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Beyond Universal Models a Dual-Pathway Conceptual Framework for Fintech Adoption in Multi-Ethnic Emerging Economies

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ABSTRACT

Standard theories on Financial Technology (Fintech) adoption assume a single decision-making process and overlook deep institutional factors present in diverse economies. This paper introduces a dual-pathway conceptual framework derived from studies of Malaysian Micro, Small, and Medium Enterprises (MSMEs). Studies identified two different adoption routes for entrepreneurs from diverse backgrounds that are shaped by national socio-economic policies. Non-Bumiputera entrepreneurs follow a Pragmatic-Utilitarian Pathway and Bumiputera entrepreneurs follow an Experiential-Hedonic Pathway. The framework provides guidance for stakeholders and suggests a need for tailored strategies instead of a uniform approach to financial inclusion.

Keywords: *Digital Bank, Challenger Bank, UTAUT2, Malaysia, Peer-to-Peer Lending*

INTRODUCTION

MSMEs' financing deficit blocks economic progress in developing nations. (World Bank Group, 2022). Financial Technology (FinTech) and hybrid financial structures present solutions like Integrated Challenger Bank Peer-to-Peer (CB-P2P) Lending Platform (Feyen et al., 2021; Gomber et al., 2018). An Integrated CB-P2P platform is a strategic instrument for financial inclusion because it combines the regulatory trust of a digital bank and efficiency of a P2P lending system (Imerman & Fabozzi, 2020; Nicoletti 2021). The integration's success depends on voluntary adoption by potential entrepreneurs.

The integrated Fintech idea grew from a global change in financial services. Technology first unbundled traditional banking and allowed specialized FinTech firms to provide certain services efficiently. These services were then re-bundled into new digital systems for complete solutions and policymakers supported this market-driven integration. The World Bank Group identifies digital transformation and FinTech partnerships as a main path to create efficient and inclusive financial systems. Bank Negara Malaysia's Financial Sector Blueprint 2022-2026 (Bank Negara, 2022) advocates for partnerships and cooperation for a dynamic digital financial services system in Malaysia. The potential Integrated CB-P2P Lending Platform could be a direct result of this policy. Licensing frameworks for digital banks in Malaysia require product diversification to meet the financing needs of unserved and underserved segments like MSMEs.

Existing theories for FinTech adoption like UTAUT2 (Venkatesh et al., 2012) assume a universal decision-making process. This viewpoint overlooks the significant influence of cultural and institutional factors particularly in non-Western societies. This leads to imprecise predictions of adoption rates (Ramli & Williams, 2024).

This conceptual paper addresses this theoretical gap based on empirical findings and arguments from a large-scale study. The pre-adoption study for the new Integrated CB-P2P Lending Platform involved 400 Malaysian MSMEs found a striking and statistically significant divergence. Bumiputera

and non-Bumiputera entrepreneurs follow different technology adoption pathways. This paper's purpose is to elevate empirical discovery on a new dual-pathway conceptual framework. Different environments lead to different technology adoption methods, and some were shaped by decades of national socio-economic policy.

INSTITUTIONAL ENVIRONMENTS AND THE LOGIC OF ENTREPRENEURIAL ACTION

Analysing macro-level institutional forces is essential to comprehending diverse technology adoption pathways and their influence on entrepreneurial behaviour. National policies create distinct and parallel institutional realities in many multi-ethnic emerging economies. National policies sometimes aim to rectify past socio-economic disparities and Malaysia serves as a notable illustration. Decades of an affirmative action framework starting with the New Economic Policy (NEP) cultivated divergent entrepreneurial ecosystems (Yeoh & Yeoh, 2015; Lee, 2015), which resulted in institutional privilege in the Bumiputera community. Non-Bumiputera entrepreneurs faced institutional exclusion from specialized government support, funding, and training but these entrepreneurs have historically relied more on market forces, private networks, and their internal resources to compete (Ramli & Williams, 2024).

Non-Bumiputera MSMEs develop pragmatic logic in competitive and market-driven environments because their survival and growth depend on efficiency, performance optimization, and risk management that lead to utilitarian decisions focused on tangible returns (Yeoh & Yeoh, 2015). Bumiputera MSMEs entrepreneurial path operates within a supportive ecosystem that is often linked to government agencies and strong community ties that leads to a focus on trust, relationship quality, and user experience (Baba et al., 2025).

Real economic results reflect the difference as Malaysian national data reveals a clear productivity gap and Bumiputera-owned businesses constituting 44.1% of all MSMEs in the country but contributing only 14.5% to the total economic value (DOSM, 2024). This difference shows that the two ethnic groups have systemic problems and different ways of working, which means that one financial solution will not work for everyone. Choosing and adopting a technology is not just about technical or economic factors but reflects an entrepreneur's way of thinking. A non-Bumiputera entrepreneur will likely ask if a tool makes their business more competitive and a Bumiputera entrepreneur will likely ask if they trust the tool and feel supported using it. A good model must capture this basic difference in their questions (Tehseen et al., 2021).

A DUAL-PATHWAY CONCEPTUAL MODEL OF FINTECH ADOPTION

Considering the practical diversification in Malaysia, a dual-faceted model is suggested for FinTech adoption. This model indicates that the institutional setting guides entrepreneurs onto two separate psychological routes, each possessing distinct motivators for adoption. The two models proposed are Pragmatic-Utilitarian Pathway and Experiential-Hedonic Pathway.

The Pragmatic-Utilitarian Pathway

Entrepreneurs operating in highly competitive markets need to be self-reliant and rationally decide to adopt new technology by calculating potential threats and tangible outcomes. FinTech adoption in highly competitive and self-reliant MSMEs is driven by practical considerations, where the decision to adopt involves a rational assessment of potential benefits and risks (Abdul-Rahim et al., 2022). The first proposition is 'Pragmatic-Utilitarian Pathway' and is defined by three main factors which are Performance Expectancy (PE), Effort Expectancy (EE) and Perceived Risk (PR).

Performance Expectancy (PE) serves as the main driver and core consideration for entrepreneurs, who believe that the platform will deliver concrete business benefits through faster access to capital, improved operational efficiency, or enhanced cash flow management. The technology has become a strategic tool to gain a competitive advantage (Bajunaied et al., 2023). Effort Expectancy (EE) is about the platform perception that is supposedly easy to use and directly saves time to become a valuable proposition in a competitive environment (Lai et al., 2024).

Perceived Risk (PR) is an external predictor of UTAUT2 and serves as a powerful negative predictor for entrepreneurs because they conduct potential threats such as financial loss, data security breaches, and platform instability. High perceived risk acts as a significant deterrent and overrides the

potential benefits of the platform (Zhao & Khaliq, 2024; Merhi et al., 2019). This proposition is also based on the empirical findings for non-Bumiputera MSMEs in the source study.

The Experiential-Hedonic Pathway

Entrepreneurs within supportive institutional environments and strong community connections often follow this Experiential-Hedonic Pathway for their adoption decisions because it is significantly influenced by the emotional and relational quality of their user experience.

For the second proposition, the Experiential-Hedonic Pathway operates within institutional environments that offer targeted support and strong community ties. FinTech adoption is heavily influenced by an experiential-hedonic logic due to adoption decision greatly depends on the perceived quality of the user journey and the support ecosystem.

This pathway is driven by two different core factors in UTAUT2 which are, Facilitating Conditions (FC) and Hedonic Motivations (HM). FC is the most powerful predictor because a strong support infrastructure belief is paramount that includes reliable technology, clear guidance, and responsive customer service. FC is more than a practical enabler but signals trustworthiness and provider commitment and promotes the confidence needed for adoption (Azman & Zabri, 2022).

HM is the intrinsic enjoyment, pleasure, and satisfaction gained from a smooth and engaging user experience. Based on the findings for Bumiputera MSMEs, HM is a primary driver of intention, and a core component of its value proposition is effective response to technology (Siyal et al., 2021).

Table 1: A Comparative Overview of the Dual Adoption Pathways

Feature	Pragmatic-Utilitarian Pathway	Experiential-Hedonic Pathway
Associated Entrepreneurial Group	Non-Bumiputera	Bumiputera
Underlying Institutional Logic	Market-driven competitive self-reliant	Community-oriented support-based
Primary Psychological Focus	Rational calculation of outcomes and risks	Affective quality of the user journey and relationship
Key Adoption Drivers	Performance Expectancy Effort Expectancy Facilitating Conditions Perceived Risk	Facilitating Conditions Hedonic Motivation
Insignificant Core Predictors	Hedonic Motivation Social Influence Price Value	Performance Expectancy Effort Expectancy Social Influence Price Value

Source: Author Own's Work

DISCUSSION ADVANCING A CONTEXT-CONTINGENT THEORY OF TECHNOLOGY ACCEPTANCE

The proposed dual-pathway model advances beyond universal frameworks by challenging the assumption that an adoption model's core structure remains stable across different populations. Findings suggest that the institutional context does not merely moderate the strength of universal relationships but alters the adoption model's structure itself through psychological factors, which determine and become the primary drivers of intention for a more context-contingent theory of technology acceptance.

Hedonic Motivation is the main theoretical difference between the two pathways. HM functions as a proxy for a low-stress, trustworthy, and supportive business interaction for Experiential-Hedonic Pathway. Multi-Group Analysis (MGA) revealed a significant indirect effect and Facilitating Conditions influence Behavioural Intention through Hedonic Motivation for the Bumiputera group. FC makes the experience enjoyable (HM) for this group. This finding is important because when entrepreneurs face more challenges or have less digital knowledge, the positive experience through reliable and user-focused service could turn a stressful interaction into a satisfying one.

Despite different psychological paths, "Facilitating Conditions" predicted outcomes for both groups and became a universal need or a "hygiene factor" for FinTech adoption in this situation (Azman

& Zabri, 2022; Yeoh & Chin, 2022). Entrepreneurs require reliable and accessible technological support with necessary resources to use new financial platforms, regardless of their motivations, because it forms the essential basis for successful adoption strategies that enable both rational and experiential users.

IMPLICATIONS FOR POLICY AND PRACTICE

The dual-pathway model offers a research-backed framework and moving beyond generalized single approaches to digitalization and financial inclusion.

For Policymakers

Bank Negara Malaysia and related ministries should create different support plans that fit each group of entrepreneurs to adopt new ideas. Bumiputera MSME policies should focus on making technology an easy and pleasant platform that also needs funding for training and assistance from local FinTech companies for user interface and user experience design.

Encouraging non-Bumiputera MSMEs to adopt digital solutions requires policies, a transparent framework, and performance reporting that promote platform transparency, security, and clear industry standards in data security and platform reliability performance. Additionally, facilitating a competitive market can reduce costs and improve performance.

For FinTech Developers and Financial Institutions

The Bumiputera market perceives the product and its marketing as needing to focus on the user journey because the platform's value propositions are ease of use, trust, and a supportive, pleasant experience. Onboarding processes should be simple, guided, reassuring, clean user interface, intuitive, engaging to adopt a positive hedonic response, and offer proactive customer support.

The non-Bumiputera market found that the product and marketing should be data-driven and focused on tangible outcomes because the value proposition is built around performance gains, efficiency, and robust security. Marketing materials should include the case studies, return-on-investment (ROI) calculators, and testimonials that quantify the platform's benefits, security features, data encryption standards, and platform uptime as selling points to address their heightened sensitivity to risk.

CONCLUSION AND RECOMMENDATION FOR FUTURE RESEARCH

This paper argues FinTech adoption understanding in complex societies requires universal psychological models and frameworks that consider specific contexts. The proposed dual-pathway model offers Malaysia's entrepreneurial environment framework. This pathway demonstrates different institutional settings in diverse adoption patterns. Practical studies are important for one group to another group to study on experience and enjoyable evaluation. This contributes a powerful perspective for academic theory and practical policy.

The limitations of the empirical study create opportunities for future research, such as a long-term study to observe the shift from initial interest to actual and after usage of platforms. This would allow inclusion concepts like satisfaction and habit after adoption. Future research should examine if this dual-pathway model applies to other multi-ethnic nations with histories of specific socio-economic policies. Besides that, research can be conducted in situations with other significant institutional divisions like formal and informal economic sectors. Lastly, qualitative methods would be useful to explore cultural and social meanings that MSMEs entrepreneurs from different communities assign into the ideas like "trust," "risk," and "enjoyment" in digital finance.

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