this process. Additionally, the study will explore the interaction between financial capability and trust.

## **2. Literature Review**

### **2.1 Adoption Fintech Service**

As the market share of major technologies in the financial services industry continues to grow, the Fintech phenomenon is reshaping the structure of financial intermediation (Hassan et al., 2023). Generally speaking, fintech is a broad term that encompasses innovative financial services and business models powered by technology (Nangin et al., 2020). Consumers now have access to fintech applications that enable them to manage a variety of financial activities, including payments, savings, loans, risk management, and financial advice (Aloulou et al., 2024; Mention, 2019). Adopting fintech can enhance the inclusivity and efficiency of the financial system, leading to potential economic advantages (Frost, 2020). Based on Urumsah et al. (2022) research, fintech adoption factors consist of technological context (perception of risk and costs), organizational context (organizational readiness, top management support, and information technology knowledge), and environmental context (customer pressure and competitive pressure).

### **2.2 Financial Capability**

Financial capability is a complex concept that includes several aspects of financial management, such as financial literacy, financial planning, and financial behavior. (Xiao et al., 2022). Financial capability is characterized as the skill to utilize financial knowledge and skills to attain financial well-being, all while maintaining a positive mindset (Cabeza-García et al., 2019). Financial capability refers to the ability to act (e.g. people's knowledge, skills, attitudes habits, motivations, confidence and self-efficacy), and opportunity to act (e.g. people's awareness of basic financial products they need to manage their money lives) (Beimers, 2019).

### **2.3 Trust**

Trust is the primary predictor in the use of FinTech services, as users who believe their financial data will be protected and their privacy respected are more likely to express an intention to use FinTech platforms (Bongomin & Ntayi, 2019, 2020). Trust can be formed through four dimensions, namely perceived risk, perceived reputation, service quality, and perceived regulatory support (Amnas et al., 2023). Building and sustaining trust is essential for FinTech providers aiming to promote adoption and ensure long-term use among their customers (Basri et al., 2021).

### 3. Material and Method

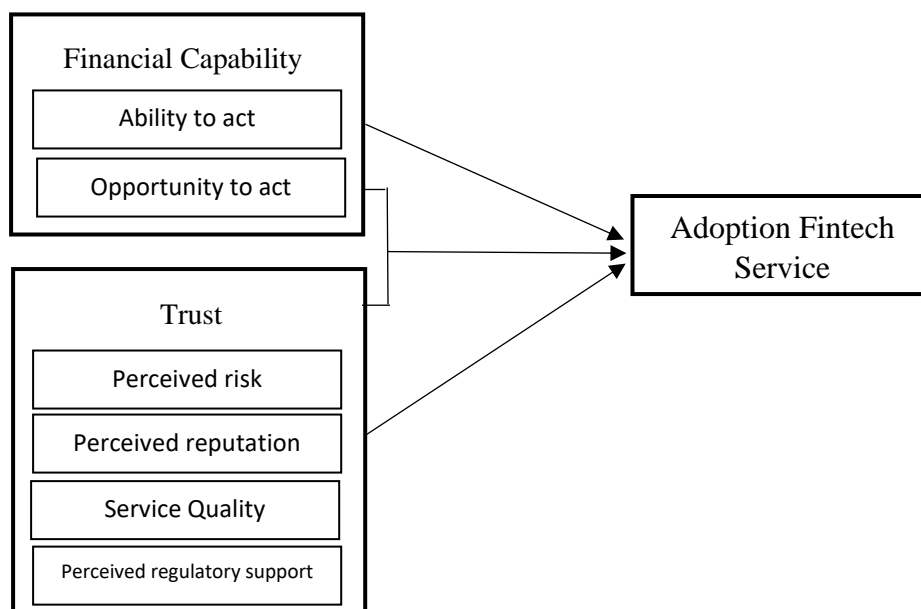
This research utilizes a quantitative research design to investigate the impact of financial capability and trust on the adoption of FinTech services in Palu City. This quantitative research involves statistical procedures, including data tabulation, data processing, data analysis, and interpretation of the research data (Darman, 2019). A cross-sectional survey is conducted among residents who have access to financial services. A sample of 40 respondents was selected using the accidental Sampling method, a sampling technique based on chance, meaning anyone who happens to meet the researcher. This research also using a correlational research design means the study aims to determine if there is a relationship between two or more variables and the extent of that relationship (Januwar & Bachri, 2023).

#### 3.1 Design Study

Data collected through a structured questionnaire, focusing on demographics, financial capability, trust, and FinTech adoption. The financial capability section will evaluate respondents' knowledge and skills in managing personal finances. The trust section will measure the respondents' level of confidence in data security, privacy, and the reliability of the technology used by FinTech services.

#### 3.2 Data Analysis

Data were analyzed using multiple linear regression statistical analysis and descriptive statistics analysis using SPSS. The descriptive method is also used to gain plenty of facts, information, and data resources currently (Sundler et al., 2019). Descriptive quantitative research is a type of study used to describe or illustrate collected data and then analyze that data (Lontaan & Ponirin, 2023).



**Figure 1.** Research Model

The hypotheses tested in this research were as follows.

H1: Financial Capability has an impact on adoption Fintech service.

H2: Trust has an impact on adoption Fintech service.

H3: Financial Capability and Trust have a simultaneous impact on adoption Fintech service.

#### 4. Result

**Table 1.** Descriptive Statistics

Indicator	N	Mean	Std. Deviation	
Financial Literacy (X1.1)	40	4.1250	.68641	Highest
Financial Health (X1.2)	40	3.7250	.93336	Lowest
Reliability (X2.6)	40	4.4250	.63599	Highest
Privacy Risk (X2.3)	40	3.9250	.82858	Lower
Risk Perception (Y.1)	40	4.9250	.26675	Highest
Competitive Pressure (Y.7)	40	4.0250	.94699	Lower
Valid N (listwise)	40			

Based on Table 1, it can be seen that for indicator X1, Financial Literacy has the highest mean frequency, namely 4.1250 and a standard deviation of 0.68641, meaning it is in the good category. Meanwhile, the Financial Health indicator was the lowest, namely 3,740 with a standard deviation of 0.93336, still in the good category.

The highest X2 variable indicator is also seen to be the Reliability indicator with a mean value of 4.4250 and a standard deviation of 63599, meaning that it is in the very good category. Meanwhile, the Privacy Risk indicator is the lowest with a mean value of 3.9250 and a standard deviation of 0.82858, still in the good category.

In addition, for variable Y, the highest indicator is Risk Perception 4.9250 with a standard deviation of 0.26675, meaning that it is in a very good category. Meanwhile, the Competitive Pressure indicator is the lowest with a mean value of 4.0250 and a standard deviation of 0.94699, still in the good category.

**Table 2.** Result of the Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.667	.445	.415	2.24551

Based on table 4, it is known that the R Square value is 0.445. This shows that financial capability (X1) and trust (X2) influence fintech service adoption (Y) by 44.5%. Meanwhile, the remaining 55.5% is explained by other factors not examined in this study.

Based on the reliability of the model in table 2, testing is carried out between the independent variables (Financial Capability and Trust) on the dependent variable (Adoption Fintech Service). The results of data processing are as follows:

**Table 3.** Partial Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error			
(Constant)	11.091	3.545	Beta	3.129	.003
Financial Capability	.082	.132	.098	.622	.538
Trust	.378	.100	.600	3.794	.001

Table 2 presents the results of the analysis obtained a significance value of financial capability (X1) of  $0.538 > 0.05$  with a calculated T value of  $0.622 < t$  table value 1.67793, then

H1 is rejected, meaning that it has no effect on the adoption of fintech services (Y). The significance value of trust (X2) is  $0.001 < 0.05$  with a calculated T value of  $3.794 > t$  table  $1.67793$ , then H2 is accepted, meaning that it has an effect on the adoption of fintech services (Y).

**Table 4.** Simultaneous Test Result

Model	Sum of Squares	Df	Mean Square	F	Sig
<b>Regression</b>	149.410	2	74.705	14.816	.000
<b>Residual</b>	186.565	37	35.042		
<b>Total</b>	335.975	39			

The results of the F test can be seen in table 3. The calculated F value is  $14,816 > F$  table  $(3.25)$  with a significance level of  $0.000 < 0.05$ . Because the significance level is less than  $0.05$ , H3 is accepted, so it can be said that financial capability and trust have a simultaneous (together) effect on fintech service adoption.

## 5. Discussion

The hypothesis that financial capability has no effect on the adoption of fintech services can be explained through several reasons. Fintech services are designed to be accessible to a wide range of people, including those with low financial literacy, through user-friendly interfaces and responsive customer support. Many fintech companies also actively provide education and information that helps users understand their products without having in-depth financial knowledge. Advanced technologies such as AI and machine learning enable personalized services tailored to users' needs. Financial inclusion is a key focus with the aim of expanding access to those previously unreached by the traditional financial system. These factors, along with government regulatory support and economic incentives, suggest that the adoption of fintech services is influenced more by accessibility and trust in the technology than by users' financial capability.

The hypothesis that trust affects the adoption of fintech services can be explained by several reasons. Users' trust in data security and privacy is critical, as fintech services manage sensitive information. If users feel their data is safe and transactions are protected, they are more likely to adopt the service. This result is consistent with previous research, which implies that trust has a positive impact on actual usage (Hutapea & Wijaya, 2021). As users' trust grows, so does their actual usage. In addition, responsive customer support increases trust and convenience. Positive reviews, high ratings, and recommendations significantly affect trust and, consequently, users' willingness to adopt and use FinTech services (Laksamana et al., 2022; Zarifis & Cheng, 2022). Reliable and innovative technology also builds user trust. Thus, trust is a key factor in driving the adoption of fintech services.

The hypothesis that financial capability and trust simultaneously affect the adoption of fintech services means that financial capability allows users to understand and utilize fintech services effectively, while trust ensures users feel safe and comfortable. Users with good financial capability are more likely to use various fintech features, and trust in the security and transparency of the service makes them confident to transact. When these two factors come

together, they create an optimal environment for the adoption of fintech services, increasing the likelihood of users to adopt and use the services.

## **6. Conclusion, Implication, and Recommendation**

### **Conclusion**

Adoption of fintech services is influenced more by accessibility and trust in the technology than by users' financial capabilities. Fintechs are designed to be accessible to a wide range of people through user-friendly interfaces and responsive customer support, and provide education and information without requiring in-depth financial knowledge. Trust in data security and privacy is critical, with responsive customer support, positive reviews and reliable technology building user confidence. When good financial capability and trust in fintech services combine, they create an optimal environment that encourages users to adopt and use the service.

### **Implication**

The research has significant implications for fintech companies, policymakers, and consumers. Fintech companies need to focus on user-friendly interface design, invest in robust security measures, and provide responsive customer support to build trust. Policymakers should develop regulations that ensure the security and privacy of fintech services and promote financial literacy programs to support the use of fintech. For consumers, the research indicates that they can easily access fintech services and feel more confident using them due to strong security measures and positive reviews. Thus, the synergy between financial capability and trust in fintech services creates an optimal environment for the adoption and usage of these services.

### **Recomendation**

Fintech companies should prioritize creating accessible and intuitive interfaces, invest in robust security measures to safeguard user data, maintain responsive and effective customer support, and provide educational resources to help users understand and confidently use their services. Policymakers should implement regulations that ensure the security and privacy of fintech services and promote financial literacy programs to empower users. Consumers should look for fintech services with strong security measures and positive reviews to ensure a safe and reliable experience with financial technology.

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