

FACTORS INFLUENCING CONSUMERS' ADOPTION
OF CASHLESS TRANSACTION: A STUDY FROM
MALAYSIA PERSPECTIVE

BY

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requirements for the degree of Master of Science
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ABSTRACT

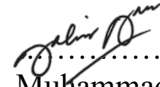
The growth of technology and the internet has set up a business chance for government and non-profit business. The development of cashless payment is speedily increasing over time and becoming an interesting topic and area for researchers. Many businesses consider that cashless payment is as extremely influential which is the concerns for business and financial institutions such as exposes the personal information to a possible data breach. The main objective for this study aimed to analyze the factors influencing consumers' adoption of cashless transaction from Malaysia perspective. The quantitative research method was employed to understand the theory used that is related to the study. The study measured five independent variables which are attitude, perceived usefulness, perceived ease of use, perceived behavioral control and privacy and security. These five factors were adopted from the theory of acceptance, use of technology and the theory of planned behavior. In this study, questionnaires were established on online through Google Forums and distributed on social media platforms within the of territory Malaysia, especially in Klang Valley region and Sabah and Sarawak. A total of 391 respondents were received where the researcher stopped the data collection process because the required data was found to be 385 respondents as calculated in chapter 3.2.1. The data was analyzed using the Statistical Package for the Social Sciences (SPSS) software. In this study, description of the respondents was analyzed and explained, and reliability test was conducted to determine the stability and connectivity of the variables. The test of exploratory factor analysis and multiple regression analysis were also conducted. According to the reliability test, the Cronbach's alpha shows that all the variables were proven to be reliable. Correlation and multiple regression results revealed significant relationship between the independent variables and dependent variable. Besides that, all five hypotheses were supported with the dependent variable which are attitude, perceived usefulness, perceived ease of use, perceived behavioral control and privacy and security. To conclude, this study has provided a detailed and thorough understanding of cashless transaction from Malaysia perspective. It has also offered recommendations and valuable information for future researchers, and also provide valuable information for government sectors, private business sectors, as it has provided a detailed and thorough understanding of cashless transaction from Malaysia perspective.

خلاصة البحث

هياً تطور التكنولوجيا والإنترنت فرصة للأعمال الحكومية وغير الهادفة للربح. مع تطور الدفع غير النقدي بسرعة، مرور الوقت أصبح موضوعاً هاماً للباحثين. تعتبر العديد من الشركات أن الدفع غير النقدي له نفس التأثير الكبير وهو محل اهتمام المؤسسات التجارية والمالية. تعهدت الحكومة الماليزية بتقديم دعم RM 30 لكل من Touch NGo e-wallet وتطبيق Boost و GrabPay ، على الرغم من أن هذا لا ينطبق على البلد بأكمله. في المناطق الريفية المواطنين أقل وعياً للخدمات المصرفية الرقمية وهذا ما يجعلهم متخلفين عن المدن من حيث تطور التكنولوجيا. بغض النظر عن حقيقة أن الهواتف الذكية ليست مملوكة للجميع، لكن الذين يعيشون في المناطق الريفية سيواجهون مشاكل في اعتماد تطبيقات الدفع الرقمية هذه لأن العديد من المتاجر في تلك المناطق لا تقبل الدفع الإلكتروني. تسعى ماليزيا إلى النجاح في التعامل مع العقبات والسعي للمضي قدماً إلى المنصة غير النقدية في المستقبل. الهدف الرئيسي من هذه الدراسة هو تحليل العوامل التي تؤثر على اعتماد المستهلكين للمعاملات غير النقدية من منظور ماليزيا. قامت الدراسة بقياس خمسة متغيرات مستقلة وهي الموقف ، والفائدة المتصورة ، وسهولة الاستخدام المتصورة ، والتحكم السلوكي المتصور ، والخصوصية والأمن. تم اعتماد هذه العوامل الخمسة من نظرية القبول واستخدام التكنولوجيا ونظرية السلوك المخطط. في هذه الدراسة ، تم عمل استطلاع عبر الإنترنت يتكون من 41 سؤالاً والتي تشمل 391 مستجيباً في منطقة وادي كلانج وفي جميع أنحاء البلاد عن طريق مواقع التواصل في ماليزيا. تم تحليل البيانات بواسطة برنامج الحزمة الإحصائية للعلوم الاجتماعية (SPSS). في هذه الدراسة ، تم تحليل وشرح وصف المستجيبين ، وتم اختبار الموثوقية لتحديد ثبات المتغيرات. تم استخدام اختبار تحليل عامل الاستكشاف وتحليل الانحدار المتعدد. وفقاً لاختبار الموثوقية ، يُظهر Cronbach's alpha أنه تم إثبات موثوقية جميع المتغيرات. إلى جانب ذلك ، تم دعم أربع فرضيات بالمتغير التابع وهي الموقف ، والفائدة المتصورة ، وسهولة الاستخدام المدركة والخصوصية والأمان ، بينما لم يتم دعم التحكم السلوكي المتصور مع المتغير التابع. تحتوي نتائج هذه الدراسة على دلالات وتوصيات للباحثين المستقبليين ، كما توفر معلومات قيمة للقطاعات الحكومية وقطاعات الأعمال الخاصة والمنظمات غير الحكومية ، حيث قدمت فهماً تفصيلياً وشاملاً للمعاملات غير النقدية من منظور ماليزيا.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it confirms to acceptable standards of scholarly presentation and fully adequate, in scope and quality, as a dissertation for the degree of Master of Science in (Marketing).



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DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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This dissertation is dedicated to my father, my mother, my brothers and sisters, my wife and children, and my friends who supported me in this achievement.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

With the advancement of mobile technology, expansion of cashless transaction system and the rapid expansion of digital payment system, “the use of cash is eventually sluggish” (Marria, 2018). The term “cashless transaction” is referred to a situation where the conversion of ownership for an underlying asset takes place without any initial cash disbursement (Mitchel, 2018). In today’s era, usage of cash is turning into a secondary medium of transaction. Due to untraceable characteristics of physical cash, it often becomes difficult to abstain from tax evasion, counterfeiting and corruption. Nonetheless, cashless transaction has made it harder to obscure income, conceal tax evade and hide money. In other words, cashless transaction has ensured more transparency. Cashless society facilitates greater scope for monetary policies. It expedites government and banks to take control over the economy during economic downturns. In cashless system, consumers are unable to withdraw money from financial institutions. In this arrangement consumers will have to deposit money to banks for conservation without interest. As a result, it will generate high investment that boost the economy (Marria, 2018).

Today customers have many opportunities to pay in cash or by card for their purchases. However, it has been expected that in the future, cashless society will extend a higher degree of adoption of cashless transaction and the cash transaction will expect to decrease in number of population. Although, there are still critical matters related to security and privacy associated to the cashless payment as a matter of concern in the

context with payment (Khan, SMFA. 2014). A conventional payment mechanism such as card payment is growing with the development of technology as well as the consumers' lifestyle changes (Green, Jeffrey, 1997). It has been observed that many customers nowadays prefer smart card payment mechanism which represents a significant proportion of transaction (Feinberg and Richard, 1986).

There are some researches that suggest that consumer experience psychological displeasure while paying their purchase through cash (Snelders, 1992. p13). Since the commercial began to use the internet, the business sector has changed in the evolution of making more profit in business with higher speed, to obtain more customers, to be competent in serving more customers worldwide, to make the product and service quality better, advance the business process and finally to minimize the use of human power in high-risk intensive works (McGrath, 2008). Thus, consumers have the chance to make their shopping experience more efficient as they can search information about the company's products and compare brands as well as prices and enabled consumers' to buy products online wherever and any time (Hoofnagle, Urban and Li. 2012). According to Arney et al., (2014), cashless payment has many benefits which differs from traditional cash transactions, such as lowers the risk of mugging or other crimes connected cash (Arney et al. 2014). Furthermore, if a consumer makes a choice of other alternative system of payment, they normally only have small amount of cash when they are shopping (Alliance, 2003). Payments in cashless system was also considered as a better mechanism for food vendors (Paul and Friday, 2012).

The cashless transaction system is one of the Malaysia's government of most important agenda with a vision to make a dramatic change by transforming Malaysia into a cashless society. The development of information technology has enable cashless payment in which goods and services are bought and sold without utilizing the physical

cash. The Malaysia government is making several efforts to lower cash utilization in the economy by encouraging the cashless payment system, this also including prepaid instruments and cards. Cashless transaction system does not indicate that one's is shortage of cash rather it refers to a culture of consumers resolving transactions on online. The government introduced "the knowledge economy master plan" in 2002 to come up with strategic trends in the area of human capital, technology and science, research and development, information and communications technology and infrastructure as well. Furthermore, the practice of cashless payment in the society has increased recently. The cashless transaction has now begun in Malaysia with an ever growing population of individuals transforming to computerized methods of adopting and making establishment. Malaysia is rare transforming from cash to cashless economy. There is various system of cashless transactions used by Malaysian consumers. Cheque and online transfer- NEFT or RTGS, credit or debit cards, these are one of the most established cashless installment system. However, E-wallet and Mobile wallet, most people are using to buy items starting from basic need to air tickets (Shairil and Ramali 2017).

Statistical data study shows the countries that are with most cashless includes United Kingdom, USA, France, China and some other countries (Nag, 2018). However, China seems to show the highest electronic wallet usage in the worldwide with 76% of consumers who uses smart phone payment (Groenfeldt, 2017). However, India is also one of the highest country that use cashless payment. Indian government's policies have been encouraging the adoption on electronic payment has made digital or cashless simple. The high penetration of smartphone and the evolution of telecommunication facilities which consist of major users are the key drivers of cashless society India. In addition, cashless mechanism payment has increased tremendously from 2013 to 2017

in Indonesia which is expected to increase (GlobalData Financial Services, 2018). According to Jayaseelan (2017) electronic payment services are large operated in China and India although the presence of the cashless payment in Malaysia is yet majorly infrequent.

However, the cash payment in Malaysia is very intense considering the interchange. The pattern change may be seen after the expansion of establishment of cashless installments (Lim and Appaduray, 2017). According to Tan Sri Muhammad who was 8th Governor of Bank Negara of Malaysia, adopting to cashless payment is a crucial part which can boost the productivity and cost-efficiency necessary for the digital economy which is increasing tremendously in the payment system forum and exhibition (Bernama, 2017). The governor also stated that the evolution of technology, less cost process by using the QR Code, and the very large of Malaysian customers that possessing debit cards and mobile phones can be administered as an advantage to make most effective use of this cashless payment technology (Bernama, 2017).

Usage and subscribers for mobile banking as well as internet banking have increased considerably in recent months. Bank Negara Malaysia's data shows the increase is at a faster pace compared with before the Covid-19 lockdown period. According to Joyce Goh (2020) Individual internet banking subscribers increased to 33.6 million in July 2020, up from 30.8 million in January 2020. This equates to a 9 percent rise, which is three times the 3% increase seen in the same seven-month stretch last year. The population's internet banking penetration rate increased to 107.4 percent in July 2019, up from 92.8 percent in July 2019 and 88.2 percent in July 2018. Meanwhile, mobile banking's population penetration rate is increasing, but it is still lower than that of internet banking. The population penetration rate for mobile banking was 57.5 percent in July 2020. Since March 2020 mobile banking transaction was at

53% and it saw an increase every month. In July 2020, the number of mobile banking transactions reached 82.1 million, up 46 percent from 56.2 million at the start of the year. The volume of transactions increased by 54% over the same timeframe, from RM26.22 billion in January 2020 to RM40.44 billion in July 2020. In comparison to the same time last year, these are greater growth increases. In 2019, the amount increased by 32% to 41.9 million in July from 31.7 million in January, while the value increased by 35% to RM17.6 billion in July 2019.

Malaysia is rapidly becoming a cashless society. According to an article published in The Malaysian Reserve, around 70% of consumers preferred retailers or merchants that allow digital payment other than cash. Government of Malaysian has also been encouraging for a cashless society. In order to further accelerate cashless agenda Minister of Finance, Lim Guan Eng announced of 2020 budget that as one-off initiative to promote the use of e-wallets in Malaysia, in which government will provide RM30 to e-wallet users aged 18 and above earnings less than RM100.00 annually (The Star Online, 2019). A pilot test was carried out on digital wallet service in Cyberjaya and this is the first cashless city in Malaysia (Shah, 2018).

Minister of Finance introduced the cashless Ecosystem in Cyberjaya on 20 January 2020 which is a collaboration of Cyberview and PayNet (Fintech, 2020). Making Cyberjaya as the platform of a national QR code is an aspect of the city's own cashless improvement. Former Malaysia's Minister of Finance Lim Guan Eng, who was present to dispatch the DuitNow QR, take notes of Cyberjaya's strategy to go cashless began in 2018 with a target to tie down over 80% merchants to adopt even though it is one e-payment system, which can either be credit cards or debit cards, or e-wallets (Tan Jee Yee, 2020). According to Tan Jee Yee (2020), there are 9 banks that already providing DuitNow QR in their mobile banking apps with 4 major e-wallets expected

to apply DuitNow QR. Tan Jee Yee (2020), said that this DuitNow QR is part of the Interoperable Credit Transfer Framework (ICTF) that authorizes the PayNet as the nation's engage payment infrastructure provider, apply an interoperable and regular QR level for Malaysia. Cyberview is confident that with DuitNow QR, the population of merchants in Cyberjaya to adopt cashless payments will rise up which is over 51% in 2020 January (Fintech, 2020). Besides from shops, farmers market and Pasar Malam vendors are also targeted so that they will be digitally empower to adopt electronic payments.

1.2 PROBLEM STATEMENT

Malaysia was ranked 20th in the Global Competitiveness of the World Economic Forum in 2014-2015 (Schwab, 2014). Despite operating over on four positions of earlier classification, Malaysia is yet far behind as compared to its neighboring countries including Singapore, that classified as second worldwide, and other countries of Asia-Pacific countries including Japan which ranked as 6th and China respectively ranked as 14th (Schwab, 214). Moreover, adults' population owning an account at financial institution in Malaysia from 2011 to 2018 reported at 84%, the survey was carried out for youth from 15-24 years old, this making it more difficult to decrease imbalance and stimulate economic development in the country (Müller 2020). Malaysia must therefore stop completely from physical cash to adopt cashless system in order to accomplish economic development and higher financial inclusion for its citizens. Even though many stakeholders particularly customers are still unwilling to use electronic payment technology to its full potential, cashless transaction is getting considerably popular in past few years. Many countries have already extensively incorporated the electronic payment system into daily purchases. Consumers are more and more search for quicker,

safer and high convenient methods to pay for their goods and services (Nielsen, 2019). China has begun rising towards becoming a cashless society in 2017. Businesses and consumers in thousands of Chinese's citizens were using digital payments rather than cash. This has encouraged the Chinese government to provide the utilization of digital payments into the mainstream very quickly and thoroughly (De almeida, Fazendeiro and Inácio, 2018).

This could assist Malaysia to increase purchasing power as financial transactions are made easier and there will be less cash problem if every store, expenditure of an individual and other E-commerce platforms in Malaysia adopt cashless payment. However, are Malaysians ready for cashless society for all their payment needs? Malaysian government have undertaken to introduced a RM30 subsidy for Touch NGo e-wallet, Boost and GrabPay app, although this is not applied to all citizens. In rural areas who have less awareness of digital banking continues to rear behind the cities in terms of development of technology. Disregarding the fact that not all citizens have their own smartphones, those that live in rural areas would likewise confront problems in adopting to these digital payment applications as many of the stores in the area still does not accept e-payments (Thestar.com.my 2019). According to Nielsen.com (2019), 67% of Malaysian consumers have already exercised some of cashless application system. Malaysia's payment landscape indicates that while a majority of Malaysians make payments using cash for their utilities. According to the publication, 63% of Malaysians possessed a debit card but still consumers remain to rely heavily on cash for their daily expenses. Therefore, it is necessary for researchers in Malaysia to study and understand the factors that will influence consumers to adopt cashless transactions that will help financial organizations, online exchange facilities developer, software

enhancement firms and policy makers in decision making. However, since this topic is still at early stage, there is a scarcity in the literature.

1.3 RESEARCH OBJECTIVES

This research objective is to analyze the factors that influence the people adopting the cashless transactions in Malaysia.

1.3.1 The General Objective

As in all aspect of fast-moving technology, it might make sense for entrepreneurs to pursue cashless transaction payment in order to provide more convenient. The objective of the research is mainly focusing on determination of cashless transaction adoption by consumers in Malaysia.

1.3.2 The Specific Objectives

1. To analyze the influence of consumers' attitude on adoption of cashless transaction from Malaysian perspective.
2. To investigate the influence of perceived usefulness on adoption of cashless transaction from Malaysian perspective.
3. To examine the influence of perceived ease of use on adoption of cashless transaction from Malaysian perspective.
4. To examine the influence of perceived behavioral control on adoption of cashless transaction from Malaysian perspective.
5. To investigate the influence of privacy & security on adoption of cashless transaction from Malaysian perspective.

1.4 RESEARCH QUESTIONS

1. What is the influence on consumers' attitude on adoption of cashless transaction from Malaysian perspective?
2. What is the influence of perceived usefulness on adoption of cashless transaction from Malaysian perspective?
3. What is the influence of perceived ease of use on adoption of cashless transaction from Malaysian perspective?
4. What is the influence of perceived behavioral control on adoption of cashless transaction from Malaysian perspective?
5. What is the influence of privacy and security on adoption of cashless transaction from Malaysian perspective?

1.5 SIGNIFICANCE OF THE STUDY

This study aims to contribute to the research field by filling the gap in the existing literature. Besides, the contribution of this study to the industry would help the financial organizations, online exchange facilities developer, software enhancement firms and marketer's policy maker in comprehension of the important factors influencing customers in Malaysia to adopt cashless transaction which will enhance their decision making to better serve the consumers in the future. Cash payment is still the highly preferred method in Malaysia. According to Joel Tay, the CEO of Soft Space Sdn Bhd (2012) said that Mobile payment system in Malaysia is still lower than other Southeast Asia. The cashless transaction method is still not provided in everywhere. For example, the stores such as small grocery, mamak restaurant and others still rely on cash payment (Nair, 2017). Cashless transaction is an increasing trend although it is not still highly

practiced in Malaysia. Therefore, this study is important for entrepreneurs and Malaysian government in developing cashless payment system in the country.

The study brings the detailed information of cashless transaction and it could provide to discover the acceptance of market and the possibility of the market in Malaysia. Business dealers in Malaysia could also use this study as a reference in deciding if their companies must provide the cashless application to perform all the payments. The study helps to realize the important of factors that could influence transaction adoption, involving convenience transaction, speed of system, security consumer privacy and social influence. In addition, entrepreneur can also rely on these factors to make enhancement of cashless system for the boost to their consumer's adoption to use cashless apps for making payment. By figuring out the independent variables which influence the adoption of cashless transaction payment in Malaysia perspective. It is believed that restriction of initiative that have been created difficulties in delay the process can be discovered out and improve by policy maker. Moreover, banking industrial also would benefit competitive advantage where cashless transaction serves as a quick and timely alternative to cash payments method.

1.6 SCOPE OF THE STUDY

The scope of this research covers the cashless transaction system in Malaysia. It investigates the factors that would influence the consumers of Malaysia to adopt and becoming the cashless society. The variables of the study include attitude, perceived usefulness, perceived ease of use, perceived behavioral control, and privacy and security.

For the current study conducted a quantitative research design to explore the factors influencing consumers to adopt cashless transaction in Malaysia. The research

involves respondents all possible individual who are living in Malaysia especially in Klang Valley region and Sabah and Sarawak. And the study also used primary data that will be collected through online questionnaires survey. The questionnaire Google forms was sent to different social networking platforms.

1.7 DEFINITION OF KEY TERMS

1.7.1 Adoption of Cashless Transaction

Adoption can be defined as a sociological model that describes the adoption or acceptance of new product or innovation based on the demographic and psychological characteristic of defined adopter group (Kaur, 2017). Cashless transaction is a process in which goods and services are exchanged with money where there is no physical currency involved. The physical currency is replaced by a number of procedures that provided by digital information technology, each methods have their own feature, qualities and capable to transfer money from a bank account of one person to another bank account of other person (Abrazhevich, 2004).

1.7.2 Attitude

Eagly and Chaiken (2005) defined attitude as favorable or unfavorable evaluative reaction towards something that often entrenched a person's belief exhibited and intended behavior.

1.7.3 Perceived Usefulness

Perceived usefulness is explained as the level to a person that believes who is using a particular system could be enhancing his or her job performance (Davis, 1989) This means how an individual uses a specific system to increase and complete the job.