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THE CURRENT ISSUES ON FINANCIAL TECHNOLOGY (FINTECH) IN PERSONAL FINANCIAL PLANNING

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Abstract: *Fintech innovations are transforming personal financial planning, offering unprecedented convenience and efficiency; however, several challenges and considerations arise with this evolution. This abstract explores the current issues in fintech applications for personal finance, focusing on key areas such as data security, over-reliance on automation, and regulatory compliance. While AI-driven tools and robo-advisors enhance budgeting and investment management1, the risk of data breaches and identity theft poses a significant threat to users. Over-reliance on automated tools can also lead to blind spots in financial management, potentially causing users to miss creeping subscription charges or dwindling savings. Moreover, the rapid pace of fintech innovation often outpaces the development of regulatory frameworks, creating uncertainty and compliance challenges for both startups and established players. This abstract highlights the need for a balanced approach that leverages the benefits of fintech while addressing its associated risks to ensure consumer protection, financial stability, and ethical practices. This study is to understand the significance of Fintech, we employed a comprehensive research methodology such as literature review, data analysis and others. In this report we were able to tell the importance and purpose of fintech in our life and economy. This report also contains the issues that we have found within the current technology of fintech throughout the world. To combat the issues, we have provided the best ways to negate the issue with recommendations on how to improve on fintech. In conclusion, our group assignment emphasizes Fintech's significant influence on contemporary financial systems and finding the issues that are present with the current advancement of fintech.*

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Introduction

In today's rapidly evolving financial landscape, financial technology (Fintech) has emerged as a transformative force, revolutionizing how individuals manage their personal finances (Odinet, 2021; Samsudin et al., 2024). From AI-driven budgeting tools to robo-advisors, fintech innovations have brought unprecedented convenience, accessibility, and personalization to financial planning. These tools simplify budgeting, automate expense tracking, and offer personalized investment advice, empowering individuals to take greater control of their financial well-being. However, this rapid integration of technology into personal finance is not without its challenges (Sarhan, 2020). While fintech offers numerous benefits, it also introduces a range of issues that need careful consideration. These include concerns around data security and privacy, the potential for over-reliance on automation, regulatory compliance, and the need to ensure financial inclusion. As fintech continues to reshape the financial landscape, it is crucial to address these challenges to harness its full potential while safeguarding consumers and promoting financial stability (Belanche et al., 2019). This exploration will delve into the current issues in fintech applications for personal financial planning, highlighting the key considerations for both users and providers in this dynamic environment. FinTech, which stands for financial technology, refers to the way financial services firms utilize technology into their products to better use and provide them to customers. It includes a wide range of apps, including investing and cryptocurrency apps, as well as mobile banking and insurance. Fintech seeks to improve and simplify financial processes, making them easier to use, more secure, efficient, and accessible (Qi & Xiao, 2018). It uses cutting-edge technology to build new financial goods and services and revolutionize traditional financial operations, including blockchain, big data, artificial intelligence, and cloud computing.

Background of the Study

As stated in the introduction, Fintech is the way financial services firms utilize technology into their products to better use and provide them to customers. The creation of Fintech can be traced back into 1950 when credit cards were first introduced, indicating the start of the transition away from cash transactions. With the invention of the ATM in the 1960s banking saw yet another revolutionary change since cash was always available. Online bankin and the growth of electronic trading platforms occurred in the 1980s and 1990s. The more recent part of the 2000s, especially after the 2008 global financial crisis, was an important time for Fintech. Fintech businesses emerged as a result of the crisis, which increased demand for financial services that were more effective, transparent, and user-friendly. Crowdfunding, blockchain technology, and smartphone payments are just a few of the innovations that have changed the financial environment.

Fintech in general has a lot of purposes, but their primary functions are the companies that rely on technology to conduct fundamental functions provided by financial services, affecting how users store, save, borrow, invest, move, pay, and protect money (Kamuangu, 2024; Mhlanga, 2023b; Qi & Xiao, 2018). In Malaysia, they also play a big part in our financial structure due to how rapidly the technology is growing. Most financial institutions have applied fintech within their system in order to improve the experience as well as modernizing their norm. One of the purposes of fintech is to accelerate the enhancement of financial inclusion. The advancement of fintech has allowed for mobile wallets or digital payment platforms like Boost or TouchNGo Wallet, which allows people that have no traditional banking service to have access to the financial system. Fintech also functions as a way to drive the growth of the economy by

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facilitating a dynamic and competitive financial service sector. The creation of fintech allows more job opportunities because technological innovation is encouraged, thus creating a job opening and indirectly boosting the economy. Fintech also became a cushion for Small Medium Enterprise (SME) because of the easier access to finance, payment solutions and tools which can help them grow. Another purpose of fintech is helping to improve financial literacy. Fintech platforms usually include tools or resources that are aimed to improve the understanding of finance for the user (Mhlanga, 2023a). Fintech apps like BigPay allow the usage of splitting the bill, calculating expenses and providing easy access to monthly statements which can greatly help the user to manage and plan their finances well.

The integration of financial technology (Fintech) in personal finance management has become increasingly important in Malaysia, transforming the way individuals manage their financial affairs. This transformation is driven by the proliferation of mobile banking, digital payments, and financial planning applications, which have made financial services more accessible and efficient for the average consumer Fintech solutions improve personal finance management with several advantages. Convenience is one of the main benefits of digital wallets and mobile banking. Through apps like Boost, CIMB Clicks, and MAE by maybank users may easily transfer money, pay their bills, and conduct transactions. By doing away with the necessity for in-person bank visits, these platforms save time and lessen the inconvenience that comes with using conventional banking techniques Furthermore, fintech has been essential in helping Malaysians become more financially literate. People may access budgeting tools, cost trackers, and financial education materials through engaging and user-friendly websites. Applications such as Pocketbook and Money Lover give users insight into their spending patterns and assist them in creating and adhering to budgets. By enabling people to make educated decisions, this greater financial knowledge may enhance their financial well-being (Bussmann et al., 2020; Cao et al., 2020; Farahani et al., 2022; Giudici, 2018; Jain et al., 2023). The advent of robo-advisors is yet another noteworthy development in the fintech space. Financial objectives and risk tolerance are taken into account when providing automated investing recommendations by services like StashAway and MyTheo. These platforms make professional investing services available to a wider audience by managing and optimizing investment portfolios via the use of algorithms. This democratization of investing choices is especially helpful in Malaysia, where many people may find traditional financial consulting services to be too expensive. Fintech improves security and transparency in managing personal finances in addition to these other advantages. Transaction security and personal data protection are guaranteed by sophisticated encryption and biometric authentication techniques. Moreover, since all transactions are recorded on an immutable ledger, the use of blockchain technology in some Fintech applications adds another degree of transparency and trust.

The current Issues in Fintech

Fintech in general brings various amounts of benefits to our society, especially in easing the process of financing not only just for individuals but for large groups too. But, with every positives, have its negatives and this is the same for Fintech, where its benefits come with a lot of major compromises. These compromises or issues can be quite problematic for users that are adjusting to use the future of Fintech and might even turn newcomers away from Fintech entirely (Guo & Polak, 2021).

Data security risk

With the arrival of technology in easing the finance process, it is also packaged with the risk of having financial data being threatened by a cyber attack. With fintech technology still new, the

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countermeasure for combating cyber attacks is still unknown or in progress, which can cause great trust issues with the user. One example is SIM Swapping. With the vulnerability of mobile verifications, the attackers are able to obtain the one time password or OTP via text message, which gives them direct access to their sensitive finance information or worse, a direct access to their personal bank account. This type of attack can happen to anyone. In 2021, the United States of America's Federal Bureau Investigation (FBI) stated that Americans have lost 68 Million USD just from the Sim Swapping attack alone.

Aside from cyber attacks, the cyberworld also poses a risk in a form where malware and ransomware can compromise the security of protected finance information. A ransomware or malware attack can happen if a certain individual is downloading apps or files from an untrusted source, where the developer can potentially snuck in some virus which gives them direct control of their device. When a malware attacks, the security of the device will be severely compromised, where the attacker will have full control on the device's passwords history, files and other sensitive files. For ransomware, it is the same as malware but the attacker encrypts the file and holds it for ransom until the owner has paid the ransom that the attacker specified. In 2023, a type of ransomware called Akira Ransomware have manage to compromise many companies or vital infrastructures in various continents like North America, Europe and Australia, where Akira will take access via Virtual Private Network(VPN) that have no multi-factor authentication which it will take direct control of the companies computer which will lead to access to their sensitive files. These types of compromises can deter potential users of fintech because of the risk.

Lack of mobile expertise

The technology world is advancing very rapidly, which means that most people can not get a full grasp on how to use it (Bussmann et al., 2020; Cao et al., 2020; Giudici, 2018). Furthermore, most financial institutions still are not able fully adapt their systems to utilize the advanced technology of fintech. In this current technological milestone, most users would prefer to use their financial institution's app on their mobile phones rather than using a personal computer because mobile devices are more easy to carry around and more convenient to use in a hurry. But, since most institutions have the lack of mobile expertise, it will cause most of the features that are present on a modern mobile device unused. For example, Bank Islam's mobile app, Bank Islam Go, is not utilizing the NFC chip that is available on the mobile phones, which barred the usage of contactless payment using their mobile phones. This would result in most users being less likely to deposit their money into Bank Islam, and would go to other institutions that allowed such service like Maybank, which allows the usage of NFC chips in mobile devices like Apple Pay, Samsung Pay and Android Pay. Having the lack of mobile expertise would also lead to uncomfortable user experience. The user interface of a mobile app should not be overcrowded and easy to understand and use. Without the expertise in mobile devices would make the financial institution's app unsuitable to use and might deter users from utilizing the app and resorting back to using the old method, which can result in decreasing the research and development for fintech.

Rules And Regulations Compliance

Introducing fintech can be a problem in the case of complying with the rules and regulations, especially if the financial institution is operating on an international scale. Due to the highly regulated nature of the fintech business, a number of laws and regulations, such as the one pertaining to consumer protection, know-your-customer (KYC), data privacy, and anti-money laundering (AML), must be followed if they want to incorporate fintech into their services as a protection towards the user. These regulations can be expensive and complex to implement, it also takes a lot of time waiting for the government to approve so that the financial institutions

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are allowed to use fintech features in their services. These types of regulations are presented due to a lot of fintech being used as a money laundering scheme. According to the UN, it is stated that almost 800 billion dollars are being laundered every year and these regulations are implemented to narrow down the activity which is the anti-money laundering (AML) regulation. If a fintech company is not able to secure the rights or have a valid compliance for regulation, they can be fined or even shut down entirely. In 2021, Financial Industry Regulatory Authority or FINRA from the United State of America fined Robinhood, a fintech company 57 Million USD for lack of due diligence before approving customers and purveying misleading information to customers, which breaches the regulations on consumer protection. Aside from preventing fines, since fintech is rapidly evolving, the requirements for regulatory compliance also changes. This will make the process of obtaining the legal rights of using fintech in their products be more difficult and potentially deter potential financial institutions. If the institution based on fintech isn't agile or proactive, then it will take a lot more time and expenses just to be regulated within the law (Ashta & Herrmann, 2021).

User Experience and Retention

Another issue in the fintech sector that affects the viability of financial technology applications are user experience and retention. A major problem with user retention is the complications of the financial concepts that fintech services are built around. To maintain user engagement and loyalty, fintech apps need to make these complex ideas simpler through personalized experiences and intuitive design. Maintaining the app's usability for all users while meeting the needs of both experienced users and new users is a challenge. Moreover, another obstacle to providing seamless user experiences in fintech apps is the shortage of standardized data exchange protocols and integration techniques. User retention efforts can be limited by interoperability problems, which can result in fragmented user journeys, inconsistent data, and security flaws. Fintech companies have to concentrate on personalization, optimize API integrations, and improve the user experience in order to build user trust, engagement, and long-term loyalty. These are the challenges that these companies must overcome. Fintech companies can successfully navigate the challenges of user retention and experience in the constantly changing financial technology landscape by addressing these problems head-on and iteratively improving their strategies based on user feedback and data analytics.

Interoperability

One of the biggest obstacles the fintech sector must overcome in order to build an effective and seamless financial ecosystem is interoperability. The absence of common standards and protocols for data integration and exchange is one of the primary obstacles to interoperability. Fintech platforms may have inconsistent or incompatible data formats, interfaces, and security measures in the absence of generally recognized standards, which could cause mistakes, lag times, or security breaches. Another issue is the difficulty in fostering collaboration among fintech platforms, regulators, industry associations, and customers. Interoperability is not solely a technical challenge; it's also a strategic and cultural one. These stakeholders need to align their goals, expectations, and incentives by working together. Regulatory bodies can set standards and guidelines, industry associations can facilitate knowledge exchange, and customers can provide valuable feedback, ensuring that interoperability efforts meet real-world needs. Furthermore, allowing cooperation between fintech platforms, industry associations, regulators, and customers is another challenge. The challenge of interoperability includes not only technical aspects but also strategic and cultural ones. By collaborating these stakeholders must align their objectives, standards, and rewards. Interoperability efforts can be made sure to meet real-world needs by

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regulatory bodies setting standards and guidelines, industry associations facilitating knowledge exchange, and customers offering insightful feedback.

Blockchain integration

Fintech companies encounter enormous integration challenges in their attempt to use blockchain technology's greater security, transparency, and efficiency. The substantial implementation costs are a major barrier, making fintech companies with limited resources and smaller operations unaffordable. Hiring blockchain developers with the necessary skills and setting up the necessary hardware and software infrastructure could be expensive (Bussmann et al., 2020; Giudici, 2018; Jain et al., 2023). The challenge of connecting blockchain with current fintech systems and procedures presents another difficulty. Blockchain's decentralized architecture may not be compatible with the older technologies and data structures that fintech companies frequently use. It will take a lot of planning, testing, and cooperation with blockchain specialists to get past this technological obstacle. Fintech's use of blockchain is significantly hampered by regulatory ambiguity. The proper regulation of blockchain-based apps remains a challenge for governments and financial agencies, resulting in ambiguous regulations and possible legal ramifications for fintech companies. Fintech companies must collaborate closely with legal and compliance teams and stay up to date on the latest changes in order to successfully navigate this regulatory environment. In conclusion, blockchain has the potential to drastically change the financial sector, but integrating it will not be easy due to issues with cost, complexity, and regulatory uncertainty. For fintech companies to overcome these challenges and realize the full potential of blockchain technology, they must carefully consider the benefits and risks, create a solid implementation plan, and work with industry partners.

Conclusion

Financial technology, or fintech, can be defined as how financial services companies incorporate technology into their goods to better use and offer them to clients. Fintech aims to enhance and streamline financial procedures, making them more user-friendly, safe, effective, and accessible. It makes use of cutting-edge technologies, including blockchain, big data, artificial intelligence, and cloud computing, to create new financial products and services and transform established financial operations. The purpose of fintech is to promote the improvement of inclusion in finance which allows for easy access to banking institutions, paving the way for a better economic growth and helping the public to understand how financial services works better. Fintech has numerous advantages, including raising financial inclusion, boosting efficiency, encouraging innovation, improving security, and improving accessibility. Fintech's development certainly has an effect on the financial industry. The system has improved in terms of dependability, efficiency, and smoothness. But, fintech also have it’s issues, which is vulnerability in data security, the decreasing understanding in mobile expertise within the research and development sector, issues in complying with the rules and regulations to protect consumers, problems in improving the user experience and retaining the user, the difficulty in providing interoperability with other fintech companies and integrating blockchain technology within the financial services. Fintech overall has its advantages and disadvantages. The advancement of technology is rapid which promises fintech to be a great investment for the future of finance.

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