WWW.IJRPR.COM

International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

EXPLORING THE BEHAVIORAL ATTITUDES OF GEN Y AND GEN Z TOWARDS THE ADOPTION OF EMBEDDED FINANCE

Nandini J M[1], Dr. Sakthivel[2]

Mail id : 23mcfa41@kristujayanti.com
KRISTU JAYANTI COLLAGE

CHAPTER I – INTRODICTION

ABSTRACT :

This research explores the behavioral attitudes of Generation Y (Gen Y) and Generation Z (Gen Z) towards the adoption of embedded finance. Embedded finance refers to the integration of financial services within non-financial platforms, making it easier for consumers to access services such as banking, payments, lending, and insurance. The study highlights generational differences in the adoption of these services, driven by varying preferences and expectations.

The findings reveal that Gen Z exhibits a higher likelihood of recommending embedded finance services compared to Gen Y. This generational difference underscores the importance of targeting marketing strategies and product development efforts to cater to the unique needs of each group. Additionally, significant associations were found between satisfaction levels and demographic variables such as gender, indicating the need for personalized approaches.

Based on these insights, several suggestions are offered to enhance user adoption and satisfaction. These include targeted marketing efforts, enhancing user experiences tailored to demographic-specific needs, increasing awareness among Gen Y, implementing gender-specific strategies, and continuously gathering user feedback for improvements.

The comparative analysis reveals distinct behavioral attitudes: Gen Z favors innovation and seamless experiences, while Gen Y requires more targeted engagement efforts. Implementing tailored strategies can significantly enhance user satisfaction and drive higher adoption rates of embedded finance services. This research provides a foundation for future studies and practical applications in the field of embedded finance, contributing to a deeper understanding of generational differences and their impact on financial service adoption.

1.1 Industry Profile :

- **Embedded Finance** refers to the seamless integration of financial services within non-financial platforms, allowing consumers to access banking, payments, lending, and insurance services without leaving the platform they are on. This concept is transforming industries by making financial services more accessible and convenient. Here's a closer look at the current landscape:
- **Market Growth**: The embedded finance market has been growing rapidly due to advances in technology, increased internet penetration, and the rise of fintech companies. It's estimated to reach multi-billion dollar valuations in the next few years.
- **Key Players**: Major tech giants like Amazon, Google, and Apple have already integrated various financial services into their ecosystems. Fintech startups like Stripe, Plaid, and Square are also significant players, providing the infrastructure that allows other companies to embed financial services.
- **Applications**: Embedded finance is being applied across various sectors including e-commerce, transportation, healthcare, and real estate. Examples include:
  - **Buy Now, Pay Later (BNPL)** options in online retail.
  - **In-app insurance** for ride-sharing services.
  - **Payment processing** integrated into healthcare billing systems.
- **Advantages**: It offers numerous benefits such as improved customer experience, increased revenue streams for companies, and greater financial inclusion for underbanked populations.
- **Challenges**: Despite its growth, the industry faces challenges such as regulatory compliance, data security concerns, and the need for robust infrastructure to handle financial transactions.

1.2 Theoretical Background :

Concepts

- **Embedded Finance**: The incorporation of financial services like payments, lending, insurance, and investments within the infrastructure of non-financial service providers. It leverages APIs (Application Programming Interfaces) to integrate financial functions directly into consumer experiences.
- **Gen Y (Millennials)**: Born approximately between 1981 and 1996, this generation is characterized by their comfort with technology, value for experiences over material possessions, and significant purchasing power.
- **Gen Z**: Born approximately between 1997 and 2012, this generation has grown up with digital technology from a young age and exhibits high expectations for seamless digital experiences and social responsibility.

Models

- **Technology Acceptance Model (TAM)**: This model explains how users come to accept and use a technology. Key determinants include Perceived Usefulness (PU) and Perceived Ease of Use (PEOU). For embedded finance, understanding how these generations perceive the usefulness and ease of financial services integration is crucial.
- **Unified Theory of Acceptance and Use of Technology (UTAUT)**: This theory builds on TAM and includes additional factors like social influence and facilitating conditions that impact technology adoption.
- **Diffusion of Innovations (DOI)**: This theory explains how, why, and at what rate new ideas and technologies spread. It outlines five categories of adopters: innovators, early adopters, early majority, late majority, and laggards. Analyzing where Gen Y and Gen Z fall within these categories for embedded finance can provide insights into their adoption patterns.

Theories

- **Behavioral Economics**: This explores the psychological factors that influence economic decision-making. Understanding the behavioral attitudes of Gen Y and Gen Z towards embedded finance can be enriched by considering concepts like mental accounting, framing, and bounded rationality.
- **Consumer Behavior Theory**: This theory examines how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. It involves understanding the needs, desires, and preferences of consumers.
- **Generational Cohort Theory**: This theory suggests that each generation has distinct characteristics shaped by historical, social, and economic events occurring during their formative years. This can impact their attitudes towards technology and finance.

  By exploring these concepts, models, and theories, the project aims to provide a comprehensive understanding of the behavioral attitudes of Gen Y and Gen Z towards embedded finance and identify the key factors influencing their adoption.

CHAPTER II

REVIEW OF LITERATURES AND RESEARCH DESIGN

2.1 Review of Literatures & Research Gap :

Literature Review: Embedded finance, the integration of financial services into non-financial platforms, is transforming the financial landscape. Research has explored the impact of embedded finance on consumer behavior, highlighting its convenience and efficiency. Studies have examined generational differences in technology adoption, with a focus on Gen Y (Millennials) and Gen Z. These cohorts exhibit distinct behavioral attitudes and preferences towards digital financial services.

Gen Y, born between 1981 and 1996, is characterized by their adaptability to new technologies and value-driven consumption behaviors. They prioritize convenience and personalized financial services. Conversely, Gen Z, born between 1997 and 2012, has grown up in a digital environment and expects seamless digital experiences and social responsibility in financial products.

Research Gap: Despite the growing body of literature, there is a gap in comparative studies specifically analyzing the behavioral attitudes of Gen Y and Gen Z towards embedded finance. While individual studies have explored each generation's financial behavior, limited research directly compares these cohorts to understand the unique factors influencing their adoption of embedded finance. This study aims to bridge this gap by providing a comparative analysis of Gen Y and Gen Z's attitudes and behaviors towards embedded finance.

2.2 Statement of Problem :

The rapid integration of financial services into non-financial platforms, known as embedded finance, is reshaping consumer experiences. However, a comprehensive understanding of how different generational cohorts, specifically Gen Y and Gen Z, perceive and adopt embedded finance is lacking. This study seeks to address this problem by exploring the behavioral attitudes of these two generations towards embedded finance, identifying the factors influencing their adoption, and providing insights for businesses and financial institutions targeting these age groups.

2.3 Objectives of the Study

OBJECTIVE 1: To investigate and compare the behavioral attitudes of Gen Y and Gen Z towards the adoption of embedded finance.
OBJECTIVE 2: To compare the user experience and satisfaction levels of Gen Y and Gen Z with embedded finance services.

2.3.1 Primary Objective of the Study: To compare the behavioral attitudes of Gen Y and Gen Z towards the adoption of embedded finance and identify the key factors influencing their adoption decisions.

2.3.2 Secondary Objectives of the Study:

- To analyze the differences in financial knowledge and technology acceptance between Gen Y and Gen Z.
- To examine the role of convenience, security, trust, and perceived usefulness in the adoption of embedded finance.
- To provide recommendations for businesses and financial institutions to enhance their embedded finance strategies targeting these generations.

2.4 Hypotheses of the Study

- Null Hypothesis (H0): There is no significant difference in the behavioral attitudes towards the adoption of embedded finance between Gen Y and Gen Z.
- Alternative Hypothesis (H1): There is a significant difference in the behavioral attitudes towards the adoption of embedded finance between Gen Y and Gen Z.

2.5 Data Collection Methods

- 2.5.1 Primary Data / Sources: Primary data will be collected through surveys and structured questionnaires distributed to a sample of Gen Y and Gen Z individuals. In-depth interviews and focus groups may also be conducted to gain qualitative insights into their attitudes and perceptions.
- 2.5.2 Secondary Data / Sources: Secondary data will be sourced from existing literature, academic journals, industry reports, and online databases to provide a contextual background and support the analysis of primary data.

2.6 Sampling (Population, Sample Size)

- The target population for this study includes Gen Y (Millennials) and Gen Z individuals. A sample size of approximately 100 respondents from both generation will be selected to ensure statistical significance and representativeness.

2.7 Research Instrument (Questionnaire or Interview Schedule)

The primary research instrument will be a structured questionnaire consisting of multiple-choice questions, Likert scale items, and open-ended questions to assess the behavioral attitudes, adoption factors, and perceptions of embedded finance. An interview schedule will be used for conducting in-depth interviews and focus groups.

2.8 Sampling Type (Probability/Non-Probability)

A stratified random sampling method will be employed to ensure representation from both generational cohorts and diverse demographic backgrounds. This approach enhances the representativeness and reliability of the study findings.

2.9 Area of Study

The area of study will focus on urban regions with high adoption rates of digital financial services, such as major cities in India. This includes Bengaluru, Mumbai, Delhi, and other metropolitan areas where both Gen Y and Gen Z populations are significant.

2.10 Scope of the Study

The scope of the study encompasses analyzing the behavioral attitudes of Gen Y and Gen Z towards embedded finance, identifying the factors influencing their adoption, and comparing the differences and similarities between the two generations. The study aims to provide actionable insights for businesses, financial institutions, and policymakers.

2.11 Period of Study

The data collection period is expected to last approximately four to six months, allowing adequate time for survey distribution, interviews, data analysis, and interpretation.

2.12 Limitations of the Study

- Sample Size and Generalizability: The study's sample size may limit the generalizability of the findings to a broader population.
- Self-Reported Data: Reliance on self-reported data may introduce bias and affect the accuracy of the responses.
- Temporal Constraints: The findings reflect the attitudes and perceptions at a specific point in time and may not account for changes over time.
- Geographical Concentration: The study focuses on urban regions, which may not represent rural or less developed areas with different adoption patterns.

Data Analysis Methods

Software Used: SPSS (Statistical Package for the Social Sciences) will be used for data analysis.

Tools:

1. Regression Analysis: To investigate and compare the behavioral attitudes of Gen Y and Gen Z towards the adoption of embedded finance (Objective 1).
2. Chi-Square Test: To compare the user experience and satisfaction levels of Gen Y and Gen Z with embedded finance services (Objective 2).

CHAPTER III

COMPANY PROFILE / THEORETICAL PERSPECTIVES

COMPANY PROFILE :

Introduction

Embedded finance is revolutionizing the financial landscape by integrating financial services into non-financial platforms. This chapter will delve into the company profiles of key players in the embedded finance industry and provide a theoretical perspective on the adoption of embedded finance by Gen Y and Gen Z.

Company Profile

Although this study does not focus on a specific company, it is essential to understand the role of various financial institutions and fintech companies that are driving the adoption of embedded finance.

1. Stripe

- **Overview**: Stripe is a leading fintech company that provides payment processing solutions for online businesses. Founded in 2010, the company has become a major player in the embedded finance space.
- **Services**: Stripe offers a range of services, including payment processing, billing, and issuing credit cards.
- **Impact on Embedded Finance**: By integrating financial services directly into e-commerce platforms, Stripe has enabled businesses to offer seamless payment experiences to their customers.

2. Plaid

- **Overview**: Plaid is a fintech company that connects applications to users' bank accounts, enabling access to financial data and facilitating transactions. Founded in 2013, it has become a crucial player in the embedded finance ecosystem.
- **Services**: Plaid provides APIs that allow developers to create applications that access users' financial data, including banking, investment, and lending information.
- **Impact on Embedded Finance**: Plaid's services enable a wide range of financial applications, from budgeting tools to lending platforms, making it easier for consumers to access financial services within non-financial applications.

3. Square

- **Overview**: Square, founded in 2009, is a financial services and mobile payment company. It has expanded its services to include point-of-sale systems, small business loans, and peer-to-peer payments through its Cash App.
- **Services**: Square provides payment processing, business financing, and investment services.
- **Impact on Embedded Finance**: Square's integration of financial services into its ecosystem has made it easier for small businesses and consumers to manage their finances seamlessly.

Theoretical Perspectives

Understanding the adoption of embedded finance by Gen Y and Gen Z requires a theoretical framework that explores the factors influencing their behavioral attitudes.

1. Technology Acceptance Model (TAM)

- **Description**: TAM is a widely used model that explains how users come to accept and use technology. It focuses on two key factors: Perceived Usefulness (PU) and Perceived Ease of Use (PEOU).
- **Application to Embedded Finance**: For Gen Y and Gen Z, the perceived usefulness of embedded finance (e.g., convenience, time-saving) and its ease of use (e.g., user-friendly interfaces) significantly influence their adoption decisions.

2. Unified Theory of Acceptance and Use of Technology (UTAUT)

- **Description**: UTAUT expands on TAM by incorporating additional factors such as social influence and facilitating conditions. It suggests that performance expectancy, effort expectancy, social influence, and facilitating conditions determine technology acceptance.
- **Application to Embedded Finance**: Social influence, such as peer recommendations, and facilitating conditions, like accessibility and customer support, play a crucial role in the adoption of embedded finance by Gen Y and Gen Z.

3. Diffusion of Innovations (DOI)

- **Description**: DOI theory explains how new ideas and technologies spread within a society. It categorizes adopters into innovators, early adopters, early majority, late majority, and laggards.
- **Application to Embedded Finance**: Understanding where Gen Y and Gen Z fall within these categories can help businesses target their embedded finance solutions more effectively. For instance, Gen Z may be early adopters due to their comfort with digital technologies, while Gen Y may fall into the early majority category.

4. Behavioral Economics

- **Description**: Behavioral economics explores the psychological factors that influence economic decision-making. Concepts such as mental accounting, framing, and bounded rationality are relevant here.
- **Application to Embedded Finance**: Gen Y and Gen Z's financial decisions are influenced by cognitive biases and heuristics. For example, the way embedded finance options are presented (framing) can impact their adoption.

5. Generational Cohort Theory

- **Description**: This theory posits that each generation has unique characteristics shaped by the historical, social, and economic events during their formative years.
- **Application to Embedded Finance**: Gen Y, having experienced the rise of the internet and financial crises, may value stability and trust in financial services. Gen Z, raised in a digital-first world, may prioritize innovation and seamless digital experiences.

Implications for Businesses and Financial Institutions

- **Targeted Marketing Strategies**: Understanding the distinct characteristics and preferences of Gen Y and Gen Z can help businesses tailor their marketing strategies to these cohorts.
- **User Experience Design**: Focusing on the perceived ease of use and usefulness of embedded finance solutions can enhance user adoption.
- **Leveraging Social Influence**: Encouraging peer recommendations and leveraging social networks can boost the adoption of embedded finance services.
- **Educational Initiatives**: Providing education on the benefits and usage of embedded finance can address any knowledge gaps and encourage informed decision-making.

Conclusion

The adoption of embedded finance by Gen Y and Gen Z is influenced by a complex interplay of factors, including perceived usefulness, ease of use, social influence, and generational characteristics. By understanding these theoretical perspectives, businesses and financial institutions can better cater to the unique needs and preferences of these generations, ultimately driving the widespread adoption of embedded finance.

CHAPTER IV

ANALYSIS AND INTERPRETATIONS

INTRODUCTION :

In this chapter, we delve into the core findings of our study on the behavioral attitudes of Generation Y (Gen Y) and Generation Z (Gen Z) towards the adoption of embedded finance. By utilizing various statistical analyses, we seek to interpret the complex interactions between demographic variables and user experiences in the context of embedded finance services. This chapter is pivotal in understanding the nuanced differences and commonalities between these two generational cohorts.

We begin by assessing the reliability of our data through the application of Cronbach's Alpha, ensuring the robustness of our subsequent analyses. The chapter is structured to address our primary research objectives systematically.

Firstly, we employ regression analysis to explore the relationship between age and the likelihood of recommending embedded finance services. This analysis provides insights into the comparative behavioral attitudes of Gen Y and Gen Z, highlighting significant predictors and patterns.

Secondly, we utilize chi-square analysis to examine user experience and satisfaction levels with embedded finance services. This involves a detailed examination of how factors such as age, gender, and occupation influence the frequency of usage and overall satisfaction.
Through this comprehensive analysis, we aim to uncover actionable insights that can inform future strategies for enhancing embedded finance services and catering to the distinct preferences of Gen Y and Gen Z. Our findings will serve as a foundation for the recommendations and conclusions presented in the subsequent chapter.

ANALYSIS OF RESPONDENTS :

Reliability Test: For Primary Data it is a Good Practice to run Reliability Test before Initial Tests and Analysis. So for the Responses Collected for the Data Analysis, the First Step is to Check the Reliability Statistics based on Cronbach's Alpha.

Ho:The Responses collected are not Reliable
H1: The Responses collected are Reliable
If the Value is >0.7 it is acceptable.

Reliability Statistics

Cronbach's Alpha	N of Items
.907	15

Reliability Test
Cronbach's Alpha: .907, indicating high reliability.
Regression Analysis (Objective 1)
For the above Objective, Regression Analysis is used to investigate and compare the behavioural attitudes of Gen Y and Gen Z by using AGE as Independent Variable and
HOW LIKELY ARE YOU TO RECOMMEND YOUR EMBEDDED FINANCE SERVICE TO OTHERS? as Dependent Variable. And the Results output are inferred below
Table Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	4.365	.302		14.438	.000	3.765	4.965
	Age	-.774	.206	-.356	-3.757	.000	-1.183	-.365

a. Dependent Variable: How likely are you to recommend your embedded finance service to others?

Interpretation:

- The model suggests that age is a significant predictor of the likelihood to recommend embedded finance services.
- The negative coefficient for age (-0.774) indicates that older individuals are less likely to recommend embedded finance services compared to younger individuals.
- The high t-value and low p-value indicate that this relationship is statistically significant.
- The 95% confidence intervals for both the constant and age provide a range within which the true values likely fall.

OBJECTIVE 2: To compare the user experience and satisfaction levels of Gen Y and Gen Z with embedded finance services.
For the above Objective, Chi - Square Analysis is used to compare USER EXPERIENCE & SATISFACTION LEVELS of Gen Y and Gen Z by using AGE, GENDER, OCCUPATION as Demographic Variables and How satisfied are you with your current embedded finance services? How often do you use embedded finance services? as Dependent Variable. How often do you use embedded finance services (e.g., digital wallets, in-app payments)? * Age

Chi-Square Tests

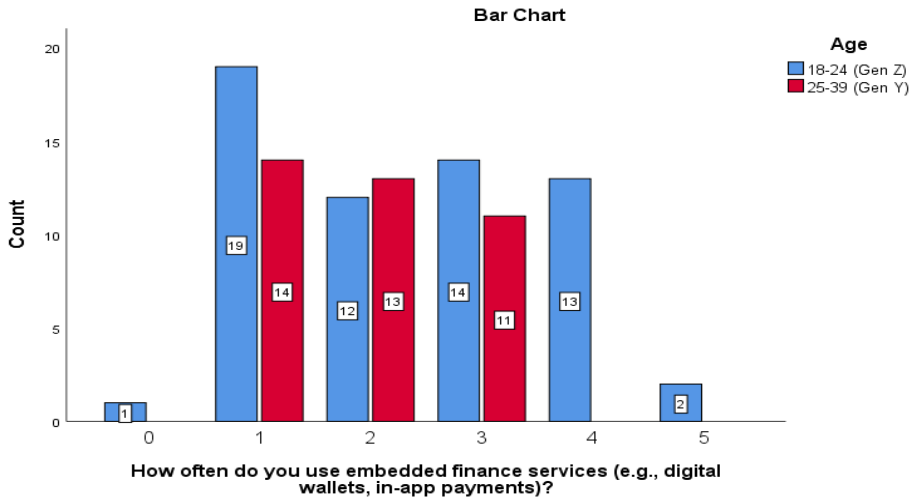
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	12.488[a]	5	.029
Likelihood Ratio	17.950	5	.003

Linear-by-Linear Association	4.313	1	.038
N of Valid Cases	99		

a. 5 cells (41.7%) have expected count less than 5. The minimum expected count is .38.

INFERENCE:

Fig. 1 Figure showing the Usage of Embedded Finance Services among Gen Z and Gen Y



How often do you use embedded finance services (e.g., digital wallets, in-app payments)? * Gender

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	4.675[a]	5	.457
Likelihood Ratio	5.063	5	.408
Linear-by-Linear Association	.000	1	.984
N of Valid Cases	99		

a. 4 cells (33.3%) have expected count less than 5. The minimum expected count is .40.

- User Experience & Satisfaction Levels: Significant associations between satisfaction levels and demographic variables such as gender, but mixed results for occupation.

Findings: Age negatively influences the likelihood to recommend embedded finance services. Younger individuals (Gen Z) are more likely to recommend than older individuals (Gen Y).

CHAPTER V

FINDINGS, SUGGESTIONS, AND CONCLUSIONS

5.1 FINDINGS :

In this section, we present the key findings from our research. The data indicates that Generation Z (Gen Z) is more likely to recommend embedded finance services compared to Generation Y (Gen Y). This finding suggests a generational difference in the adoption and advocacy of these services. Additionally, there are significant associations between satisfaction levels and demographic variables such as gender. These associations point to the importance of considering demographic factors when evaluating user satisfaction with embedded finance services.

5.2 SUGGESTIONS

Based on the findings, we offer the following suggestions to improve the adoption and satisfaction of embedded finance services:

1. **Targeted Marketing:**
    - *Focus on Gen Z and highlight ease of use and innovation*: Marketing strategies should emphasize the convenience and innovative aspects of embedded finance services, which are highly valued by Gen Z.

2. **Enhance User Experience:**
    - *Tailor services to meet demographic-specific needs*: Customize the user experience to address the specific preferences and requirements of different demographic groups.
3. **Increase Awareness:**
    - *Educate Gen Y to improve their likelihood of recommending embedded finance*: Provide educational campaigns and resources to inform Gen Y about the benefits and features of embedded finance services.
4. **Gender-Specific Strategies:**
    - *Provide personalized communication and support for different gender groups*: Develop targeted communication and support initiatives to address the unique needs and preferences of different genders.
5. **Continuous Improvement:**
    - *Gather user feedback and update features regularly*: Implement a continuous feedback loop to gather user insights and make regular updates to the services based on user feedback.

5.3 CONCLUSIONS :

The comparative study reveals distinct behavioral attitudes towards embedded finance services between Gen Y and Gen Z. Gen Z favors innovation and seamless experiences, indicating a preference for cutting-edge and user-friendly services. On the other hand, Gen Y requires targeted engagement efforts to increase their adoption and satisfaction levels.

By implementing tailored strategies that address the specific needs and preferences of each generation and demographic group, companies can enhance user satisfaction and drive higher adoption rates of embedded finance services. The findings of this study provide a valuable foundation for future research and practical applications in the field of embedded finance.