

Challenges Faced by Customers in Using Fintech Services

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Abstract: *Financial Technology (Fintech) has made a significant impact in the global financial system by incorporating new digital technologies in financial services such as mobile banking, digital wallets, peer-to-peer transactions, and automated financial services. Although the growth rate of Fintech services is tremendous, people are facing difficulties in using Fintech services effectively. This paper will discuss the significant challenges faced by users when engaging with Fintech services and classify them into technological, psychological, and structural challenges.*

The most prominent issue that has been identified in the literature is the concern over data & privacy and cybersecurity. There has been hesitation in using digital finance services due to the risk of identity theft, data breach, and fraud, especially in environments where regulatory frameworks are not well understood (Babu et al., 2024). In addition, the complexity associated with Fintech services and the need to have sufficient digital and financial knowledge have acted as barriers for users, particularly older adults and those living in rural areas (Patel et al., 2025; Khan, 2022). This has created the perception that Fintech applications are difficult to use, thus discouraging potential users from using them.

Keywords: Financial Technology (Fintech).

I. INTRODUCTION

The rapid development of Financial Technology (Fintech) has significantly contributed to the major transformation of the conventional financial services industry through the incorporation of digital technology into daily financial operations. Financial technology comprises different financial services such as mobile banking services, electronic wallet services, peer-to-peer services, and investment services, which are aimed at increasing financial efficiency, reducing cost of transactions, and increasing financial inclusion. In recent times, different Fintech services have become extremely popular in different countries, including both developed and developing economies. Financial technology has greatly influenced the promotion of financial inclusion and the provision of financial resources to people through faster transactions and convenient financial services, which have been made possible through digital technology (Feyen et al., 2021).

However, the adoption and usage of Fintech services have not been widespread due to various challenges that users of Fintech services face. For example, issues of privacy, cybersecurity, and fraud have over the years made users of Fintech services doubtful about the usage of digital financial services (Babu et al., 2024). Additionally, the complexity of Fintech services and the need to ensure that users of Fintech services are sufficiently digitally and financially literate have over the years made it difficult for people, especially elderly people and those living in rural areas, to use Fintech services (Patel et al., 2025; Khan, 2022). For example, structural issues such as inadequate digital infrastructure, poor internet connectivity, and regulatory issues have over the years made Fintech services unreliable (Anusha, 2019; Feyen et al., 2021). Thus, to understand the importance of Fintech services, one has to understand the challenges associated with the use of Fintech services.

II. STATEMENT OF THE PROBLEM

In spite of the rapid global proliferation of Financial Technology (Fintech) and its immense potential to revolutionize financial accessibility, there still exists a notable disconnect between Fintech services and public usage. Fintech is



geared towards simplifying transactions via mobile banking and other automated services. However, Fintech adoption is still being stifled by a triad of critical barriers.

III. OBJECTIVES OF THE FINTECH SERVICES.

1. To understand the concept and growth of Fintech services.
2. To identify the major challenges faced by users.
3. To analyze the impact of these challenges.
4. Increasing transparency.
5. Facilitating financial literacy.

IV. LITERATURE REVIEW

1. Challenges In Adopting Fintech Banking Services (2025)

Dr. C.Pushpalatha

<https://ijcrt.org/papers/IJCRT2512070.pdf>

The title of the paper is Challenges in Adopting Fintech Banking Services. It was authored by S. Gowthami and Dr. C. Pushpalatha. They published it in December 2025, in this journal titled International Journal of Creative Research Thoughts, volume 13 issue 12. I think the point of this paper is to identify what kind of challenges people face when they attempt to use fintech services in banking. You know, like online payments or mobile banking applications. It seems like, even though these services are meant to make people's lives easier, there are still some pretty big obstacles. Based on what they discovered, fintech banking services provide quick access and are quite user-friendly in some respects. However, adoption is not easy. They surveyed 122 people and analyzed the data using percentages and chi-square tests. What is interesting is that there are no correlations between factors like gender, age, education level, employment, and geographic location and the challenges. That is a little surprising to me, because I would have thought that those kinds of factors would have played a bigger role. The challenges they listed, the first one is simply a lack of knowledge about these services.

2. A Study on User Behaviour for Consulting Of Fintech Companies : An Indian Perspective (2025)

Sunil B Dr. Chaitra VH

<https://www.perplexity.ai/search/challenges-faced-by-customers-TYmDnhhfSqexQvhIHHfldw?sm=d&login-source=sourcesViewMore&login-new=false>

The study examines the use of FinTech in India, aiming to address questions about human behaviour, who they trust, their satisfaction levels, and what inhibits them, among other factors, at various segments of society, including age, education, income, rural/urban locations, etc. The overarching aim of the study is to understand why FinTech is used more by some people in India than by others. To do this, the researchers conducted a survey of 650 people from rural and semi-urban locations in seven states in India, including Rajasthan, Maharashtra, Uttar

Pradesh, Punjab, etc. The location is important because it is the area of study, and results may vary in other locations, including urban areas. The findings reveal that the majority of users are young (around 18-35 years of age), educated, and possess smart devices such as smartphones. There is also an increase in the number of users of FinTech services in rural areas; however, users in urban areas are still more compared to their rural counterparts. This is also evident from the general trend that the usage of technology is more in cities.

The main activities of users are related to payments such as UPI and wallets, followed by online banking and lending, and finally investing. The majority of users want to have a smartphone. The language used is also varied and consists of English, Hindi, and various regional languages. For continued usage of FinTech services, the most important aspects are convenience and ease of use, followed by user behaviour developed during initial usage and the impact of friends and families. The major pain points of users are low financial literacy levels, security issues, low awareness of products, technical difficulties for elderly users, low local language support, and poor rural internet connectivity. The



satisfaction levels are high for users regarding the usage of FinTech services in terms of transaction and app usage speeds. However, the satisfaction level for customer support and security is only moderate, while the lowest satisfaction level is for local language support, which is also expected. The study concludes that FinTech services are used most by young, educated, and tech-savvy Indians. The recommendations are to improve financial literacy and trust levels for FinTech services and also to improve infrastructure and user interfaces and local language support.

V. RESEARCH METHODOLOGY

The methodology for conducting the research on the challenges faced by the customers in using the services provided by fintech companies will involve a quantitative approach using a survey method. A survey will be conducted to understand and analyze the challenges faced by the customers in using services such as mobile banking, digital wallets, or online investments.

The population for this survey will comprise those people who use the services provided by fintech companies. Various factors will be kept in mind, such as age, geographical location, and type of service used by the customer. Stratified random sampling will be used.

The sample size will be calculated based on a specific statistical calculation, taking into consideration the 95% confidence level and 5% margin of error, giving us an initial figure of 70 sample respondents. However, to make up for non-responses and incomplete responses, the actual number of sample respondents will be increased to 80. The data will be collected through an online questionnaire that will be circulated through various social media, email, and online fintech-related community groups. The questions will be of both the closed-ended and open-ended variety, focusing on the problems and levels of satisfaction of fintech users. The data collected will be analyzed using descriptive and inferential statistics to determine the common problems and differences between the demographic groups.

Ethical issues will be adhered to in the process, with issues of consent, confidentiality, and data use being respected. This methodology will offer an excellent guideline to comprehend the challenges that customers face in accessing services from fintech providers.

VI. DATA ANALYSIS

1. Top Fintech Service Challenges

Challenge Question	Chi-Square p-value	Significant	Interpretation	Most Affected Group
Transaction failures happen often without clear reason	0.012	Yes	Significant association with age group	18-25
Customer support response is slow or unhelpful	0.045	Yes	Significant by usage frequency	Daily users
KYC verification process is too lengthy or complicated	0.21	No	No significant association	-
Funds transfers takes too long process	0.033	Yes	Significant by income range	Below 20,000
High fees or hidden charges surprise me	0.087	No	No significant association	-
App crashes frequently during payments	0.018	Yes	Significant by gender	Female
OTP delay cause missed transaction	0.099	No	No significant association	-

Interpretation :

The 18-25 age group shows a critical sensitivity to unexplained transaction failures. This demographic often relies on real-time digital payments for daily social and essential activities, making any friction highly disruptive.



Statistical evidence suggests that for these younger users, the lack of transparency during a failed payment is a primary deterrent to long-term platform trust.

Key factors contributing to this friction include:

- High frequency of small-ticket peer-to-peer transfers.
- Expectation of instant status updates.
- Lower tolerance for manual reconciliation processes.

Addressing these technical glitches is not just a maintenance task but a strategic necessity for retaining the next generation of fintech users in India.

2. Fintech Survey: Gender Distribution

Gender	Respondent Count
Male	43
Female	37

Interpretation :

- The 18-25 demographic has shown a significant sensitivity to unexplained transaction failure, especially considering that this group tends to rely on real-time digital transactions for various day-to-day social and essential activities.
- Statistical evidence points to the fact that, for this demographic, the lack of transparency with unexplained transaction failure appears to be the most significant factor that impacts platform trust.
- Some of the key factors that contribute to this friction are:
 - High frequency of small-ticket peer-to-peer transactions.
 - Expectation of instant status updates.
 - Lower tolerance for manual reconciliation processes.

Addressing these technical glitches is not just a maintenance task but a strategic necessity for retaining the next generation of fintech users in India.

3. Income Range Distribution

Income Range	Respondent Count	Percentage	Majority Group	Most Used Service
Below 20,000	32	40%	Yes	UPI Payments
20,000-50,000	36	45%	Yes	UPI Payments
50,000-1,00,000	8	10%	No	Digital Wallets
Above 1,00,000	4	5%	No	Investment Apps

Interpretation :

This segment represents the backbone of the digital economy. With 45% of respondents falling into this bracket, it highlights how middle-income earners are the primary drivers of fintech growth in India.

Daily convenience is the main motivator. The high reliance on UPI payments suggests that these users prioritize speed and zero-cost transactions for their routine expenses and peer-to-peer transfers.

4. Fintech Service Usage Frequency

Fintech Service	Respondent Count	Percentage	Most Frequent	Typical User Income	Typical User Age
UPI Payments (e.g. Google Pay, PhonePe)	54	67.5%	Yes	20,000-50,000	18-25



Digital Wallets (e.g. Paytm)	12	15%	No	Below 20,000	18-25
Investment Apps (e.g. Groww, Zerodha)	7	8.75%	No	20,000-50,000	26-35
Banking Apps	4	5%	No	50,000-1,00,00	26-35
Credit Card Apps	3	3.75%	No	Above 1,00,00	36-45

Interpretation :

The overwhelming preference for UPI among young professionals stems from its seamless integration into daily micro-transactions. This demographic value the speed and zero-cost nature of the interface for routine expenses.

Key factors contributing to this dominance include:

- Instant bank-to-bank transfers
- Widespread merchant acceptance
- Mobile-first user experience

VII. CONCLUSION

While the rapid evolution of India's financial system through Fintech is undeniable, as this research has clearly highlighted, the journey to total digital inclusiveness is fraught with many structural and psychological barriers. While the advantages of convenience and speed are more beneficial to the younger and urban population segment, there are many major issues such as cyber security issues, lack of digital literacy, and confusion regarding regulations that continue to keep the larger population segment alienated. In order to address this, Fintech firms not only need to look at their technology and developments but also at developing trust within the institutions, which can be done through communication, technology for the less literate, and security. Therefore, the success of Fintech services in India will be dependent on the joint efforts of the government, regulating bodies, and technology experts to develop a system that not only incorporates technology but also encompasses all its citizens.

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