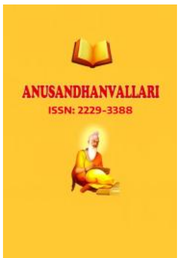

Anusandhanvallari
Vol 2025, No.1
January 2025
ISSN 2229-3388

Impact of Financial Innovation on User Trust, Retention, and Loyalty in Fin-tech Platforms: Evidence from Nagpur City

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Abstract: The trends of Fin-tech spaces gaining fast are remaking the manner in which people undertake monetary operations and are bringing novel methods that support convenience, productivity, and availability. This paper focuses on the effect of financial innovation on user trust, retention, and loyalty in Fin-tech platforms and considers Nagpur City, in particular. With the help of a descriptive research design, 200 active users Fin-tech received questionnaires to fill them in, and 180 valid replies were evaluated. The results identify that such innovative characteristics as improved security, personalized service, and easy-to-use interfaces can have a strong impact on user trust that, negatively, can affect user retention and loyalty. The paper notes that the initial attractiveness of innovation is followed by trust as a key to long-term continuity and commitment among the users. The findings can be of great help to Fin-tech companies aiming to deliver customer-oriented plans which may foster the aspect of trust, stimulating further usage, and developing loyalty, in the context of competent digital financial ecosystems.

Keywords: Financial Innovation, Fin-tech Platforms, User Trust, Retention, Loyalty, Customer Engagement, Nagpur City

Introduction

At the frontier of financial services on the global arena has seen the factor of financial innovation as a disruptive factor in the international financial services system, wherein individuals and businesses now have a different interaction with money and financial systems. Mobile wallets, peer-to-peer lending, Blockchain-enabled payments, algorithmic credit scoring and artificial intelligence (AI)-driven financial management tools have not only made financial services more efficient, they have also democratized access to them (Chawla et al., 2023). Fin-tech platforms have brought forth novel convenience and inclusion paradigms in low-income and high density urban centres such as Nagpur where the adoption of smartphones and the availability of internet has seen a surge. Nevertheless, sustainable growth cannot be guaranteed by the technological progress since client confidence, retention, and loyalty are also the key factors that determine the success of the Fin-tech ecosystem over the long term (Gupta et al., 2023).

The issue of trust is critical to affect the consumer choice in financial platforms, as often the user is working with personal information and monetary operations. Higher perceived risks in the case of Fin-tech services are mainly linked to digital security and privacy issues than regular banking (McKnight et al., 2002). Therefore, even the most innovative platforms will be exposed to doubts on the part of the users unless they can prove to be reliable, intact and efficient in terms of data protection (Pavlou and Gefen, 2004). In contrast, retention and loyalty may be considered the signs of a sustainable interaction, as they indicate that users not only embrace an application but keep using it regularly, recommending other people to join it, and identify with the brand (Tiwari, 2022). Cultural factors like digital literacy, trust requirements locally as well as regulatory awareness,

and socio-economic diversification also influence the formulation of how financial innovations would be converted to end user relationships within the context of Indian cities such as Nagpur (Sirdar and Anitha, 2025).
Despite the rapid expansion in the use of the Fin-tech in India, as more Indians continue to accept mobile payment applications, a digital wallet, and investment platforms, there is the issue of engagement with these applications over time among users. Numerous users of Fin-techs drink an app to make things more convenient or to receive bonuses but end up abandoning it because of security concerns or the inefficiency of the said service (Patnaik et al., 2023). Thus, the role of financial innovation in trust and vice versa, is critical to the survival of Fin-tech organizations in the long term. This research aims to evaluate the connections between innovation, trust, and loyalty, which are based on empirical data of Fin-tech users in Nagpur City so as to fit into the new body of literature on the consumer behavior of financial technology.

Literature Review

Financial Innovation and User Adoption

Much research has been done on the incentive of adoption of Fin-tech in the developing economies. According to the research conducted by Technology Acceptance Model (TAM) and Unified Theory of Acceptance and Use of Technology (UTAUT), perceived ease of use, usefulness, and reliability are the main predictors of the Fin-tech acceptance (Patnaik et al., 2023). In an Indian study, positive effects on behavioral intentions to use Fin-tech were found on perceived cost, performance expectancy and social influence, with perceived risk; lack of trust acting as obstacles to adoption (Chawla et al., 2023). Regarding the same point, Gupta et al. (2023) found out that usefulness, convenience, and security give way to first adoption, yet it is trust that turns these initially using into always using.
Besides, financial literacy has been found to be a significant moderating variable. According to Sirdar and Anitha (2025), users who have been more financially literate show more trust on the Fin-tech platforms, a reduced perceived risk, and show more willingness to use innovative services. This means that innovation in the absence of awareness or understanding can not keep the interest going, particularly in the tier-2 cities such as Nagpur where the population level of exposure to complex in financial technology is low.

Trust, Risk, and Perceived Security

It has always been emphasized that trust is one of the key constructs that mediate the linkage between the characteristics of innovation and the durable behavioral consequences (McKnight et al., 2002; Pavlou and Gefen, 2004). Sirdar and Anitha (2025) found that the primary enablers of trust, in their research on the Indian Fin-tech adoption, were security, privacy, and regulatory clarity. The same way, the review that was conducted by Chawla et al. (2023) found that the perceived trustworthiness and adoption intent directly depend on privacy protection and transparent transaction policy.
There is also empirical evidence that risk perceptions are negatively significant in trust. The article Users Perceived risk and challenges of fin-tech adoption in India reported that fear of fraud, cybercrime, and use of personal data are the obstacles to digital financial platform adoption among the users (Gupta et al., 2023). Nevertheless, the retention and repeat use of the platform are increased when users feel that it is secure and meets the government standards. Therefore, trust acts as an obstacle and facilitator: one obstacle is distrust in system integrity and a facilitator of trust via transparency and trustworthiness.

Retention, Continued Use, and Loyalty

Adoption is the initial milestone but the further usage and loyalty are time-markers of sustainability of a platform. The authors concluded that the perceived benefits, trust, and satisfaction earned by people rely heavily on their intention to use Fin-tech services in the future (Gupta et al., 2023). In a similar manner, in a study conducted in Jakarta by Sirdar and Anitha (2025), trust was a better predictor of continuance intention than

Anusandhanvallari
Vol 2025, No.1
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ISSN 2229-3388

perceived risk, which implies that perceived risk can be overcome by trust in financial transactions, thereby reducing latent risk aversion of the users of the facility.

Tiwari (2022) underlines that the retention of the users is a joint effect of satisfaction and trust. Brand loyalty attitudes are expected when the customer perceives consistent value expectations, ease, and security which leads them to advocate and resist switching. Besides, Kini, Savitha, and Hawaldar (2024) discovered that self-concept and customer engagement behaviour intermediated relationship between trust and brand loyalty in Fin-tech services. Therefore, the loyalty is not just functional but emotional, which will be achieved by the users who associate themselves with the technological and ethical value of the brand.

Gaps and Contextual Insights

Even though what is present in the literature offers useful information on the Fin-tech adoption, some gaps are still present. The bulk of the literature is national or cross-national and does not include the heterogeneity of the cities in terms of user behavior. Such cities like Nagpur may indicate the formation of the behaviors unique to the local infrastructure, economy, and digital literacy. More so, not many studies consider all the three constructs such as financial innovation, and trust and loyalty within the same empirical context. Additionally, previous studies have been mostly cross-sectional or involve user intent to adopt, but not the longitudinal behavioral patterns (Tiwari, 2022).

To fill these research gaps, the current study will specifically target Nagpur City with the aim of exploring the effects of different aspects of financial innovation on trust, retention and loyalty, such as the quality of services provided, level of personalization, security and user experience. This research using both institutional trust theory and technology acceptance models has made its contribution to theory and practice in the perception of innovation as a key to maintaining long-term user relationships in Fin-tech ecosystems.

Objective of the Study:

This study aims to examine how financial innovation affects the retention, loyalty, and the user trust of Fin-techs in the city of Nagpur. It seeks to identify the role of technology dimension, service quality, security, and ease of use in innovation in creating trust and the mediating role of trust in user retention and loyalty creation. The research also aims to offer guidelines that Fin-tech companies can use to support customer interaction and customer relationship management in the long-term.

Methodology:

The study uses descriptive research design to determine the effects of innovation in finance on the trust, retention, and allegiance of the users of the Fin-tech platforms as a reference point to Nagpur City. The structured questionnaire was used to collect data based on the user perceptions at the level of innovation, trust, and loyalty dimensions. It was chosen 200 respondents who actively use Fin-tech applications including mobile wallets, online banking, online payment platforms among others. The respondents were selected using convenient method and sufficient representation of various age groups, professions, and income levels was made.

Results and Discussion:

The major data obtained by the use of structured questionnaires were analyzed by the means of descriptive statistics and correlation analysis to comprehend the connection between the financial innovation, user trust, retention and loyalty. The valid responses received out of the 200 responses that were distributed were 180 and the response rate stood at 90 percent. The respondents were of varied demographics comprising of 60 percent males and 40 percent females with 25 percent (18-25 years), 45 percent (26-35 years), 20 percent (36-45 years) and 10 percent (above 45 years) age groups. Majority of the respondents (70%) actively used Fin-tech websites like Google Pay, PhonePe, Paytm, and other mobile banking websites.

Table 1 Users' Perception of Financial Innovation in Fin-tech Platforms

Statements on Innovation Features	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)	Mean
1. Fin-tech apps offer innovative and user-friendly services.	3%	4%	8%	50%	35%	4.10
2. Financial innovations improve ease and speed of transactions.	2%	3%	7%	48%	40%	4.21
3. Innovative security features increase my confidence.	5%	6%	10%	45%	34%	3.97
4. Personalization enhances my overall satisfaction.	4%	5%	12%	46%	33%	4.03

Table 2 shows that the majority of the respondents have a positive opinion on financial innovation in the Fin-tech platforms. A big percentage of the users testified that such sites are very innovative and offer convenience services that are user friendly and facilitate financial transactions at a higher rate. Most of them also responded that enhanced security capabilities will make them increase their level of confidence, whereas personalized services will raise their level of satisfaction. In general, the results may indicate that Fin-tech application features valued by users in Nagpur particularly contribute to convenience, trust and involvement in online financial transactions.

Table 2 Relationship between Financial Innovation and User Trust

Variables	Mean	Standard Deviation	Pearson Correlation (r)	Significance (p-value)
Financial Innovation	4.08	0.68		
User Trust	4.12	0.65	**0.742**	**0.000**

At the level of significance 0.01, Pearson correlation coefficient (r = 0. 742) indicates that there is a strong positive relationship between financial innovation and user trust. It implies that new features that involve security software upgrades, usability, and customization directly translate into construction and sustenance of user confidence within Fin-tech platforms.

Table 3 Impact of User Trust on Retention and Loyalty

Variables	Mean	Std. Dev.	Correlation (r)	Significance (p)
User Trust & Retention	4.09	0.63	**0.715**	**0.000**
User Trust & Loyalty	4.11	0.69	**0.783**	**0.000**

Results of the correlation show that trust has a significant and statistically significant impact on the retention and loyalty of the users. With trust being developed in users who utilize Fin-tech platforms, more chances are that they would use the platforms again and refer others herein the mediating effect of trust as an influencer between innovation and loyalty.

Table 4 Regression Analysis – Influence of Financial Innovation and Trust on Loyalty

Predictor Variables	Unstandardized Coefficient (B)	t-value	Significance (p)
Constant	0.821	3.10	0.002
Financial Innovation	0.482	7.45	0.000
User Trust	0.376	6.82	0.000
$R^2 = 0.69$; Adjusted $R^2 = 0.68$			

Latent regression model (adjusted R 2 = 0.68) implies that financial innovation and user trust solve the difference in user loyalty by 68 percent. The effects of both variables are significant positive (p less than 0.01) and, thus, prove that the more innovative and credible the perception of a Fin-tech platform is, the higher the chances of long-term customer loyalty. Data analysis creates a close association between financial innovation, user trust, and customer loyalty among Nagpur Fin-tech users. New technological capabilities make the use of the technology more convenient and confident, and trust is a key factor that determines the desire of users to remain on the Fin-tech platforms. The findings confirm the hypothesis that trust is a key mediator between innovation and user loyalty which suggests that secure, transparent, and personalized service delivery must be one of the priorities of Fin-tech companies that pursue customer retention and long-term engagement.

Conclusions

It is evident in the findings of this study that the financial innovation significantly affects the user trust, retention, and loyalty of the Fin-tech sites in Nagpur City. Innovations like improved security measures, smooth transaction systems, customization, and easy user interfaces are perceived to be vital factors of user confidence with the use of the systems. The balance that is mediated by trust incorporates the availability of novel features in relation to the further usage and loyalty. It is emphasized in the study that technological improvements are of interest to users only at the beginning of their usage, and only when platforms prove their reliability, transparency, and consistent customer-centered services, sustainable usage occurs. In addition, demographics that include age, occupation and digital literacy will affect the response of the users to innovation meaning that the platforms need to be designed in a sensitive manner that allows it to target different user groups. In general, the findings support the idea that financial innovation, along with effective trust-building tools, is necessary to establish lasting relations between Fin-tech companies and their clients.

Recommendations

The analysis also includes a number of feasible recommendations to practical freedom of Fin-tech companies in Nagpur. First, platforms will need to focus on the improvement of security levels and a sense of security in users regarding the safety of their personal and financial information since trust is one of the main factors in retention and loyalty. Second, customer satisfaction and attrition can be increased by making the user interfaces more user-friendly. Third, offering individual solutions to all with regard to their financial needs can reinforce the interest and encourage recurrent use. Also, companies are encouraged to introduce frequent changes and clear policies, and immediate grievance redress procedures so that people could be confident in the company and build positive feedbacks. Digital literacy campaigns and awareness campaigns can be used to make different demographic groups of Nagpur learn and embrace innovative features as well. Finally, user feedback and analytics regarding user behavior should be continuously monitored to help the platforms to adjust their services and improve customer interaction and guarantee long-term loyalty in a competitive Fin-tech ecosystem.

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