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The Uprising of FinTech – Is Ireland Ready?

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Abstract

Banking is an indispensable component of our everyday lives. Irish citizens use banking applications, both physical and digital on a daily basis. Since the Global Financial Recession of 2008, public perceptions of the banking sector have shifted. With the advancement of technology, the banking sector is changing in dynamics through ‘FinTech’, which has digitalised and disrupted traditional financial services, on a global and national scale. FinTech pertains to software, applications and algorithms, and modern digitalised banking services called Neo-banks, such as Revolut and Monzo. This research seeks to evaluate their influence on the traditional Irish banking system.

The rise of FinTech has been accelerated through the current Covid-19 pandemic, which prompted a disruption to people’s everyday living. This has formulated a necessity for additional technological advancements due to lockdowns and a lack of in-person services. Societal perceptions of concepts such as FinTech have changed, but can Ireland physically adapt to a shift in the banking system? This study will administer a critical analysis of the current framework to find new ways to digitalise the banking industry.

This gives rise to the question: **‘The Uprising of FinTech – Is Ireland Ready?’**

Based on a comprehensive view of current literature and primary research into the sector, this study pertains to answer this question. Ireland is physically, not equipped for this drastic change into a digitalised market. This is demonstrated through a lack of infrastructure as well as a lack of urgency in the transition of traditional banking into a digitalised era. However, society as demonstrated through the younger generation of banking is ready for this leap into a non-traditional banking world. The results show the high demand for technology-based financial services. The world of FinTech is not a foreign concept for banking users, as it’s creeping into the daily lives of users in Ireland. Change is craved by society, but how can this shift be made?

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Chapter 1

1.1 Introduction and Background

The shift to a digital form of banking can be seen as both an encouraging and adverse factor for Irish citizens. E-Banking has become a part of the everyday lives of both the Irish, and the wider, worldwide population which serves to forge an impact on the Irish banking system. Traditional brick and mortar banks such as Bank of Ireland and AIB took a considerable amount of time to adjust to e-banking.

With the instantaneous rise of Neo-Banks, could our traditional banks be a thing of the past? Will we require physical banks or will we move to a fully online banking system? This research will identify what FinTech is and how it is revolutionising the banking system. Ireland's banking system was not formulated for a digital revolution, and how will users respond to this dramatic change? The contradiction between these services and their customers will be explored.

It can be argued that the global financial crisis give rise to the sentiment of change. The aftermath of the 2008 recession contributed to the stability and innovation in the financial sector, however, the COVID-19 pandemic has contributed to the shift in attitudes towards digitalised banking. The question will be investigated through various forms of methodology, including a survey of attitudes towards FinTech in a sample of banking users in Ireland, regardless of age. This will ascertain the consumer needs in this sector, and provide the scope on how banks can improve their services. This will be explored through a literature review and case study of a popular Neo-Bank that is gaining customers across Ireland, called *Revolut*.

The objective of this study is to attain an understanding of how significant this digital acceleration or digital disruption caused by FinTech and how it can be used to improve the Irish banking system.

1.2 Research Question

The research question is the statement of '**The Uprising of FinTech – Is Ireland Ready?**' The digital uprising can either disrupt or revolutionise Ireland as a financial hub. It is evident that Ireland isn't ready for this digital revolution due to their ignorance of consumers and changing banking system interactions. The adoption of technology in the new generation of banking users has been neglected. However, Ireland possess a strength in the global financial market as an opportunity hub. FinTech can be promoted in other aspects of the banking system, such as enhancing services from established banks and encouraging start-ups. From a

quantitative point of view, Ireland has the scope to be a major leader in the financial market with the assistance of FinTech. Therefore, by understanding FinTech as a concept and its offerings, it can be utilized to upgrade the traditional banking system.

1.3 Research Objectives

To explore and come to a conclusion on this area of research, three main objectives have been established:

1. To understand what FinTech is, its offerings, advantages and disadvantages to assess the importance of FinTech for growth in the banking industry.
2. To critically analyse Ireland's current banking system and the main banking providers to validate ways to improve through the adoption of FinTech.
3. To determine if Ireland can socially adapt to a contemporary way of banking.

1.4 Research Hypothesis

This study will be structured around the main hypothesis that *'Young adults are changing their attitudes towards banking through technology, which will shape the future of banking in Ireland'*.

To explore the question of 'Can Ireland physically and socially adapt to a contemporary view on banking?', the following hypothesis will be tested:

1. There is a significant relationship between individuals who set up their bank accounts themselves (forming the outset of their banking experience) with those who didn't set up their accounts themselves, in relation to attitudes such as their openness to change and loyalty.
2. There is a difference in the proportions of banking users who use and don't use neo-banking. People are moving to neo-banking on a scale similar to those who use traditional banking.
3. There is a difference in the proportions of banking users who use and don't use neo-banking which varies by age groups. Older banking users may use neo-banking less than younger users.
4. People are choosing neo-banking applications over traditional banking due to the technology it offers.

Chapter 2

2. Literature Review

The banking industry in Ireland comprises of financial institutions such as banks or credit unions, enlisting services such as saving schemes, loans and mortgages to both individual consumers and businesses. It's been reported that Ireland could be a 'Top global financial centre by 2025' through the 'Ireland for Finance' strategy, if implemented correctly. Ireland is seen as a nation of opportunity, amassing a competitive advantage for FinTech start-ups due to our vast portfolio of multinational corporations such as Google and Facebook (*Sweetman, 2021*). However, through this digitalisation of banking elements, the Irish system dismisses consumer wants and needs. Irish banking leaders such as Bank of Ireland and AIB are negligent towards consumer relations and needs, with users looking towards emerging e-banking applications to appease their changing needs. Insurgent banks seek to eradicate the middle man, as seen in Revolut with the absence of transfer fees, which passes on savings to their customers.

In an FSI (*2021*) report emphasising Ireland's future through finance, it was highlighted that as of 2019, the GDP for the financial services sector in Ireland reached EUR19.3 billion, exemplifying the magnitude of this sector to the Irish economy (*IBEC, 2021*). This has also been emphasised due to the Covid-19 pandemic, as the societal attitudes to change within facets of everyday life, banking included, are rapidly evolving. The disruptions to branch availability, combined with the reduced usage of physical cash have led to a need for a more technology-first banking service.

In the MarketLine Industry report within banks in Ireland (*2017*), Porter's five forces model was explored in regards to the Irish banking industry. It's been claimed that the peril of new entrants is exceptionally low due to the requirement for substantial investment, with FinTech start-ups not being deemed a straight competitor. However, they do pose a threat to the industry. FinTech is inciting the Force's model with the threat of substitutes from start-ups, a degree of rivalry and supplier power forming. This digital transformation is a new concept to the banking industry, which has been comprised of major players both in Ireland and worldwide. The importance of FinTech lies within the capability to disrupt the traditional banking services and players in the industry. This study will explore FinTech and its features as a concept in this industry and the established banking landscape in Ireland.

2.1 The Traditional Banking Landscape in Ireland

The ideologies around banking features are shifting rapidly around the globe. However this can be prominently seen in Ireland, with the closure of banks such as KBC and Ulster bank. This leads us to the question of why are these primary players withdrawing themselves from the market? Customer preferences and needs are diversifying, and traditional banks such as KBC and Ulster Bank have failed to make the move and introduce these new services.

Keane (2021) discusses the news from the CEO of Bank of Ireland, Francesca McDonagh who announced the closure of 103 of their in-person branches, stating that banks are adapting to consumer needs and veering their focus to digital services. Irish banks such as BOI, AIB and Permanent TSB (the three main players in the Irish market) are challenging the emergence of Neo-banks with their own applications. Competition between the bankers has commenced in financial services such as Instant payments and the integration of Apple and Google pay – but what does that imply for the mortgages and loans services in these traditional banks? Keane (2021) also discusses how N26, a Neo-bank with 200,000 Irish users, views these closures as opportunities, saying that *‘with the news from Ulster Bank and KBC and the very dramatic shift in Irish banking, we have to consider how and what would be offer for the Irish Market.’* Neo-banks are capitalising on the apparent gap in the banking market in Ireland, attempting to replace banks such as BOI and AIB. The traditional-based economy of the banking system in Ireland leaves little leeway for new competitors, meaning Irish banks need to alter their strategy to adapt to the uprising of digital services and FinTech as a vehicle to enter the Irish market.

2.2 FinTech

Roy S.Freedman, the author of ‘Introduction to Financial Technology’ (2006) describes the financial products which FinTech is concerned with, which are bonds, stocks, money and contracts. Finance is a social technology, founded on a system of recording assets and liabilities, advancement from physical innovations such as coins, bills of exchange, and double-entry bookkeeping, all the way to financial derivatives and algorithmic trading. The financial sector is a strong user of information and communication technology. A decade ago, finance and technology were fostered into a service which facilitated users to obtain banking features such as depositing, transferring, and paying with a mobile phone, without a bank account. In 2009, Bitcoin was the newest technological advancement, a cryptocurrency based on blockchain technology (Knight and Wójcik, 2020). The introduction of products such as Bitcoin

seemed to be a scary or foreign concept for average users, which may veer people away from the concept of FinTech. FinTech is more than just these product offerings, but can be seen as hope or a solution to consumer needs. FinTech is described as ‘the use of technology to deliver financial solutions’ (Arner at al. (2016). However, it’s also been asserted that a ‘general definition of FinTech is not possible’ (Hornuf, 2016).

The FinTech industry is composed of technology developers, start-ups, the Government, traditional financial institutions, and financial customers, which can be seen through the components of this industry in *Figure 1*. Through these definitions, this report will inquire into what is FinTech and how can it be applied to the Irish banking market. FinTech is steadily creating an impact in the Irish financial sector, with the investment in Research & Development for technology from both Ireland and the UK being \$623 million in 2014 alone, as recounted in Accenture’s (2015) paper ‘The Future of FinTech and Banking.’



Figure 1 Components of FinTech as an Industry

2.21 E-Banking

As discussed by Cronin (1988), E-Banking refers to “the evolution of process/service to conduct financial transactions through technology via electronic media without having to attend a physical, traditional branch, which can be exercised with ATMs, debit cards, direct payment, or other transfer methods.” These services appease customers with convenience and are a time-saving measure for financial matters and in turn ameliorating costs through reduced service charges. The Internet paved the way for this new banking era, with E-banking being re-examined as a sustainable innovation in its maturity stage, reaching the late majority in the diffusion process.

The importance of this lies in the future of financial institution offerings, as electronic fund transfers (EFT), which are becoming the focus of customer interactions. Common themes explored through E-banking are the societal attitudes and perceptions towards its cost-effectiveness, ease of use, quality, and value. A study explored customer satisfaction levels through banking interactions within a sample of students, with the positives of E-banking taking precedence over the importance of in-person services (Haytko and Simmers, 2009). It’s been found that 41% of Irish consumers are online banking users, according to Ernest and Young’s (2017) global consumer banking survey. With 2 in 5 banking users utilising FinTech services, it can be asserted that Irish consumers have a clear appetite for further digital services.

2.22 Neo-Banking features

Neo-Banks can be depicted as technology first, and finance second. Consequently, they develop their own IT systems as opposed to legacy systems which other banks still rely on and haven’t further evolved to a notable level. Thus, a fundamental feature of Neo-banks is their ability to rapidly implement changes, which could take around two weeks, as opposed to banks such as AIB who take 3-6 months to make changes, which implicates customer experiences with their applications being down (Oliver Wyman, 2019).

Accordingly, the key features of Neo-banks include:

1. **Customer Driven Technological features** – such as saving vaults, budget trackers, appealing UI which cultivates a more customer-driven experience. The use of AI allows these companies to personalise services to their users.
2. **Low costs** – the lack of physical branches means they can offer services such as free transfers and low exchange rates.

3. **Digital Currencies** – offering cryptocurrencies and blockchain, such as Bitcoin. For example, with the rise of Dogecoin, it took a matter of only weeks to make it available to purchase for customers.
4. **Stock-trading** - the ease of buying and selling stocks.
5. **Commodities** – Revolut offers customers the opportunity to buy, or ‘bet’ on the price of commodities such as gold and silver.

They appeal to younger people, with features such as splitting a bill or sending gifs with a money transfer, taking away the seriousness from banking and making it more user driven.

Nazariy Hazdun, a specialist in FinTech reported to Forbes (2021) clarifying that Neo-banks can be divided into two types:

1. **Full Stack Neo-banks** – a standalone bank, with banking licenses for its services. They operate all front end and bank end services, such as Monzo and N26.
2. **Front End Focused Neo-banks** – dependant on a legacy bank (such as BOI or AIB) to serve customers, therefore, no banking license is needed and regulations are loose. They only have control over the customer UI, such as Revolut. This lack of regulation and no need of banking license will be discussed further.

2.3 How do Traditional Irish banks and Neo-Banks differ?

Neo-banks bridge the gap between traditional banking services and the everchanging user expectations in the 21st century. Nevertheless, Neo-banks and conventional banks are still looked at separate entities. Established banks have the scope to capitalise on this with their existing market share and formulate a technological banking experience for their long-term customers, as well as the new age of consumers who are technologically advanced. Traditional banks have a large existing customer base, while Neo-banks are recent and less regulated in the market, which thwarts a portion of customers, primarily older users. Neo-Banks must also seek to gain customers to gain market share against traditional competitors, as years of loyalty is difficult to be replicated.

Through the 2008 Recession, this loyalty was sabotaged, paving the way for change in this industry. Neo-banks seek to capitalise on this vacancy in the market, with the goal of leaving AIB and BOI behind. The digital evolution and implementation of FinTech for Irish banks can be attained by internal Research & Development procedures and market research to evaluate the needs of their consumers to create and market to them. Partnerships could be rendered between Neo-banks such as N26 and BOI, or upcoming E-Banks can gain exposure to a

traditional bank's customers and create an alliance. To rival Neo-banks and FinTech based services, Irish banks could outsource technology companies and start-ups to assist in offering digital services and products. For instance, AIB was the first major Irish bank to be compatible with Apple Pay, which shifted a lot of younger people to become AIB users.

2.4 Disruptions to the Banking Sector, both in Ireland and Globally

2.41 How FinTech has disrupted the Banking Sector on a Global Scale

It can be assumed that there is a link between the introduction of FinTech into the global marketplace and its acceleration by the COVID-19 pandemic. This has been seen in past events, such as PayPal catering to the needs of online shopping with the rise of the internet in 1998. Neo-banking is repeating this phenomenon. Through the Disruptability Index conducted by Accenture, the banking industry has evolved from 0.43 in 2011, to 0.52 as of 2019, which is a state of volatility (Rorrer, 2021).

The disruption in terms of the payments industry on a global scale can be seen in China, with 96% of transactions in 2019 being conducted from mobile devices. On a future note, it's forecasted that \$7 trillion is expected to shift from cash to cards globally by 2023. (Leonard, 2020) Billy O'Connell from Accenture states that the pandemic is changing consumers' shopping habits, *'coupled with changing expectations, partly driven by FinTech's, banks have a real opportunity to embrace the changing consumer dynamic'*. However, only 38% of banks are investing in value-creation through cloud systems for digital payments. The evidence of growth in the digital payments sector as revolutionised with FinTech is not compliant with the level of growth in banks, as successful banks should be paying *'more attention to flexible IT architecture and cloud technology that is integrated across the business'* reported by Billy O'Connell (Leonard, 2020).

2.42 How FinTech has disrupted in the Banking Sector in Ireland

With the impending rise of neo-bank users from 39 million to an estimated 98 million by 2024, the competitive nature within the banking sector is accelerating through value-creation. In January 2021, there were reports of a merger between major Irish banks BOI, PTSB, KBC and AIB to set up 'Synch Payments', which would act as a real-time money transfer service, aimed directly at Irish consumers. This joint venture cost nearly €6 million however this merger was rejected by The Consumer Protection Commission (CCPC) (Vassileva, 2021).

This demonstrates the knowledge between traditional banks of the closing in of neo-banks in the sector, and their efforts to remain as major players. However, the process and time it takes for these established firms to transform their offerings is taking longer than the new entrants into the market in the form of neo-banks. The saying ‘*A wise man can get more use from his enemies than a fool from his friends*’ can be used as a term for the need to combine neo-banks and incumbents for sustainable competitive advantage. Customer trust is lacking in neo-banks, while it is prevalent in conventional banking (*Beatty, 2022*).

A survey carried out by Revolut generated results that, on average, almost 50% of respondents indicated they would deposit their salary through the platform. Furthermore, 54% of respondents indicated that they would spend more if they had their deposits insured. (*Revolut, 2022*) The introduction of a depository banking service for Revolut would reinforce ‘The Uprising of FinTech’. In a report from Permanent TSB personnel, they said on behalf of consumers in Ireland that ‘when it comes down to big decisions, people do like the reassurance of a personal contact.’ This indirectly challenged the business strategy of neo-banks such as Revolut. However, Permanent TSB serves an estimated 1.1 million customers (*Permanent TSB Group, 2022*), while Revolut has nearly 2 million Irish customers (*O’Dea, 2022*). The discussion that people would prefer a personal contact is disputed through the increasing market share technological banks are getting.

2.43 The Impact of COVID-19 in the Banking Sector

The COVID-19 pandemic increased consumers using digital channels/products by 14%, up to 95% in Europe. This demonstrates the movement towards technology based products. Digital users in regard to the banking sector have reached an all-time high of 23% increase at the start of the pandemic (*Enria, 2021*). It can be argued that the acceleration of services such as contactless is a knock-on effect of the pandemic. This is seen not just only through traditional banking cards, but in methods such as Apple Pay, Google Pay, and most recently, firms such as the National Lottery and the Starbucks app setting up digital wallets. Digital banks rose while traditional banks were subject to closures and staffing issues/cuts. In the US alone, 18% of banking institution respondents to a study revealed they would reduce the use of bank branches, even after the pandemic is over. Alongside this, an additional 16% stated that they would reduce the use of branches also for product purchases or service interactions (*Cuthell, du Toit, Fielding and Glusac, 2020*).

The social response to the pandemic can be viewed through the adaptability, agility and resilience of the general population in their adjustability to react to a changing environment. Therefore, a complete change of the banking system, both globally and in Ireland, is feasible. This banking change has been magnified with the announcement of long-standing, traditional Irish banks such as KBC and Ulster Bank being set exit the market. The volatility of the banking sector has given rise to FinTech firms like Revolut entering the depository market (*Quann, 2022*).

Regardless of brand loyalty and market share, a change in the macro-environment, such as the pandemic, saw that new market entrants can overtake long-standing market players. This is seen in the adoption of using Zoom to video-stream over Skype (*O'Brien, 2021*).

This gives rise to the idea that FinTech entrants to the banking sector can gain market share over long-standing players. The shrinking number of major players in the Irish banking market is a turning point in strengthening the overall adoption to a new wave of banking.

2.5 Customer- Focused Banking

The idea of customer-focused banking can translate into a competitive advantage in the market. As reported by Deloitte, banks need to do more than just set up the technological infrastructure of their offerings. Change within this industry is driven by customer engagement, in both cost and efficiency. Yvonne Byrne describes this shift as a '*mindset change*', where digital services are viewed from outcome behaviourism, as opposed to a focus on cost-saving or operational efficiency in a firm. This customer-focused change is driven through one set goal from an organisational standpoint, with an approach of working in value-streams. Banks can serve to implement this through partnerships and alliances by building capability, as opposed to banks building the infrastructure themselves. This lowered cost of entry in turn reduces the impact and risk of failure. A redefinition of digital banking is required, altering it to the needs of the consumers who utilise the services (*Byrne, 2021*).

Consumer satisfaction through neo-banks is achieved through the optimisation of the overall usage of banking. Redefining the use of banking from a dated, mundane task, to an exciting user-friendly experience is being achieved. This is accelerated through technological enhancements such as the UI. When reviewing the customer needs of Irish citizens in 2022, a firm that utilises all of the competitive advantages is Revolut.

As reported by Forbes, the wants and needs of consumers are evolving. The main consumer wants, in today's marketplace, are as follows:

1. **Trust:** It has been reported that 60% of consumers are comfortable sharing personal information with their Primary Financial Service Provider (PFSP) without assurance on data protection and security. Although, safety concerns over Revolut are still present, and remains a threat for the FinTech firm in their expansion to a wider consumer base (*Ginovsky, 2021*).
2. **Ease of access:** The accessibility and ease of use is seen through technology allowing 24/7 availability and deliverance .
3. **Tools to build wealth** – Wealth building tools in the form of cryptocurrency, stocks and commodities are on the rise. The accessibility of these tools is shifting as it can be used by any consumer in today's market, not just financial experts. This is a new revolution in the banking sector, due to the expanding number of banking users who own stocks and cryptocurrency, which will only rise over time.
4. **Digital tools to manage money** – Functionality, especially on a daily basis is craved by consumers. This may be due to a gap between daily use of traditional banks and daily use of online banking (*Gran and Foreman, 2021*).

2.51 Consumer-Based Banking Done Right: Revolut

Revolut is a type of FinTech offered through a mobile phone application. It was established in 2015 as a way to help consumers battle foreign currency expenses. The founder Nikolay Nikolayevich Storonsky has become one of the UK's youngest self-made billionaires. He gathered inspiration from FinTech applications such as Alipay and WeChat which are transitioning the banking world to a technology-based market. Revolut is categorized as a Neo-Bank, with a primarily online basis and lack of physical branches, differentiating itself from traditional banks in Ireland (*Megaw and Crow, 2020*). However, as of 2022, these challenger banks have opportunities to increase their customer base by expanding their offerings into a more traditional landscape – such as loans and banks.

Revolut is driving change directly in the Irish market. As of February 2022, regulations have been introduced to cater for the needs of markets. Irish banking users have expressed worries surrounding the regulations and safety of their money, as conducted in this research. Their use of localisation and appealing to the youth, through money sharing, child accounts with Revolut

Junior, vaults and the use of statistics in a manner similar to Spotify's 'Wrap Up' can be seen as both a technological feature but in turn, a marketing factor. They operate in over 30 countries, which serves to function well for their focus on exchange rates. This internationalisation has led to their stable image and the ability for investors to put money into this development. In December 2018, they received a banking license to minimise the risks they have faced along the way, such as money laundering. The founder has expressed his attempts to transform Revolut into a more traditional bank, and its main goal is to disrupt the financial industry. They are not only disrupting the landscape of the financial industry, but they're dominating and reshaping it in an unprecedented manner as accelerated by the COVID-19 pandemic (*Megaw and Crow, 2022*).

2.6 The Concept of Change: Consumer and Industry

Change as a concept is measured by upcoming generations, age is a highly important demographic that influences the consumer preferences which shape the market. . It's evident that consumers in the market can be segregated by age demographics. In a survey conducted by FICO, results reported that millennials are 2 to 3 times more likely to switch banks than older users (*FICO, 2016*). This is driven by aspects such as banking fees, which Neo-banks serve to mitigate. On a more general view, the "impressionable years" hypothesis suggests that a person's social experiences in their youth will have a significant impact on their thinking and decision-making throughout their life. Therefore, it can be suggested that the use of Revolut Kids or teenagers using Neo-banks for social activities and transferring to friends sets these FinTech firms up for a large pre-existing userbase as they start working.

A focus on all types of consumers regardless of age is required for overall success in the industry. However, appealing to the younger demographic will reap the most benefits. There are reports of the correlation between age and the susceptibility to attitude change, as described as the increasing persistence hypothesis. It states that there's a degree of flexibility in individuals when they are young, which diminishes gradually with age (*Krosnick and Alwin, 1989*).

Studies have strengthened the idea that social impact (such as interactions with friends) positively affects an individual's consumer behaviour (*Yang et al., 2012*). Further studies have translated this social impact into influencing the adoption of mobile payment systems.

Therefore, it's been empirically verified that social influence affects younger generations' online payment adoption (*Wei, Luh, Huang and Chang, 2021*).

2.61 Theoretical Research towards Financial Consumer Behaviour

According to research, there are age-related changes in consumer financial behaviour in relation to saving and financial stability. Social, demographic and psychological factors all influence the way individuals use their money and how this affects their banking habits. Studies have demonstrated that young adults (18-25 years old) had the lowest frequency of borrowing and gambling, while having the highest frequency of increasing income (*Ranta et al, 2020*). This illustrates an age dependent view on spending habits and retention of wealth. Stability and safety with money are important when making financial decisions for young people. This notion challenges the idea that Neo-banks are unregulated and can be viewed as a 'danger' for some users. This is due to the non-traditional business model it acts on, as well as the idea of change (*Silinskas, Ranta and Wilska, 2021*).

The idea of trust is extremely important in assessing consumer behaviour. It's been reported that younger customers value brand trust over different age categories. This can be influenced by macro-environment events that occurred in the development of 18-24 year olds, such as the Global Financial Crisis (GFC) and the COVID-19 Pandemic. Generations are shared by their circumstances, and the younger generation of adults, from both a national and international level, have been subject to various social, economic, political and technological change. A survey conducted by Deloitte equated these changes into individuals being 'uneasy, pessimistic and distrustful' (*O'Brien, 2019*).

The evaluation of Irish individuals' age, experience and voluntariness of use can be used to assess the viability of the adoption of FinTech in Ireland. This assessment of future behaviour can disrupt the banking system. A focus on the consumer rather than the firms operating in the FinTech market are essential to determine consumption attributes based on preferences and experiences with existing services available to them. Therefore, the idea of perceived risk can negatively impact their consumption habits.

Research demonstrates that the main factor currently hindering the full adoption of FinTech is risk. When assessing the link between The Unified Theory of Acceptance and Use of Technology (UTAUT) and FinTech it's seen that perceived risk is the primary barrier to the

adoption of these platforms (Xie, Ye, Huang and Ye, 2021). While in accordance to the Technology Acceptance Model (TAM), the key determinant for behaviour intention to use and adopt FinTech services as a daily routine is their perceived usefulness and social influence. In Ireland, this is seen to be present with the disruption Revolut has caused to the banking industry. There's a high social acceptance of neo-banking among the younger generation, who utilise services such as money transferring, combining the acceptance aspects of usefulness and social use (Singh, Sahni and Kovid, 2020). Usefulness has always been present in the banking industry. In Ireland, this is seen through the number of banking users in a traditional manner. It can be argued the definition of 'perceived usefulness' is being altered, not due to FinTech firms, but as a result of the digitalisation of society as a whole. TAM can be explored through both the past, present and future of user and consumer preferences towards banking in the following degree such as perceived usefulness, and ease of use through their frequency habits on a comparative level of traditional vs neo-banking.

The knowledge of behavioural theories such as UTAUT highlights the consumer needs and preferences towards technology. The idea of ensuring user acceptance of technology, which can also be viewed as change, is an ongoing quest and management challenge in various industries (Schwarz and Chin, 2007). The theory suggests that aspects such as performance expectancy, effort expectancy, social influence and facilitating conditions contribute to behavioural intention and actions. UTAUT studies from various departments were assessed and found that the main aspects this theory was used to report on included the ideas of; 'trust', 'internet banking', and 'acceptance'. This claims that this theory can be used to accurately evaluate FinTech, the use of technology in various forms of banking and commerce and their impact on consumer behaviour (Williams, Rana and Dwivedi, 2015).

Through this knowledge, we can correlate FinTech adoption rates are to a similar as technological adoption behaviour. Through this, an understanding of consumers, the banking users, can be drawn, in Ireland and worldwide. FinTech and neo-banks serve to draw in customers through extensive product offerings, such as financial tools which were assessed to be a consumer preference, a user-friendly layout, automation, efficiency and transparency.

Chapter 3

3.1 Methodology

The following chapter serves to demonstrate the empirical evidence which will be gathered through a quantitative research survey, detailing the research design, method, and the data analysis tools which will be used.

3.2 Philosophical Assumptions

Methodology as a paradigm is an ‘articulated, theoretically informed approach to the production of data’ (Ellen, 1984). It explores the research question through the study and critical analysis of the data collection, through positivism methodology. Both qualitative and quantitative research will be expended through secondary and primary methods, such as a survey distributed to banking users in Ireland. The question of ‘The Uprising of FinTech – is Ireland Ready?’ is broken into two key categories:

1. The theoretical implementation of FinTech in Ireland – quantitative, positive paradigm.
2. Societal attitudes to FinTech in Ireland as an axiological view.

Consequently, we challenge the main hypothesis of ‘*Young adults are changing their attitudes towards banking through technology, which will shape the future of banking in Ireland*’. It’s hypothesised that, in the future, Ireland can adapt to this digital wave, which can be exhibited in the societal attitudes towards banking, technology and change of banking users. It can be assumed that Ireland is ready for a technological rehaul of the banking system and data collection for user preferences will strengthen this claim. To determine the level of Ireland’s technological preparedness, this research obtained data through an online questionnaire. It is comprised of the user and their attitudes as variables, to get practical knowledge with unique, subjective viewpoints of the drivers of the banking system - the consumers. This research is based on empirical evidence in the positivist paradigm through measurable variables as demonstrated in a qualitative survey and research through the banking infrastructure in Ireland. The data collection will be compiled from both primary and secondary sources. The primary research will be a quantitative survey conducted on the next generation of adults in Ireland, who will be the prominent users of banking services such as mortgages, savings and using banks for their jobs. Therefore, the research will be administered banking users, with a focus on 18-24 year olds in Ireland, assessing the three main criteria as stated: Banking, Technology and Change. This data will then be converted through an interpretative paradigm of societal

wants. Epistemological theories regarding human behaviour and habits will briefly be examined to understand consumer preferences towards change. Quantitative secondary data through literature and theoretical influences were interpreted and references were taken from various research articles, journals and textbooks to explore the concept of FinTech and also the banking system as a whole. The methodology for the theoretical implementation will be analysed through a case study of a popular Neo-Bank: Revolut, and critiquing its services as opposed to traditional banks.

3.3 Research Design Specification

Research design refers to the plan of action that links philosophical assumptions to specific methods (*Creswell, 2003*). Through the use of non-probability samples, with purposive cases like snowball samples, the research design for this quantitative research will be conducted through a single study along with use of cross-sectional research data to assess consumer preferences towards banking in Ireland. Data collection methods included distribution through a snow-ball distribution to the younger generation, to form a clear connection with the research problem of technology and banking in this generation. The proposed methodology will set out to achieve this objective. It will further assess the societal awareness of FinTech and how this applies to the future of banking in the country. A qualitative questionnaire was distributed and aimed to gain data on the following areas:

- Demographic divisions through age, separating results from young adults, viewed as the ‘new generation’ of banking users in Ireland, and older banking users.
- The use of dichotomous yes or no format answers through a Guttman Scale to gain an insight into the usage and current habits of participants.
- The implementation of a Likert Scale to assess the frequency of banking use in survey participants, and applying this scaling method of inquiry to assess the users views to a series of statements.

The following assumptions will be explored to break down the hypothesis of H1: ‘Young adults are changing their attitudes towards banking through technology, which will shape the future of banking in Ireland’.

1. Consumers are changing their habits – they don’t go into physical bank branches daily, but they use e-banking daily. The delivery of banking has changed.
2. Consumers prefer Neo-Banks over traditional banks, and would have an account with Revolut over or as well other banking services.

3. Technology is a crucial influencing factor for the reasoning for participants to use Neo-Banks. Technology and Neo-Banking are strongly correlated.
4. Participant's first impressions of banking are influential. Participants who didn't set up their first bank account themselves are open to change and not loyal to their current bank. Participants who set up their bank themselves are less open to change and therefore loyal to their current bank.
5. There is a significant difference in proportions of those who prefer and use neo-banking as opposed to the proportion of people who don't use or prefer it.
6. Age is a factor in the differences in responses. Older generations are less likely to change while younger adults are moving towards neo-banking and FinTech based services.

The survey demonstrates that people bank daily, yet they do this in an online setting.

People whose parent's set their traditional banks up for them are more inclined to prefer e-banks. Although, the survey revealed that they are loyal to traditional banks. This shows the hybrid between Neo-banks and traditional banks in users' banking needs, and that there is a gap to be bridged over time for the next generation. The decision process on data collection for the survey was based on both the quantitative aspects of consumer behaviour and views towards technology. The age demographic divided the work into three subsections, of 18-24 year olds 24-30 years olds, and 31+ years.

3.4 Data Collection Methods

The software used to collect participants responses was through SurveyPlanet, to present anonymous responses from a questionnaire distributed to a sample of the population.

The decision on the choice of platform was dependant on the questioning format needed, such as Guttman scales, Likert scaling and multiple choice questioning. It allowed for an unlimited number of responses and no limitations on the number of questions. It collected data on how long it took participants to complete the survey, as well as the location they completed it from, allowing the opportunity to remove any answers which were not completed by an individual in Ireland specifically. It also gave the option to view the browser in which the participant completed it from, to give an indication of how they got access to the survey for better tracing and to minimise errors.

3.5 Sampling

This exploratory research survey used non-probabilistic and convenience sampling, as the survey was distributed through word-of-mouth, peers and social media platforms such as LinkedIn. The aim was to reach as many varied age ranges as possible yet to focus on young adult participants to see their attitudes to both traditional banking and neo-banking. Snowball sampling was utilized in conjunction with the other sampling methods to reach a wide range of individuals, as participants answered questions such on their use of Revolut would be useful when shared to their friends as money transferring and social benefits are a key features of Neo-banks. The idea of sharing this survey through social media encompasses the nature of the hypothesis, that technology is a part of everyday life and communication, and neo-banks focus on communicating banking through FinTech. This method of sampling doesn't test the hypothesis under an extensive population, but rather to examine an understanding of a sample of the young adult population.

3.6 Survey Design and Choices

To generate data and measure the quantitative differences between the changing consumer preferences in the banking industry, a five-point Likert scale serves to complement the Technological Acceptance Model (TAM). The survey serves to examine the customer preference side of banking, a survey was conducted on banking users across Ireland, but in particularly with young adults and their opinions on both Neo-banks and traditional banks.

The online survey consisted of twenty questions, see *Appendix A*. After gathering data on variable demographics such as age groupings, binary yes or no questions were deployed surrounding neo-bank usage, traditional bank usage, and how their account was set up to explore The Theory Reasonable Action (TRA) as well as perceptions to change in society. Data is collected on participants habits towards their frequency of usage for both streams of banking, and dividing the specific names of Irish banking applications they use.

The use of closed-ended questions and the Likert Scale allows for a clear overall response to questions based on user preferences to Irish banks and separating their thoughts from FinTech. This allows for a transition from participants' habits and distinguishes their opinion and seeks to prove that banking users are changing their preferences and view factors such as technology as 'important' in their banking habits, which is the basis of FinTech.

The use of questions surrounding the knowledge of regulation are also asked of in the survey, to further elaborate on the idea of traditional banks being viewed as a safety net and that transition to neo-banking may be inhibited by fears surrounding the safety of money. The societal understanding of this is important as it drives Neo-banks such as Revolut to further regulate their services, creating change in the financial industry. The closing question finalises the research purpose by asking if participants prefer online banking or physically going to the bank, serving to highlight the change in daily habits, with the hypothesis being that young adult respondents would prefer the use of online banking and older participants preferring to complete banking transactions in physical branches. The line of questioning taken was to strategically introduce participants to the questionnaire with begin with short, easy-to-answer questions to guide participants in. The survey then transitioned into Guttman and Likert scoring scales were used to assess their attitudes, To support the idea of society-wide change in the research. The information the survey hoped to gain was that neo-banks are being used and preferred by society, but in particular the younger generation. FinTech is becoming a part of participants everyday lives, which is positively supports the research of that Ireland is socially ready for FinTech adoption.

3.7 Survey Analysis

The survey was officially opened to participants on Tuesday the 22nd of March 2022 and commenced on the 12th of April 2022. The survey generated 146 responses in total, with 130 being fully completed. The participants who opted out of the survey during the process with item nonresponse (missing answers) were removed from the following findings, as well as the pilot participants, with the participation rate being 89%. Through demographics, the age ranges of participants were predominately answered by the 18-24-year-old age group, with eighty (62.3%) respondents being this age. The remaining age groups included twenty-three 25-30 year olds (17.7%) and twenty-six 31+ years old (20%). This questions serves to aid the research in establishing if there is a correlation between the age of participants and their answers as being the dependent variable. Out of the 130 participants, it was revealed that 88.5% said they use neo-banks, while only 11.5% revealed they did not. This demonstrates a 10.7% gap between neo-banking and traditional banking users, which is small in terms of the overall banking profile in Ireland. However, 99.2% of respondents use traditional banks, with only 1 respondent responding with 'No' to both the questions, being an outlier in terms of banking.

3.71 Pilot Study

A pilot study was conducted from Friday 18th of March – Monday 21st of March on three participants. This was used to assess the clarity and flow of questions, how long it took participants, any confusion around the wording and to minimise any spelling errors. The feedback was that the line of questioning was appropriate as survey questions flowed well and took approximately two minutes per participant. Constructive criticism was expressed around the need for more clarity between neo-banking and traditional banking and a change was needed in the grouping of ages which allowed bracket for individuals aged 56+. Minor spelling errors were highlighted and resolved. The use of a pilot study served to identify these issues before sending it out to the public and risking not being able to utilise the data.

3.8 Statistical Procedures

Quantitative data analysis methods were used to determine a rationale for the hypotheses. The use of SPSS statistical software along with Microsoft Excel was used to assist in conducting hypothesis testing on survey data, once extracted from SurveyPlanet. Hypothesis testing using chi-squared to prove external factors are driving influence. test for differences in proportions. Under this chi-squared test, the null hypothesis expects that the observed frequencies are equal to expected frequencies. In the case that there is no difference between proportions, the chi-squared test statistic should be 0. As our observed proportions deviate from expectation, the chi-squared test statistic increases. In order to confirm differences in proportions, large chi-squared test values were required. The use of descriptive statistics and inferential statistical techniques such as correlations and regression analysis were used. A linear regression was used to display the results of participants views on openness to change and loyalty. The results of the testing was illustrated through bar charts and scatter-plot figures. These methods such as non-parametric testing, were deployed as the statistical tests allowed a practical view on the proportions of the participants answers to compare directly with the theoretical influences of UTAUT and TAM among the related variables. Other global research has used hypothesis testing for these influences, so this was applied to the survey conducted in Ireland.

3.9 Ethical Considerations

The importance surrounding voluntary participation from respondents was enforced by highlighting at the beginning of the survey that individuals have the right to opt-out of the survey at any time. Incomplete surveys will not be utilised in the findings of the research. Privacy was maintained as the survey is anonymous. However the input of the individuals e-mail is completely optional, to ensure that answers cannot be traced back to any one individual. The information and data collected were not shared with anyone other than the researcher and were stored safely on the surveying platform's database. By clicking to begin the survey, the participant was clearly informed of the above ethical procedures and provided consent to the use of their answers in research. This was done to comply with the factors of consent, confidentiality and access as key ethical considerations (*Hay, 2003*). The purpose of the survey was briefly explained alongside the hypothesis being explored, and the explanation of terms such as Neo-Banks and Traditional banks was explained for further clarity and access for the individual. The college's ethics form was submitted to adhere to these considerations.

3.10 Limitations

Limitations that arose within this research study related to the access to a range of age demographic participants. The accessibility to reaching the older demographic was hindered by limitations such as the ease of access to social media and the internet as the survey was conducted online. This serves to highlight the technological appeal of FinTech in terms of reaching a wider range of people. However, it is limited to a younger demographic, enforcing that the younger generation is responsible for the future of banking.

Sampling bias may have limited inferences being explored about the population being weaker through the use of non-probability sampling which limited conclusions. Convenience sampling limits generalisable conclusions as participants were accessible through peers and those in a similar age demographic. Using other techniques such as random sampling can minimise the error caused by selection bias. The smaller the sample size, the less accurate the results, due to time and resource constraints. It was not possible to reach a wider range of participants which limits the diversity of results. As it was sent out to peers from the School of Business, there may be some preference bias towards technology and banking habits that may not assess the average preference in Ireland. Some participants opted out of the survey and therefore data could not be used, and there may be false or inaccurate answers or outliers in the data generated.

Chapter 4

4.1 Results/Findings

This section will present and illustrate the findings and results of the study to determine the notion of **‘Young adults are changing their attitudes towards banking through technology, which will shape the future of banking in Ireland’**.

To demonstrate this, there should be a greater proportion of young adults using neo-banking, with middle-aged participants producing narrowing results, and the older generation having a smaller frequency in comparison. This statement can be proved by showing that young adults are using neo-banking more than the older participants. Through the analysis of the questionnaire, this research will quantitatively display the data through non-parametric and hypothesis testing to prove or disprove the hypothesis.

Firstly, the outset of participants’ relationship with banking will be examined through the variables which determine who set up their bank account initially. This will be cross-examined with participants’ openness to change and attitudes towards loyalty, through a simple linear regression. Following this, the findings which outline the shift in societal change are examined by witnessing the change in proportions of the participants who utilise neo-banking services compared to those who don’t, through a chi-squared test of significance. This was further developed by examining the proportions in terms of age groups. In addition to this, the link between technology and the use of neo-banks will be explored and illustrated in statistical terms through a scatter plot.

The research was set out to explore if Ireland is ready for FinTech. The survey explored this question through a social aspect. However, a bias occurred due to the demographics of the participants reached, with younger people making up a significant portion of the results, and the older generation not being accurately represented. Banking is also deemed to be a personal preference for users, and factors such as technology or services vary by person to person and their history or experience with banking.

4.11 Overview of participant’s banking usage

By examining the very beginning of participants’ relationship with banking, it was shown that 71.5% of participants took the initiative to set-up their bank account themselves, which gives rise to the idea that banking users in Ireland know what they want and will take steps towards

this. 27.7% of respondents said that their parents set their bank account up for them, which reveals that this bracket on participants may be more laissez-faire towards their preferences in banking, and possibly, loyal to the bank they entered into the banking sector with, as most likely it was set up for them (not out of choice) as a child.

The survey demonstrated the emphasis on online-banking services, from both traditional and neo-banks, with there being 0 choices towards visiting a physical bank daily. However, it's telling to see that 70% of participants would use their online banking application daily.

This emphasises that banking is a part of users' everyday lives, but so is their internet consumption. The divide between physical and remote banking is extremely wide and is rapidly shifting towards a complete digitalisation of the banking sector.

Consumer preferences are vital in understanding if banking users are changing their perspectives toward banking, and 81.5% of respondents revealed that they prefer Neo-banks over traditional banks.

4.12 The link between loyalty and change within banking users in Ireland

This area will explore if participants are inclined to the idea of changing their current banking provider. This will be done by looking at the participants beginning of their relationship with banking, by assessing if they set up their account on their own, or with the assistance of a family member. This is to attempt to find a correlation of the notion that people who didn't set up their bank themselves are more inclined to the idea of change. This relates to the variable findings in the survey of if they are loyal to their bank, and their openness to change.

H0: There is no relationship between those who set up their own bank accounts, or those who parents set up their accounts, in regards to their openness to changing bank accounts.

H1: Those who set up their own accounts are less likely to change bank accounts, while those whose parent's set them up are more likely to change (less loyal).

To assess whether a person's openness to change from one banking provider to another, based on whether they set up their accounts themselves, a simple linear regression model was constructed. The question of who set up their bank account is the independent variable. This regression was used to test if the variable of who set up the participant's account (predictor variable) significantly predicted their openness to changing their bank (response variable).

The overall regression was not statistically significant ($R^2 = [.000]$, $F(\text{df regression } (1), \text{df residual } (127)) = [F\text{-value}=.165]$, $p = [.963^b]$). It was found that the variable of who set up the participant's account did NOT significantly predict their openness to changing their current banking provider. ($p = [.963^b]$). The results of this model was not statistically significant, and in fact, set-up banking accounts for 0% of the variation in a person's willingness to change, with the R-value equated to $.004\alpha$ and R^2 being $.0000$. Therefore, there is no relation between these variables.

This regression testing was repeated with the variable which determines participants' loyalty to their current banking provider in regards to those individuals who set-up their account themselves, or did not set up their banking account themselves. The R-value equated to $.036\alpha$ and R^2 being $.001$. This statistically low result presents that there is a 0% variation in a participant's loyalty to their bank in regards to the initial set up of their banking account.

Similar results were generated, as the overall regression was not statistically significant ($R^2 = [.001]$, $F(\text{df regression } (1), \text{df residual } (127)) = [F\text{-value}=.165]$, $p = [.686^b]$). It was found that variable of who set up the participants account did NOT significantly predict their openness to changing their ($p = [.686^b]$).

The assumed correlation of a participant's introduction to banking having an influence on their openness to change, or their loyalty, was proven to be false.

4.13 Findings on Societal Change

The survey was set out to explore the question of 'Can Ireland physically and socially adapt to a contemporary view on banking?'. The null hypothesis H_0 : The proportion of people that use neo-banking is the same as the proportion of people who don't utilise neo-banking. The alternate hypothesis argues that there is a difference, as demonstrated through a greater proportion using neo-banking. H_1 : There is a difference in the proportion of people who use and don't use neo-banking.

As part of the study conducted, one of the research questions was concerned with assessing if Ireland is physically and socially ready. The evidence in support of this claim can be garnered from an analysis of the actual proportion of people who are actively using neo-banking. The argument being if society was not ready for neo-banking the proportion of people using neo-

banking should be relatively small compared to the proportion to those who don't utilise neo-banking structures. The hypothesis testing results have illustrated that this is not the case. In particular, there is a statistically significant difference in proportions, as a larger proportion of the sample use neo-banking.

A chi-squared test of significance was undertaken to assess if there is evidence to suggest that the proportion of participants who use e-banking is statistically different to those who don't use neo-banking. In particular, we first assess for differences in the use of e-banking across all participants, irrespective of age. The results of this chi-square test indicate that there is a statistically significant difference in proportions who use neo-banking (88.5%) compared to the proportion who don't use neo-banking (11.5%), $\chi^2 = 76.923, df = 1, p < 0.05$. This indicates that more participants use neo-banking compared to those who don't use neo-banking.

The previous result has shown that a greater proportion of people use neo-banking compared to traditional banking. In order to explore this further, consider the same question but applied to age categories. This assesses if the greater use of neo-banking is associated with all age demographics. If that is the case, that would strengthen our hypothesis that neo-banking is more popular from a whole society perspective. The chi-square test tells us whether two variables are independent of one another by analysing categorical or nominal variables, such as the users of neo-banking. The formula involves the square of the difference between the observed value and expected value, while dividing it by the expected value.

With that said, the question is to inspect if that relationship exists within the age category levels. Young people have a natural preference to neo-banking, whereas older people might not have that preference. As such, we assessed the magnitudes of proportions within each of the three age categories, as illustrated in *Figure 2*. From an overall age perspective, the graph shows the proportions of respondents who responded yes to neo-banking compared to the proportion who replied no to neo-banking, as detailed for each of the 3 age samples. The maroon-coloured bars clearly show a greater proportion of 31+ years banking who use neo-banking, compared to respective age who answered no.

The Age Proportions of Participants who Prefer E-Banking

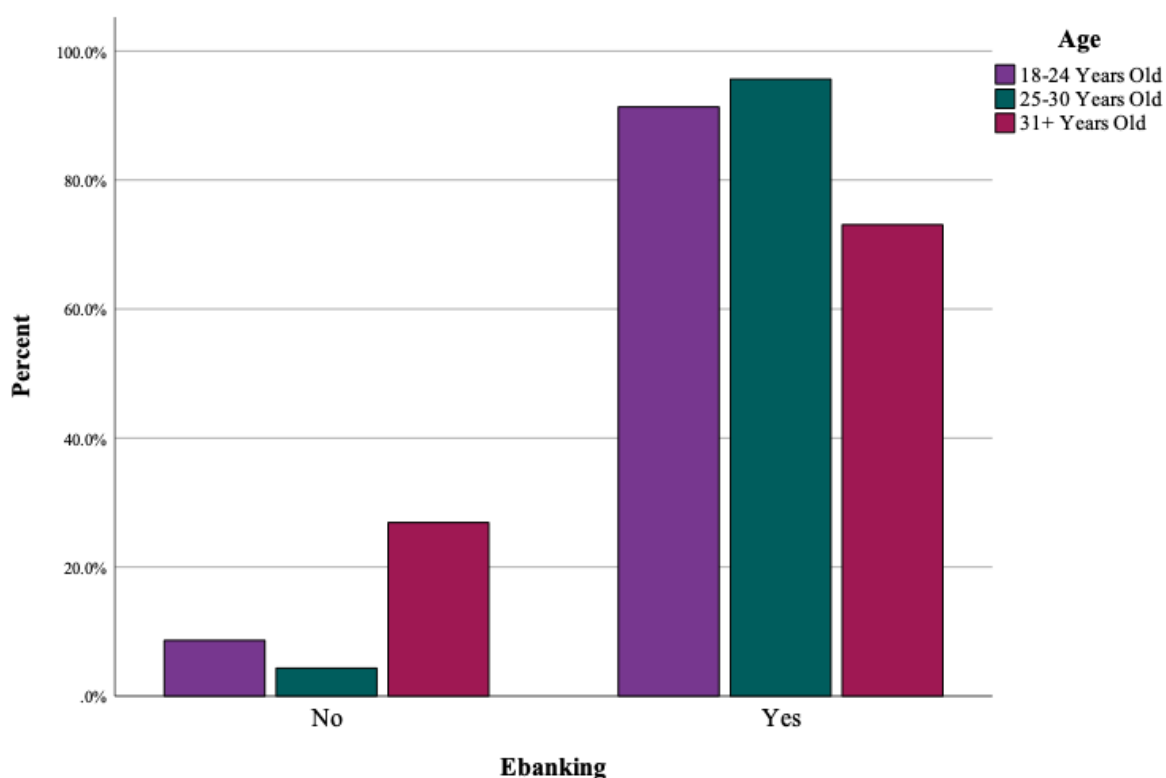


Figure 2 The Proportions of Participants who prefer E-Banking, in terms of Age

In respect to 18-24 year olds, the results of the chi-squared test for differences in proportions indicate that there is a statistically significant difference in proportion to the 18-24 year olds who use e-banking (91%) compared to the proportion to 18-24 year olds who don't use e-banking (9%), $\chi^2 = 55.420, df = 1, p < 0.05$. Similarly, in respect to 25-30 year olds, the results of the chi-squared test for differences in proportions indicate that there is a statistically significant difference in proportion to the 25-30 year olds who use e-banking (96%) compared to the proportion to 25-30 year olds who don't use e-banking (4%), $\chi^2 = 19.174, df = 1, p < 0.05$. Finally, In respect to 31+ year olds, the results of the chi-squared test for differences in proportions indicate that there is a statistically significant difference in proportion to the 31+ year olds who use e-banking (73%) compared to the proportion to 18-24 year olds who don't use e-banking (27%), these results clearly show that within each age category, a greater proportion of participants use e-banking.

4.14 The relationship between Technology and Neo-banking

It can be said that people, regardless of age, are utilising neo-banking over traditional banking due to the Unique Selling Point (USP) of Fintech - technology. The scatter plot in *Figure 3* depicts the positive relationship between opinions on the importance of technology features and whether participants prefer neo-banks over traditional. The scatter plot presents a line of best fit showing a positive, linear association between technological features and neo-banking. This indicates that when a person places more importance on technology features, they are associated with more movement towards neo-banking. The independent variable is technology, while the dependent variable is the preference of neo-banking over traditional banking. The scale of 1-6 represents 1 being strongly agreed and 5 strongly disagreeing.

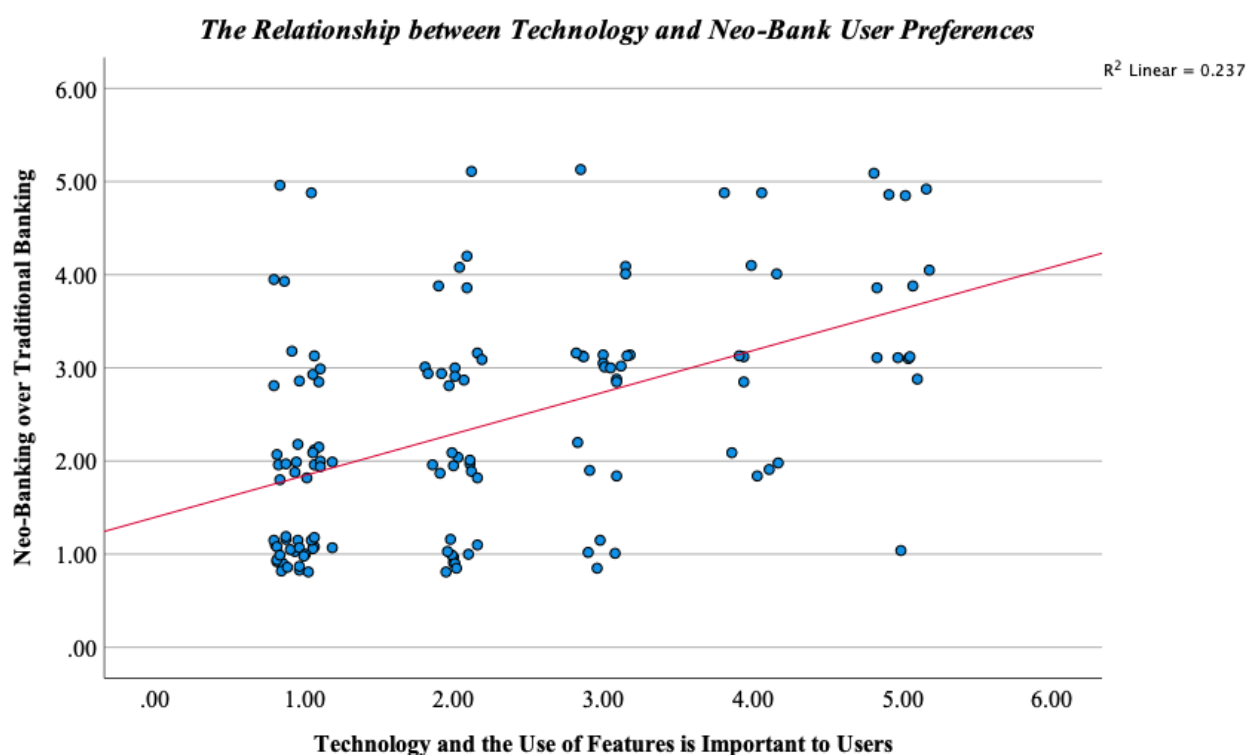


Figure 3 The Relationship between Technology and Neo-Bank User Preferences

Additionally, *Figure 4* illustrates participants’ usage of online banking applications, offered by FinTech, neo-banking applications in addition to traditional banking. The number of participants who use Revolut is clearly dominated in the banking sector, with this sample mirroring the population in Ireland.

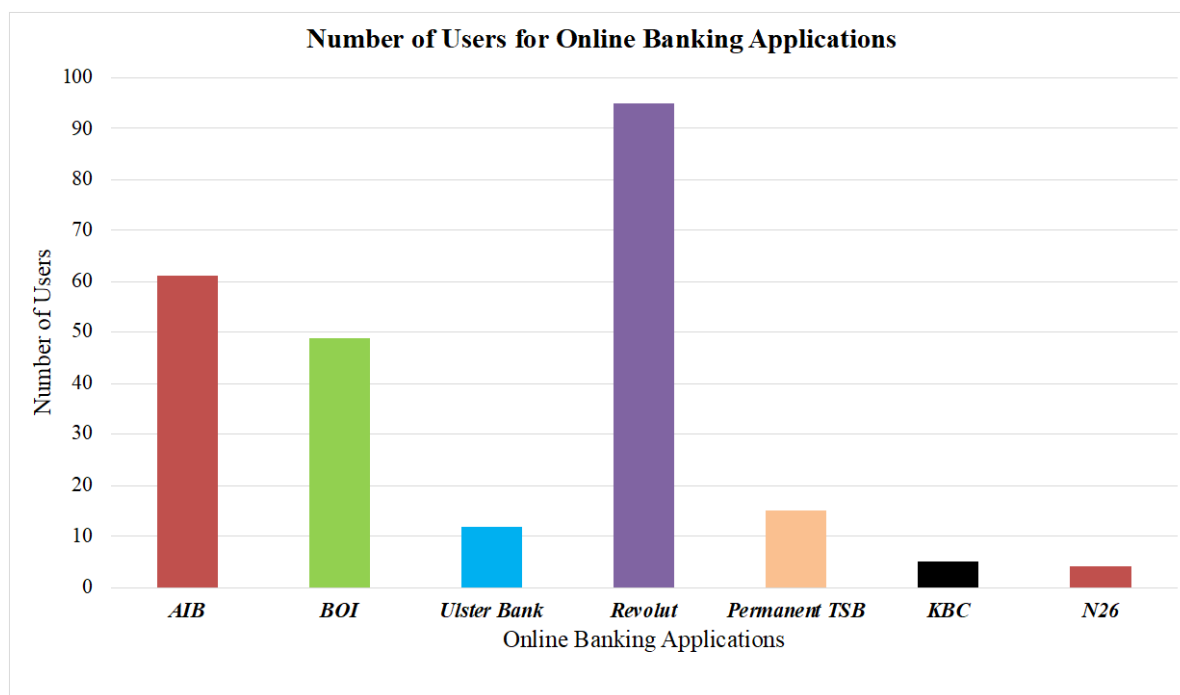


Figure 4 A physical representation for online banking application users

4.15 Findings on who is using Neo-Banks Additional Services

It can be said that what attracts users to Neo-banks is the service offering. The additional services offered include the likes of currency exchange, cash-back on purchases and money-vaults. The survey showed that 51.5% of people said yes to using these additional services, 25.4% said no, 18.5% said maybe, and 4.6% reported to never use these services. The age group of 18-24 year olds made up majority of this, with 58% saying yes to usage contrasted to only 30.8% of the older age group having a similar answer. The beginning of this section stated that the younger generation should account for majority of neo-bank usage, narrowing as it goes to the 25-30 year old age group, and the proportions shrinking while assessing the older age group. This has been proven, as shown in *Figure 5*.

Do you utilise the additional services Neo-Banks offer like currency exchange, cash-back on purchases and money vaults?

Age			Frequency	Percent	Valid Percent	Cumulative Percent
18-24 Years Old	Valid	No	18	22.2	22.2	22.2
		Yes	47	58.0	58.0	80.2
		Sometimes	12	14.8	14.8	95.1
		Never	4	4.9	4.9	100.0
		Total	81	100.0	100.0	
25-30 Years Old	Valid	No	5	21.7	21.7	21.7
		Yes	12	52.2	52.2	73.9
		Sometimes	6	26.1	26.1	100.0
		Total	23	100.0	100.0	
31+ Years Old	Valid	No	10	38.5	38.5	38.5
		Yes	8	30.8	30.8	69.2
		Sometimes	6	23.1	23.1	92.3
		Never	2	7.7	7.7	100.0
		Total	26	100.0	100.0	

Figure 5 Age Distributions on usage of Neo-Bank additional services

4.16 Findings on user’s opinions towards Neo-banking Regulations and Security

Figure 6 Bar Chart on Responses to Neo-Bank Regulation

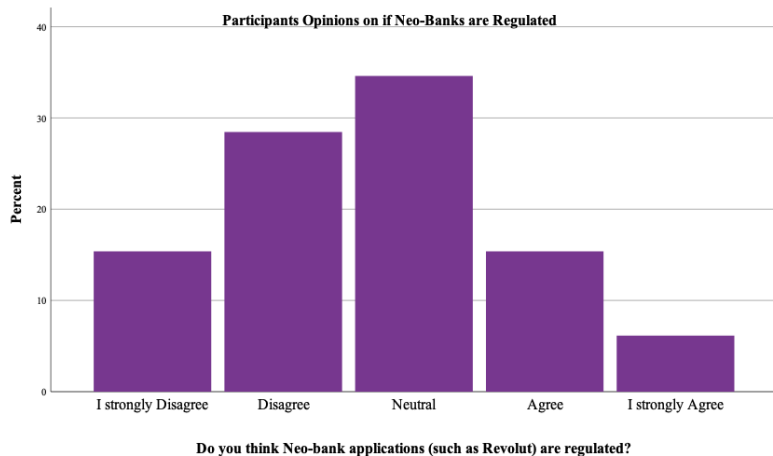


Figure 7 Descriptive Statistics on Neo-Banking Regulation

Are Neo-Banks Regulated?		
	Frequency	%
I strongly Disagree	20	15.4%
Disagree	37	28.5%
Neutral	45	34.6%
Agree	20	15.4%
I strongly Agree	8	6.2%

The survey generated the responses of participants’ opinions on regulation and money safety. Irrespective of age, it demonstrates that many participants are neutral on their view of if neo-banks are regulated in Ireland, with this being the median answer. There’s a negative view on regulations within the participants, with a higher proportion disagreeing (43.9%) over agreeing (21.6%) that neo-banks are regulated, as seen in Figures 6 and 7.

Figure 8 Bar Chart on Responses to E-Banking Safety

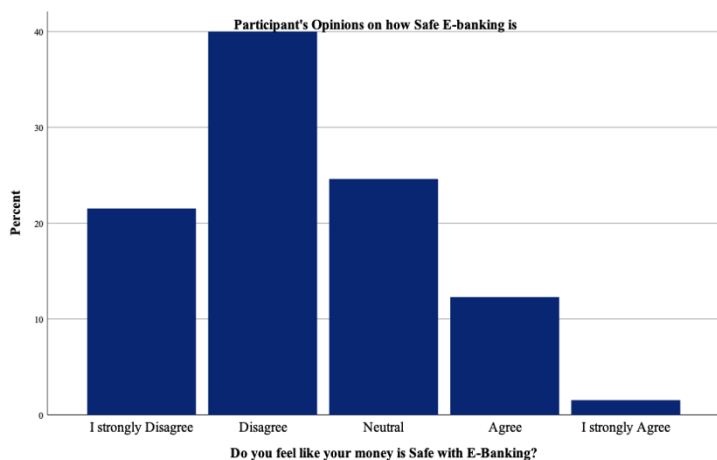


Figure 9 Descriptive Statistics on E-Banking Safety

Do you feel like your money is Safe with E-Banking?		
	Frequency	%
I strongly ...	28	21.5%
Disagree	52	40.0%
Neutral	32	24.6%
Agree	16	12.3%
I strongly Agree	2	1.5%

It's also found that participants don't feel like their money is safe with e-banking. A total of 61.5% of participants disagree with saying that their money is safe with e-banking, contrasted with only 13.8% agreeing, as seen in *Figures 8 and 9*. These figures highlight the concerns of users, however, these majority of participants still use neo-banking services, regardless of their apprehension towards them. This demonstrates the impact of Technology on the sector, with customers possibly having a trade-off of peace of mind for the utilisation of FinTech services.

The statistics represent that the median is that majority of participants feel neutral towards neo-banking being regulated and majority also disagree with the statement of their money being safe with e-banking, as demonstrated in *Figure 10*.

Statistics on Safety and Regulations		
	Are Neo-Banks Regulated?	Is Your Money Safe with E-Banking?
Total	130	130
Mean	2.68	2.32
Median	3.00	2.00
Mode	3	2
Standard Deviation	1.100	.998
Variance	1.210	.996
Sum	349	302

Figure 10 Statistics on Safety and Regulations

Chapter 5

5.1 Discussion

5.11 Interpretation of Results

The participants beginning or outset of their banking usage was examined by asking if they set up their account themselves or if a parent did so. This is to examine if younger people, who are capable of making their own decisions, would take the initiative to join current neo-banking applications or future neo-banking services. The variables use to explore this were through questioning their openness to change and loyalty to their bank. As no variation is determined between a participant's loyalty and openness to change against their initial introduction into the banking world, this means that banking users, regardless of age, are neither opposed to change or that they'd remain loyal. This neither positive nor negative result provides scope for proving that attitudes are changing, and an individual with a traditional bank could move toward FinTech-based services, regardless of their history with a bank.

The lack of relation between the outset of banking and loyalty and change served to be an unexpected outcome, as literature showed that in a survey conducted by FICO, results reported that millennials are 2 to 3 times more likely to switch banks (*FICO, 2016*).

The piece of research was reported in 2022, which may indicate that the literature is outdated and changing, along with societal wants due to external factors such as age, advancements in technology and innovation and the pandemic. This study serves to provide a national basis and up-to-date view on this area of research.

On a generalised view, the results showed that there is a greater proportion of participants who use neo-banking over traditional banking. With that said, these results also show that the uptake of neo-banking is proportionally greater in the younger age groups that represent young adults (91% and 96%) compared to the older adult groups (73%). These results provide statistically significant evidence to support the hypothesis that young adults are changing their attitudes towards banking through technology, which will shape the future of banking in Ireland. Age is an important part of the research, as it can be said that 'the future' is led by younger generations, such as young adults in Ireland. Although the proportions vary, every age group is a user of neo-banking. Therefore, this gives rise to the idea that age isn't the main influencing factor for people to use neo-banking. However, external influences such as technology or their services offering may be a factor.

The Technology Acceptance Model (TAM) provides a key determinant for behaviour intention to use and adopt FinTech services as a daily routine as their perceived usefulness and social influence. The results generated from the survey show that behaviour and usage of FinTech offerings is prevalent in all age groups, and therefore the ‘Future of FinTech’ can be shaped by both the younger generation and the older generation, rather than being ignorant to the views of the population who have used banking services for years. The literature explored pointed to a high social acceptance of younger generations using services such as money transferring, while the survey results found there to be a higher proportion of 18-24 year olds using these additional services compared to the 31+ year olds.

The results of the sample demonstrate a positive relationship between the importance of technology and the use of features among participants and their preference of choosing neo-banking over traditional banking. This inherently shows a society-wide shift from traditional banking, as participants of this sample are said to **prefer** neo-banking. The use of traditional banks is still prevalent among participants, which denotes the idea that FinTech and neo-banks would be a substitute, but rather a preference as banking users don’t have to be mutually exclusive. By knowing the sample has chosen technology as a factor for using neo-banking services, this can be applied to the wider population. FinTech is technology-based, therefore, it can be said that due to the importance of technology in Irish users, Ireland is socially ready for FinTech and wants technology-based banking, to a degree. The literature reinforces this view, as The Unified Theory of Acceptance and Use of Technology (UTAUT) highlights the consumer needs and preferences towards technology and presents the idea of change.

The survey also demonstrated some hesitation in participants’ attitudes towards the safety of Neo-banks and opinions on if they’re correctly regulated. Revolut has conducted damage control in this area. The European Central Bank (ECB) vetted Revolut and awarded them a license to indicate there is no further risk to consumers’ money (*Schulze, 2018*). The surge in users who use neo-banks has played a key part in forcing the ECB to regulate. Revolut has used market research effectively, as their internal studies found that nearly 50% of users would deposit their money with them. Within recent weeks, Revolut has become a depository bank in Ireland. It’s practical to say that this is only the start of their entrance into other banking services. Permanent TSB has fewer users than Revolut, while offering mortgages. It can be a possibility that as neo-banks gain a positive reputation, that they can expand to areas such as mortgages in the future, as FinTech inevitably grows.

5.12 Implications in Research

In the duration of this research, the foundations in which Neo-banks such as Revolut, solidified. The prediction that FinTech will disrupt the Irish Banking Market and be a strong contender in the market against traditional banks was proven to be correct.

As of February 1st 2022, Revolut announced their newest product offering to their Irish customers: Loans. Personal loans vary from €2,000 to €30,000 with competitive APR rates beginning at 6.45%. As they've generated a younger adult clientele and formed a relationship with these consumers, it's highly likely that the future generation of banking users would utilise this service for upcoming expenses such as their first car or holidays. This is only the beginning of the Revolut Bank products on the market, as they're becoming a depository bank in Ireland after being granted a full banking license in December 2021 by the European Central Bank (ECB). These developments occurred while this research was being conducted, which solidifies the shift to these FinTech services, as it could be said that the results may have leaned towards a more traditional banking view if this research was conducted pre-pandemic (*Reddan, 2022*).

The argument for Ireland not being able to physically adapt is strengthened through the departure of longstanding Irish banks such as KBC, exiting the market. KBC is a mortgage provider, and therefore brings a gap in the market for another mortgage provider, which could be FinTech based. The departure of KBC is a recent development, with the bank ceasing new business applications in July 2022. Closure notifications have started being sent out as of June 2022, providing users with six months to close their accounts. 97% of KBC users manage their banking online or through their mobile app. This shows that offerings such as mobile banking applications are not enough for a bank to survive in this market, and constant innovation and technological advancements are needed to not only stay ahead but to maintain market share. Ultimately, the social side of consumer loyalty was not a factor in KBC's departure, but their failure to adapt their physical structure which goes beyond the consumer (*RTE, 2022*).

5.13 Limitations of Work

The research had a strong focus on young adults, which for future research, should seek to be avoided. A narrow-minded view on the future is to just account for younger generations, while the future can be shifted by current generations and historical users. There may have been other factors other than technology and ease of access when it comes to younger people using neo-

banks, such as income levels. Due to time constraints, this area was not explored, which may have presented a bias in the findings.

When it comes to banking, loyalty is said to be a strong aspect when choosing banks. However, research shows there is an openness to change and not as strong of a link to loyalty which would be perceived before conducting the survey on the sample. A recommendation to combat this limitation would be for future similar studies of FinTech in Ireland, reaching a more diverse age group and sample offering would provide more scope to conduct hypotheses testing on. A greater proportion of older generations in the sample may provide more variation in results and generate more positive or negative correlations.

5.14 Recommendations for Future Studies

The limitations provide a basis for future recommendations within this line of research.

For future studies, this research should be expanded to explore FinTech on a more international scale, or even conducting the same survey on a sample in a different country like a European country such as Germany. This would give a comparative view on social attitudes to FinTech on a global scale. The research seeks to answer the question if Ireland was ready, but to determine this, a country which isn't Ireland should be examined to provide a wider basis.

Additionally, scheduling an qualitative based interview with managers of established neo-banks or FinTech start-ups and questioning their business activities would provide an insight into how they plan to maintain market share in the banking sector. This could also be directly applied to an interview with seniors in traditional banks, with the same set of questions which gives a direct comparison between the basis of the study – Neo-Banks vs Traditional Banks.

5.2 Conclusion

The prominence of FinTech and the correlation to Ireland are seen in the idea of growth. Ireland is seen as a ‘Finance Hub’ with vacancies for economic and social expansion in the banking sector. FinTech can be interpreted as an opportunity that gives Ireland a competitive advantage. To assess the implications of FinTech, we explored the question of ‘Is Ireland ready?’. A reasonable understanding of this question is conveyed through examining the current framework of the financial sector, through the past, present and future. Through societal attitudes and past literature, we can attain a conclusion on this area.

We can scrutinize the idea that FinTech will modify, revolutionize and digitalise the banking function, but won’t deviate from the general banking process. The incongruity between a revolutionised banking process through technology and the inadequacy of customer relations in conventional banks are recognized. Consumer banks such as AIB and BOI are subject to a loss in market share with contemporary entrants such as Neo-banks making an abrupt implementation into the everyday practice of Irish customers.

FinTech serves to provide a positive user experience by integrating technology into their product offerings. This serves to be a consumer-based banking experience, which is converting users, and the upcoming generation of banking users, to neo-banks and FinTech services. Ireland is socially ready, which narrows the market as traditional banking structures set in place are not physically ready. The Central Bank is adapting and embracing this technological shift by awarding the license to Revolut and provides a pathway for future FinTech services to penetrate the market in the coming years, due to the success of technology and banking.

Originally, the link of questioning with ‘Is Ireland Ready?’ had an internal answer to be no. by having to question if the country is ready, it points to a degree of uncertainty. However, the research with the sample of the population and the recent developments with Revolut becoming a depository bank have shifted the answer. There is no straightforward answer, but through the quantitative research and results, it can be seen that Ireland is socially ready for the uprising of FinTech, and as of currently, is preparing the physical adaption to FinTech in the coming years. The potential for Ireland to become a leading Finance Hub is a near certainty, due to this acceptance of FinTech and other structures in place, such as our low corporation tax.

The needs of consumers change through generations and their experiences, and this new wave of FinTech is becoming welcomed by society. However, this can once again be disrupted. What other new offerings can shake the banking industry to alter the defining aspects of usefulness or societal adoptions?

To conclude, the research alludes to the idea that the citizens are ready for this uprising of FinTech. The existing traditional banks in Ireland are struggling to adapt at a fast enough rate, which is causing a disruption in the industry. Neo-banks and FinTech start-ups have infiltrated the market in an unprecedented manner, but going forward, the awareness of these firms is reshaping the market in Ireland.

To answer the overarching question of *‘The Uprising of Fintech – Is Ireland Ready?’* it can be said that Irish citizen are ready, while the physical structures and traditional banks have an awareness - which needs a more rapid shift to technology based services.

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Appendix

Appendix A



The Uprising of FinTech - Is Ireland Ready?

This research survey looks to discover the banking habits of young adults in Ireland. This dissertation serves to discover if Ireland is socially ready to a change in its banking habits towards FinTech (Financial Technology). The Hypothesis being investigated is that 'Young adults are changing their attitudes towards banking through technology, which will shape the future of banking in Ireland'. Please Note: Neo-Banks refer to new banking applications such as Revolut and N26. Traditional banks refer to physical banks such as BOI and AIB. This survey is completely anonymous and answers given will not be traced back to any one individual. At any time during the survey, you may opt-out of the process, any incomplete surveys will not be used in the findings of the study. All information gathered in the survey will be securely stored by the researcher. This survey consists of 20 questions, with multiple choice options and rating your opinion on Statements in regards to the topic. This survey takes approximately 3 minutes to complete. Surveyor is contactable at x19387963@student.ncirl.ie.

Q1 What age are you? (Years)

Multiple Choice

Choice

- 18-24
- 25-30
- 31-36
- 37-45
- 46-55
- 56+

Q2 Do you use any E-banks/mobile banking applications such as Revolut?

Multiple Choice

Choice

- Yes
- No

Q3 Do you use any traditional banks, such as AIB/BOI?

Multiple Choice

Choice

- Yes
- No

Q4 Did you personally sign up for a traditional bank, or was it set up for you as a child by a parent/guardian? (Only tick one)

Multiple Choice

Choice

- I set it up myself

Choice

- My parents did it for me
- I'm not sure

Q5 How frequently would you go into a physical bank branch?

Multiple Choice

Choice

- Daily
- Once a week
- Once a month
- Once every six months
- Once a year
- Never

Q6 What online banking applications do you use? (You can select more than one).

Multiple Choice

Choice

- AIB Website/Phone App
- BOI 365 Banking
- Ulster Bank Anytime
- Revolut
- N26
- Permanent TSB App
- KBC Phone/Website
- Other

Q7 How frequently would you use your banking application?

Multiple Choice

Choice

- Daily
- Once a week
- Once a month
- Once every six months
- Once a year
- Never

Q8 Do you prefer e-banks or traditional banks?

Multiple Choice

Choice

- I prefer E-Banks
- I prefer Traditional Banks

For the following Statements, the Likert method of scaling was used:

- I strongly agree
- I somewhat agree
- I neither agree or disagree – Neutral
- I somewhat disagree
- I strongly disagree

Q9 I prefer using Neo-banks over traditional banking. (1 is strongly agree, 3 is neutral and 5 is I strongly disagree)

Scoring

Q10 Technology and the use of features is important to me when choosing a bank to use. (1 is strongly agree, 3 is neutral and 5 is I strongly disagree)

Scoring

Q11 I would be open to changing my bank, depending on my needs.(1 is strongly agree, 3 is neutral and 5 is I strongly disagree)

Scoring

Q12 I am loyal to the bank I have always used, and I won't change. (1 is strongly agree, 3 is neutral and 5 is I strongly disagree)

Scoring

Q13 Online banking is a part of my everyday routine. (1 is strongly agree, 3 is neutral and 5 is I strongly disagree)

Scoring

Q14 Do you feel like your money is safe with E-banking? *(1 is strongly agree, 3 is neutral and 5 is I strongly disagree)

Scoring

Q15 Do you think neo-bank applications (such as Revolut) are regulated? *(1 is strongly agree, 3 is neutral and 5 is I strongly disagree)

Scoring

Q16 Are you satisfied with the overall functionality of Neo-Banks such as Revolut?

Multiple Choice

- Choice**
- Yes
- No
- Somewhat
- I don't know

Q17 Do you find the lack of face-to-face interaction with e-banking/Neo-Banks to be an issue?

Multiple Choice

Choice

- Yes
- No
- Somewhat
- I don't know

Q18 Do you think there is a difference between Neo-Banks and Traditional Banks?

Multiple Choice

Choice

- Yes
- No
- Somewhat
- They are similar
- They are completely different

Q19 Do you utilise the additional services Neo-Banks offer like currency exchange, cash-back on purchases and money vaults?

Multiple Choice

Choice

- Yes
- No
- Sometimes
- Never

Q20 In your opinion, do you enjoy completing your banking from the comfort of your own home/phone? Or would you prefer making the physical trip to the bank?

Multiple Choice

Choice

- I prefer the use of online banking
- I prefer going to physical bank branches
- I don't mind either
- I don't know