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The Digital Payment Paradigm: An Analysis of Factors Influencing E-Wallet Adoption Among Malaysian Youth

Hazlaili Binti Hashim

Email: hazlaili.hashim@mmu.edu.my

Faculty of Business, Multimedia University, Malaysia

Gan Xing Ru

Email: 1191200891@student.mmu.edu.my

Faculty of Business, Multimedia University, Malaysia

Anushia Chelvarayan

Email: anushia.chelvarayan@mmu.edu.my

Faculty of Business, Multimedia University, Malaysia

Yeo Sook Fern

Email: yeo.sook.fern@mmu.edu.my

Faculty of Business, Multimedia University, Malaysia

Khairol Nizat Bin Lajis

Email: khairol.lajis@mmu.edu.my

Faculty of Information Science and Technology, Multimedia University, Malaysia

Abstract

In recent years, the proliferation of digital payment methods has transformed the financial landscape. This study investigates the determinants that drive e-wallet adoption among Malaysian youth, shedding light on critical factors shaping their preferences and behaviors in the realm of digital transactions. The independent variables adopted for this study were perceived usefulness (PU), perceived ease of use (PEOU), perceived trust, perceived security, social influence, and adoption of e-wallet in Malaysia. The theories adopted in the research were Technology Acceptance Model (TAM) and Unified Theory of Acceptance and Use of Technology (UTAUT). A total of 150 respondents participated in this research who is among Malaysian youths. After the analysis, the study findings shown that Perceived Usefulness, Perceived Security and Perceived Trust have a positive and significant relationship to Adoption of E-wallet, but Perceived Ease of Use and Social Influence have not significantly impact Adoption of E-wallet.

Keywords: E-wallet, digital payment, youth



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Introduction

Like in many other countries throughout the world, Malaysia's economy has also affected by the of pandemic Covit-19. But it has also given the FinTech industry new opportunities and circumstances for expansion. The FinTech e-wallet subsector is growing at a historic rate as the Southeast Asian market's need for cashless transactions rises. Despite the pandemic, Malaysians are increasingly using e-wallets since the country's leadership and populace support a paperless society. According to Fintech Map 2023 study by Fintech News Malaysia, 308 operational e-wallets are registered in Malaysia (Johanani, 2023). The Malaysian government has taken numerous initiatives to encourage a cashless society and digital economy in the country.

During the second reading of the Supply Bill 2024, Prime Minister, and Finance Minister YAB Dato' Seri Anwar Ibrahim revealed that the one-time RM100 e-wallet credit programme will benefit 10 million eligible adults from the B40 and M40 categories. The Government has earmarked RM1 billion for this initiative. The eMADANI program, inspired by the successful eBelia Rahmah initiative, is designed with a threefold purpose: to boost the income of micro, small, and medium enterprises (MSMEs), promote cashless transactions, and benefit the people (Ministry of Finance, 2023). In the Malaysia's 2023 budget, all those belonging to the M40 category will receive RM100 in mobile wallet funds, while students under the e-Pemula program will get RM200 in e-wallet credit. Furthermore, the e-Belia program in the 2021 budget had a total allocation of RM300 million, which was distributed to the youth. According to Teo, Law and Koo (2020), the E-wallet sector in Malaysia remains at an early stage of development, despite the widespread use of mobile phones among the population. This indicates a significant growth opportunity for the e-payment sector, given the large potential user base.

Objectives

1. To examine the factors influencing adoption of e-wallet in Malaysian youth.
2. To analyse whether is there any significant relationship between the selected influencing factors and adoption of e-wallet among Malaysian youth in Malaysia.

Research Scope

Since this study in focusing on identifying the factors influencing e-wallet adoption in Malaysia. The independents variables factors like perceived utility, usability, security, trust, and social influence that hinder customers from embracing e-wallets. The research provides valuable insights to the public, especially Malaysians and e-wallet merchants, aiding in the



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development of superior e-wallets. By enhancing e-wallet applications, businesses can gain a competitive advantage and attract more users. Additionally, banking institutions and application developers can address potential user issues to successfully introduce e-wallets in Malaysia. This study is beneficial for scholars, students, and investors, offering detailed information on e-wallets in Malaysia and serving as a basis for further research and investment decisions.

The theoretical foundation of this study is based on the Technology Acceptance Model (TAM) and the Unified Theory of Acceptance and Use of Technology (UTAUT) (Venkatesh, Morris, Davis, & Davis, 2003). The TAM model highlights the reasons why people may choose to utilize or not use a particular system or technology while performing the activity. While the goal of the UTAUT is described as the individual's willingness to utilize the technology and their conduct when applying it. sample is made up of Malaysian youths who are at least 18 years old have been using an e-wallet. Therefore, the non-probability sampling techniques will be used in this research.

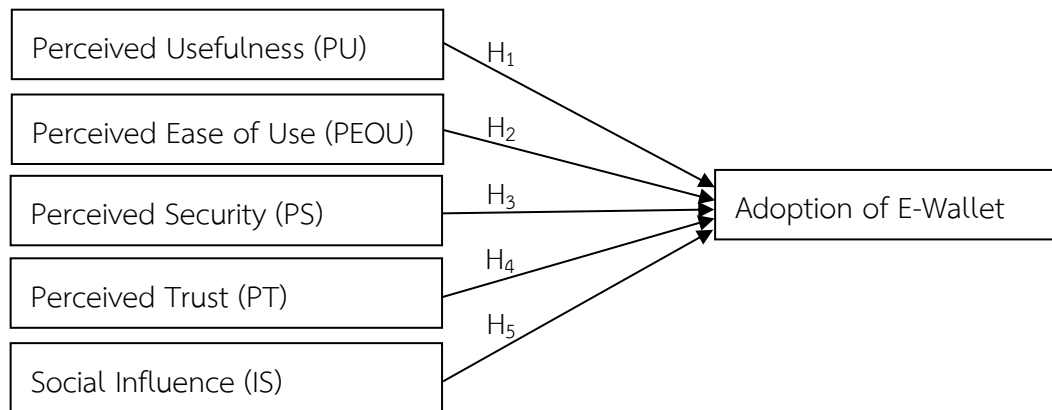


Figure 1: Research framework

Literature Review

E-wallets are mobile apps that use smartphones to access financial services without a physical wallet. They transmit encrypted payment information via methods like QR codes, NFC, and MST. According to Teo, Law and Koo (2020), e-wallet adoption refers to a user's mindset, actions, or intended use when using an e-wallet. Technology Acceptance Model (TAM) and UTAUT model were suggested in the research to explain customers' intention and behavior to adopt a certain technology. Perceived usefulness and perceived ease-of-use are



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2020). This conclusion corroborates with research findings that suggested that behavioral intentions for using M-payment services in Oman were positively influenced by peer pressure and social influence.

Research Operation

The non-probability & convenience sampling technique was adopted for this study. A convenience sample that is non-randomly selected to gather the data and has a target demographic that satisfies the necessity, which is availability readily, proximity to a precise area, duration, or the respondent is willing to cooperate for the survey's goal (Etikan, Musa, & Alkassim, 2016). Using G* Power with 5 predictors, a medium effect size of 0.15, a probability error of 0.05, and statistical power of 95%, it was determined that the total of 138 samples would be required to have sufficient statistical power to examine factors affecting e-wallet adoption in Malaysia (Kang, 2021). However, the questionnaires were distributed to 150 respondents to enhance reliability and accuracy. Reliability will be based on Cronbach alpha value to determine the validity of the questionnaire. The research instruments for this study were adopted from previous several past research papers based on the model (Al-Saedi, Al-Emran, Ramayah, & Abusham, 2020; Teoh, Chong, Lin & Chua, 2013; Yahyapour, 2008; Dmitrii, 2018). The data were collected using the online survey platform and then analyzed using the Statistical Package for the Social Sciences (SPSS) software.

Research Results

A total of 150 qualified responses collected for this study. 40.7% of the respondents are reported as males whereas the balance of 59.3% are reported as females. the age group of the respondents. Majority of the respondents are in the 18 to 22 years old age group (64%), followed by 23 to 27 years old age group (32%) and above 27 years old age group (4%) (Refer table 1).

Table 1: Respondent’s age

Age	Frequency	Percentages (%)
18 to 22 years old	96	64.0
23 to 27 years old	48	32.0
Above 27 years old	6	4.0



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Table 4: E-wallet Application Used

E-wallet Used	Frequency	Percentages (%)
Touch n' Go	141	51.6
Grabpay	71	26.0
BigPay	11	4.0
Boost	25	9.2
Wechatpay	12	4.4
Other	13	4.8

The R-squared value of 0.664 for this study reveals that 66.4% of E-wallet adoption in Malaysia is accounted for by the five independent variables (PU, PEOU, Perceived Security, Perceived Trust, and Social Influence), while the remaining 33.6% is not explained by these variables. The significant value is below the 0.05 confidence level. As a result, it demonstrates that the adoption of e-wallets in Malaysia is positively correlated with at least one of the five independent variables (PU, PEOU, perceived security, perceived trust, and social influence). Consequently, it demonstrated that the research's model fit was attained (Refer Table 5).

Table 5: ANOVA

R	Sum of Square	df.	Mean Square	F	Sig
Regression	40.399	5	8.080	56.832	0.001
Residual	20.473	144	0.142		
Total	60.872	149			

To measure the reliability of the variables and data gathered, Cronbach's alpha reliability analysis was chosen. Overall, all the variables' Cronbach's Alpha value of greater than 0.8 is regarded as excellent, while a value of more than 0.9. Which is considered excellent. Based on the findings (Refer table 6), the significant value of perceived usefulness (PU), Perceive security (PU), perceived trust (PT) is less than 0.05 which shows that there is a significant relationship between the variable with the intention of adoption of e-wallet. Whereas the significant value of perceived ease of use and social influence show no significant relationship as the p-value is more than 0.05.



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Table 6: Coefficients

Variable	Standardized Coefficients, B	Std. Error	Standardized Coefficients, B	t	Sig. p-value	Result
(Constant)	0.696	0.263		2.643	0.009	
PU	0.528	0.086	0.533	6.172	0.001	H ₁ : Supported
PEOU	0.133	0.086	0.113	1.540	0.126	H ₂ : Not supported
PS	-0.154	0.065	-0.202	-2.364	0.019	H ₃ : Supported
PT	0.296	0.092	0.348	3.227	0.002	H ₄ : Supported
SI	0.055	0.080	0.056	0.683	0.496	H ₅ : Not Supported

Conclusion and Discussion

The findings offer a greater understanding of how Malaysian consumers perceive the adoption of E-wallet, and this knowledge can support the nation's efforts to promote E-wallet usage nationally. The study's findings might not offer a broad understanding of the factors that contribute to E-wallet adoption. Because only five factors were taken to test the adoption of E-wallet in this research. Perceived usefulness, perceived security, and perceived trust significantly influence the adoption of e-wallets among youth. These factors, especially perceived usefulness, drive adoption due to the convenience and practicality that e-wallets offer. The trustworthiness and security of the e-wallet provider play a crucial role in shaping young users' perception and willingness to adopt e-wallets, emphasizing the importance of reliability and reputation.

Youth e-wallet adoption is influenced by many factors, and for a variety of reasons, perceived ease of use and social influence may not have a substantial impact. First off, the ease of use of digital tools and platforms is less of a barrier because many youths are already very adept in their use. Furthermore, elements like security, perceived utility, and confidence in the e-wallet provider may have a greater impact. The impact of social persuasion may be lessened if peer groups, or larger societal norms oppose e-wallets. The influence of perceived ease of use and social influence among young people may also be limited by privacy concerns and the impression of hazards associated with adopting new technologies.

The other factors that may also have a major consequence on adoption patterns. The adoption of e-wallets among Malaysian young, for instance, may be significantly influenced by elements including facilitating condition, effort expectancy, government intervention, and



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