

DETERMINANTS THAT INFLUENCE THE
INTENTION TO USE MOBILE PAYMENT SYSTEM
AMONG GEN-Y IN MELAKA

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DECLARATION

“I declare that this thesis is my own work except the citation and excerpts of each of which I have mentioned in the references”

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DEDICATION

This final year project is dedicated to my beloved parent Rusni Iberahim and Razak Chin, for their endless love, support, encouragement and prayers.

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ABSTRACT

Nowadays, the rapid change of technology was very fast and unpredicted. The rise of communication technologies has enable mobile payment emerged as a popular method to facilitate the payment transaction in developing market such as Malaysia. Generation-Y is the highest consumers that use mobile devices in Malaysia. Most of the consumers aware about the mobile payment system, however the adoption rate of mobile payment in Malaysia is still at a low rate. What affects the intention of mobile users towards paying through mobile phones is still found wanting. This study aims to investigate the determinants that influence the intention to use mobile payment system among Gen-Y in Malaysia. The quantitative research approach by questionnaire survey is conducted to achieve the objective of the study. The questionnaire was distributed to the targeted respondents and the data collected was analyzed using descriptive analysis, inferential analysis and multiple regressions to define the objective of study and results. Results showed that perceived usefulness and perceived ease of use have positive significant to the relationship towards the intention to use mobile payment Gen-Y. As a conclusion, the outcome indicates that the perceived usefulness is the most influencing determinant that influences the intention to use mobile payment among Gen-Y. In addition, the suggestion of further study is to use the qualitative method and respondents must consist in various age and ethnics. Since the study only focused in Melaka, the larger area should be cover in the future study to get the actual data of usage in mobile payment system in Malaysia.

Keywords : *Perceived Usefulness, Perceived Ease of Use, Attitude, Subjective Norms, Perceived Behavioral Control, Intention to Use Mobile Payment*

ABSTRAK

Pada masa kini, perubahan pesat teknologi adalah sangat cepat dan tidak boleh dijangka. Kespesatan teknologi komunikasi telah membolehkan pembayaran mudah alih muncul sebagai satu kaedah yang popular untuk memudahkan transaksi pembayaran dalam membangunkan pasaran seperti di Malaysia. Generasi-Y adalah pengguna tertinggi yang menggunakan peranti mudah alih di Malaysia. Kebanyakan pengguna sedar mengenai sistem pembayaran mudah alih, bagaimanapun kadar penerimaan pembayaran mudah alih di Malaysia masih pada kadar yang rendah. Kajian ini bertujuan untuk mengkaji penentu yang mempengaruhi niat untuk menggunakan sistem pembayaran mudah alih di kalangan Gen-Y di Malaysia. Pendekatan kajian kuantitatif dengan soal selidik dijalankan untuk mencapai objektif kajian. Soal selidik telah diedarkan kepada responden-responden yang disasarkan dan data yang dikumpul dianalisis menggunakan analisis deskriptif, analisis inferensi dan pelbagai terurus untuk menentukan objektif kajian dan keputusan. Hasil kajian menunjukkan bahawa manfaat dan tahap kemudahan dilihat penggunaan mempunyai positif yang ketara kepada hubungan terhadap niat untuk menggunakan pembayaran mudah alih Gen-Y. Kesimpulannya, keputusan menunjukkan bahawa kegunaan dilihat adalah penentu yang paling mempengaruhinya yang mempengaruhi niat untuk menggunakan pembayaran mudah alih di kalangan Gen-Y. Di samping itu, cadangan kajian lanjut adalah dengan menggunakan kaedah kualitatif dan responden mesti terdiri dalam pelbagai umur dan etnik. Oleh kerana kajian ini hanya tertumpu di Melaka, kawasan yang lebih besar perlu dalam kajian masa depan untuk mendapatkan data sebenar penggunaan dalam sistem pembayaran mudah alih di Malaysia.

Kata kunci : *Kegunaan Persepsi, Kemudahan Persepsi Penggunaan, Sikap, Norma Subjektif, Kawalan Behavioral Persepsi, Niat untuk Gunakan Pembayaran MudahAlih*

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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

In the fast-paced world that we live today, most of the people are searching for ways in order to optimize their daily routines. Nowadays, people are trying to reduce their time on activities that don't bring any add value to them and people are looking to save more time for activities that really matter. Waiting in at the counter to pay the bills or make purchasing of an item is one of those activities we would like to done in the blink of an eyes. Consumers that want to purchase on single item need to wait at payment counter is one of the example that need to minimize or reduces the processing time at the waiting queue.

The emergence of e-commerce has further digitized the payment process in every aspect, whereby payment details are sent over open networks with no physical contact between the customer and the seller. The broad development of mobile networks and mobile internet had brought a new mode of payment along which is the mobile payment. By this day, almost everyone owns a mobile phone and paying with your smartphone might turn out to be the next natural step in the evolution of payment in this world. The ever-growing number of users in mobile phone can be as the new target group. Thus, there is a tendency to reduce the cost of transactions made by each of the customers and the company can maximize their profit. Besides, it becomes the concern of every market players to improve their relation with customer.

This is the opportunity for business to optimize their purchase process services to their consumer. A new form of payment has emerged through the integration of these technologies into the mobile phone whereby consumers just need to make payments via their own mobile phones. As mobile commerce increases in the world wide popularity, the mobile payment will continue to facilitate secure electronic commercial transaction between organization or individual preferences (Ondrus;Pigneur, 2006).

Known as mobile payment or m-payment, it is anticipated to become an essential application in mobile commerce. According to (Mallat 2007) mobile payments are defined as the use of a mobile device to conduct a payment transaction in which money or funds are transferred from payer to receiver via an intermediary, or directly, without an intermediary. Mobile payment technology is presenting a new opportunity for businesses that can lead to shorter queue and less time waiting at the counter to pay for goods or services thus leads to minimum transaction cost.

The most common way to conduct mobile payments in Europe is to call or send an SMS to a premium rate service number. Payments for goods and services are then charged to the customer's mobile phone bill or deducted from prepaid airtime of prepay subscribers. Smart phones enable mobile payments via the phone's mobile Internet connection instead of typing an SMS. Mobile phones can also be used as an access channel or platform to existing payment means, such as bank accounts, debit cards, and credit cards. Yet another alternative is to open a separate account to which money is transferred and mobile payments are debited (Mallat 2007).

In Malaysia, Maybank through the partnership with Maxis, Visa, Nokia and Touch'nGo has provided the facility to its customers to conduct mobile payment using the Maxis FastTap service via the Maybank Card Visa Paywave Mobile (Leong et al. 2013). According to Stuart Tomlinson as cited by (Leong et al. 2013) "Malaysia was the first place in the world where Visa trialed its Visa payWave technology, so it is only fitting that it is now the first country to offer Visa payWave on an NFC-enabled mobile phone on commercial basis".

The numbers of user in mobile payment were expected to increase year by year in Malaysia. It is reported by (Statista Research and Analysis 2016) (Statista, 2016) that the "Mobile Payments" segment, the number of users in Malaysia is expected to amount to 2.0m by 2020.

1.2 Problem Statement

Nowadays, many people are aware about the mobile payment opportunity but the adoption rate of the service is still low. The same situation in Malaysia whereas the adoption rate of the mobile payment is still low even most of the people in Malaysia owning one or more devices. Mobile payment was expected to give a low transaction cost to its consumer. However, people beliefs that mobile payment services are too expensive and not brings any benefit to them. According to the report (MasterCard 2012) Malaysia Index of Readiness in mobile payment is still at low rate. The report shows that consumer readiness for mobile payments in Malaysia is not high as in the other countries, according to the MasterCard Mobile Payments Readiness Index. Most of the Malaysian consumers most familiar with and willing to use mobile payments skew towards the ages of 18 and 34.

In addition, the report by (MasterCard 2012) shows that Malaysia has a well-developed facilities to provide mobile payment. The infrastructure of the mobile payment is conducive but still shows the low adoption rate in mobile payment. In the well-developed city in Malaysia, such as Bandar Hilir, Melaka, there are many places in this city that offered mobile payment such as NFC mobile payment and mobile wallet app terminals in almost every merchants especially in the shopping mall. For example, consumers can use their mobile payment app in Starbucks, Mc Donald, H&M outlet and more. Consumers find mobile payments to be convenient and functional. Indeed, from the survey done by Visa in March 2007 indicates that 57% of the respondents that were presented with the mobile technology were interested in purchasing a phone with payment capabilities. However, no matter how receptive to innovative mobile payment devices and services, consumers are still looking the strong value proposition from the mobile payment system.

Recently, the young generation which is Gen-Y in Malaysia is the highest rate of the consumer that owns mobile phone. Despite the low rate of adoption in mobile payment in Malaysia, Gen-Y seems to be the potential consumer that can increase the intention to adopt mobile payment system in the future. However, little is done to investigate the Gen-Y's intention to adopt mobile payment in this region is still found wanting. Although many studies on intention toward mobile payment are not rare, most of study deals with overseas. User behavior among in Malaysia may differ from overseas (Ting et al. 2016).

1.3 Research Question

The purpose of this study is to get deeper understanding of determinants that influences Gen-Y's intention towards mobile payment system in Melaka. Therefore, the researches questions are answered in this study are:

1. What are the determinants influences the intention to use mobile payment system among Gen-Y?
2. What are the relationships of determinant influences the intention to use mobile payment system among Gen-Y?
3. What is the most influences determinant towards the intention to use mobile payment system among Gen-Y?