

THE FACTORS THAT AFFECTING CONSUMER INTENTION TO UTILISE
ELECTRONIC PAYMENT SYSTEM IN MALAYSIA.

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DECLARATION OF ORIGINAL WORK

I hereby declare that research entitled ' The Factors Affecting Consumer Intention to Utilise Electronic Payment System. In Malaysia ' has submit to Faculty of Technology Management and Technopreneurship (BTech) of Universiti Teknikal Malaysia Melaka (UTeM) is from my own work under the instruction of Madam Hartini Binti Azman, a lecturer of Faculty of Technology Management and Technopreneurship (BTech), Universiti Teknikal Malaysia Melaka. No part of this research has presented to any other institution or college of education for any degree or diploma certification.

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Date :

DEDICATION

I would like to thank my family members and all my lovely friends who always encouraged me, inspired me and motivated me to complete this research paper. Thank you for allowing me to finish this research.

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ABSTRACT

The development of Fourth Industrial Revolution digitalise the payment system in Malaysia. When coming to the payment option, nothing is convenient than an electronic payment system. Most Malaysian consumer not ready for accepting electronic payment system. This paper aims to identify factors affecting consumer's intention to utilise electronic payment system. This research study uses deductive method to analyze secondary sources and primary data where hypotheses were formed to justify the findings. Literature shows that factors such as attitude, subjective norms, perceived ease of use, perceived usefulness and perceived security affect the consumer intention to utilise electronic payment system. An anonymous self-administered questionnaire was form based on the research model and spread to the respondents via social media., and data was collected from 394 valid respondents. Researcher analyses the collected data by using Statistical System for Social Science (SPSS) version 25. The result shows that there is a significant relationship between attitude, subjective norms, perceived ease of use, perceives usefulness and perceived security with consumer intention to utilise electronic payment system in Malaysia. The result also shows that perceived usefulness has strongest influences toward consumer intention to utilise electronic payment system in Malaysia. Only a few research studies had explained the affect consumer intention toward electronic payment system with Theory Planned Behaviour (TPB) variables. This research provided better insight for academicians, governments, financial institutions, electronic payment service providers and programmers to formulate a strategy to enhance the adoption and use of electronic payment system. The results are believed to be a significant contribution for further research on electronic payment services and to the development of electronic payment system.

Table of Contents

DECLARATION OF ORIGINAL WORK	iii
DEDICATION.....	iv
ACKNOWLEDGEMENT	v
ABSTRACT	vi
CHAPTER 1	1
1.0 Introduction	1
1.1 Research background	1
1.2 Problem Statement.....	4
1.3 Scope of the study	6
1.4 Justification of the study.....	6
1.4.1 Theoretical Contribution	7
1.4.2 Practical Contribution	7
1.5 Research Question.....	8
1.6 Research Objective.....	8
1.7 Definition of terms.....	9
1.8 Organisation of Research	10
CHAPTER 2	12
2.1 Introduction	12
2.2 Overview of e-payment	12
2.2.1 Definition of e-payment.....	13
2.2.2 E-commerce Using Online Payment System.....	14

2.2.3. Malaysia's e-payment system	15
2.3 The Four Retail Payment Infrastructure.....	15
2.3.1 Three Type of Retail Payment Channels.....	16
2.4 Related Theoretical Model	17
2.4.1 Consumer Acceptance Model.....	17
2.4.2 The Theory of Reasoned Action (TRA).....	18
2.4.3 The Theory of Planned Behaviour (TPB)	19
2.3.4 Theory of Technology Acceptance Model	20
2.5 Literature Review on Independent Variables	21
2.5.1 Attitude.....	21
2.5.2 Subjective Norms.....	23
2.5.3 Perceived Ease of Use (PEOU)	24
2.5.4 Perceived Usefulness (PU)	25
2.5.5 Perceived Security	26
2.5.6 Intention	27
2.6 Proposed Theoretical Framework	28
2.7 Hypothesis Development of Proposed Theoretical Framework	29
CHAPTER 3	30
3.0 Introduction	30
3.1 Research Design	30
3.1.1 Quantitative Research.....	31
3.1.2 Descriptive Research	31
3.2 Data Collection Method.....	31
3.2.1 Primary Data	32
3.3 Sampling Design.....	32
3.3.1 Target Population.....	32
3.3.2 Sampling Frame and Sampling Location.....	33

3.3.3 Sampling Elements	34
3.3.4 Sampling Technique.....	34
3.3.5 Sampling Size	34
3.4 Research Instrument.....	35
3.4.1 Questionnaire Design	35
3.4.2 Pilot Test.....	36
3.5 Constructs Measurement	37
3.6 Data Analysis Method.....	41
3.6.1 Descriptive Test	41
3.6.2 Reliability Test.....	41
3.6.3 Inferential Analysis	41
3.6.4 Pearson’s Correlation Analysis.....	42
3.6.5 Multiple Linear Regressions.....	43
3.7 Conclusion.....	44
CHAPTER 4	45
4.1 Introduction	45
4.2 Descriptive Statistic Analysis	46
4.2.1 Respondent Background.....	46
4.2.2 Respondent Gender	46
4.2.3 Age	47
4.2.4 Races	47
4.3.5 Monthly Allowance and Salary	48
4.2.5 State and Region	49
4.2.6 Heard and Use Before e-payment	50
4.3 Reliability Analysis	51
4.4 Descriptive Statistic.....	53
4.5 Inferential Analysis	54

4.5.1 Pearson Correlation Coefficient.....	54
4.5.2 Multiple Regression Analysis	57
4.6 Multiple Regression Equation.....	59
4.7 Hypothesis Testing	59
4.8 Conclusion.....	64
CHAPTER 5	65
5.1 Introduction	65
5.2 Discussion.....	65
5.3 Discussion on Research Objective	66
5.4 Implication of the research.....	76
5.5 Limitation of the study.....	78
5.6 Recommendation.....	80
5.7 Conclusion.....	81
References	82
Appendix A: Questionnaire.....	96
Appendix B: SPSS output.....	106
Appendix C: Turnitin Result:	110

List of Tables

Table 1. 1: Key terms.....	9
Table 3.1: Origin of Constructs.....	38
Table 4.1: Respondent Gender	46
Table 4.2: Age of Respondent	47
Table 4.3: Respondent Races	48
Table 4.4: Respondent Monthly Salary and Allowance	49
Table 4.5: State and Frequency	50
Table 4.6: Know or didn't know e-payment	51
Table 4.7: Use or didn't use e-payment before	51
Table 4.8: Reliability statistic	52
Table 4.9: Descriptive statistic	53
Table 4.10: Correlation Coefficient Range and Strength	54
Table 4.11: Correlation of all variables	56

Table 4.12: The model summary	57
Table 4.13: Table of Multicollinearity	58
Table 4.14: Standardized and unstandardized coefficient	62
Table 4.15: Hypothesis Testing Summary	63
Table 5.1: Conclusion of Discussion	75

List of Figure

Figure 2. 1: Theory of Reasoned Action	18
Figure 2. 2: The Theory of Planned Behaviour	19
Figure 2. 3: The Theory of Technology Acceptance Model	20
Figure 2. 4: The Proposed Theoretical Framework	28

CHAPTER 1

INTRODUCTION

1.0 Introduction

This research focuses on determining factors that affect consumer's intention to utilise electronic payment system. Chapter 1 will include the summarised of all chapter from Chapter one to Chapter five. The format of this chapter will consist of a problem statement, the context of the study, research issues, importance of analysis and chapter layout.

1.1 Research background

The electronic payment system has become a general transaction mechanism that replaces the traditional payment method for consumers when paying goods and services, especially online e-commerce transactions. Internet access enabled consumers using online payment instruments in purchasing products and services. As stated by Junadi & Sfenrianto (2015), an online payment instrument named as e-payment system develop a rapid payment system that can efficiently replace the physical traditional payment systems.

E-payment system is created to reduce consumer's effort in withdrawing cash by using a commercial bank automated teller machine every week. The purpose of e-

payment been proposing to make it convenient to the consumer and reduce overall transaction costs, which bears by retailer and consumer. An online e-payment platform permits the consumer to manage all on the line transactions without going to a Bank. To ensure the successful transaction, e-payment users must provide active connectivity service in a smartphone device, and the retailer needs to ensure the payment terminal machine does not disconnect during the transaction.

Referring to Malaysia news, Bernama (2019), Malaysia in South East Asia's second highest in the trade connectivity ranking. According to Malaysia Statistic Department (2018), the rate of Internet penetration in Malaysia increases from 70% in 2015 to 85.7% in 2018, activities of e-commerce by internet user are 23.2%, and internet banking user is 37.6 %, both increase as compared with last year. Out of the 31.75 million smartphone users in Malaysia, 97.7% of the users have internet access. The overall Malaysian using the Internet in Malaysia hit more than 80%.

Based on the official statement made by Central Bank Malaysia, there are two main e-payment retail systems in Malaysia (Teoh, Chong, Lin, & Chua, 2013). The two main systems are known as an extensive value payment system (SIPS), include digital exchange and securities system (RENTAS). The second type of payment system known as retail payment systems. Under the retail payment system, there are three different types of payment systems. The payment system includes retail payment system channels, the three types of retail payment system channels are ATM, Internet banking, and mobile banking.

Malaysia was second highest country in ASEAN, which has the most significant number of Internet users, which based on the survey done by MCMC in 2018. According to MCMC (2017) study, most mobile phone users are those between the ages of 20 and 49. The MCMC survey shows that young adults in Malaysia consist of up to 66.8% of mobile users in Malaysia. In the year 2016, 74% of Malaysians, which are credit cardholders, are more willing to make transactions through the e-payment system. Research is done by Visa Consumer Payment Attitude (2018), some of the consumer claim that e-payments system will reduce them afford to carry cash in the wallet every day.

E-payment systems are growing gradually, and its benefit to country economies. Based on a report from Central Bank Malaysia (2017), e-payment systems supported GDP in Malaysia, amount more than RM16 billion in 2017. Central Bank of Malaysia's 2017 description showed the rising in electronic money and credit card retail payment transactions.

In this research, few independent variables will be proposed, including perceived ease of use, perceived security, subjective norm, attitude, perceived usefulness. Malaysian is a developing country, and the intriguing developments are currently going on, the e-payment system adoption rate will increase within these few years. These studies would identify the critical factors that affect consumer intention to utilise electronic payment system and allows Central Bank of Malaysia to evaluate these factors. Malaysia government need to apply an effective strategy to make e-payment as prefer medium for transaction in Malaysia, which stated in Financial Sector Blueprint 2011-2020.

Literature review relates to the e-payment system will be discussed in the next chapter. Thus, this research would test the theoretical framework and theories. Chapter 3 includes research methodology, which addresses the implication associated with this research, the data will be analysing and interpret after collected. The last chapter will summarise the research study limitations and future research that can perform.

1.2 Problem Statement

E-payment become common all around the world today, Youth and Sports Minister, Khairy Jamaluddin (2017) stated that Malaysia would become a cashless society before 2050. Although it is 30 years away from that now, Malaysian are still not already for implementing digital payment in Malaysia. Presently, countries that have top cashless transactions systems are Singapore, Netherlands, and France.

Mobile devices had changed the means of how we communicate and stay connected, and now it is also transforming the whole world retail and banking. Malaysians consumers are not yet prepared well as other countries, a study was done by Nielson (2019) proven 78% of Malaysians citizen use smart devices for social media, and only 34% of them used smart device for purchasing product. In Malaysia, the acceptance percentage of the mobile payment system still minimal. The Nielson survey also proved that 72% of Malaysians are worried about the security issue of implementing a mobile payment system.

Although 63% of Malaysians are debit cardholders, the usage for day-to-day expenses using e-payment remains relatively low as consumers still depend heavily on cash. The study was done by The Nielson Company (US) (2019) proven that 93% of Malaysian prefer cash when they dine out, 90% use cash while buying daily needs item, 89% use hard cash when using public transportation and 81% filling petrol by using cash.

Information provided by the Malaysia Department of Statistics (2018) shows the young adult population was the largest segment of Malaysia's population; it's over 11 million, and nearly half of Malaysia's population. According to Ramalingam (2012), the community which adopts the e-payment system increase yearly. However, there are still many factors that hindrance Malaysians in choosing the e-payment system. The research proposes by Luarn (2005), the factor hindrance the adoption includes less education and confidence in using the e-payment system. Hataiseree (2008) stated that some of the people still using cash in the daily transaction because they feel insecure about using e-payment. Hence, this study aims to investigate Malaysia intention to utilise electronic payment system.

Based on statistics provided by Fintechnews.my (2018), e-money most used by Malaysians, its average 58.4 times per person per year. Malaysia Consumer's second most popular payment method is internet banking, which is up to 18.7 times per person per year.

In the year 2018, the total amount of e-money transactions was only 0.23% of the total transaction amount of e-payment; the entire transaction amount of e-money is much lower than internet banking, 95% of e-payment transactions, or even credit cards, which only 2.8% of e-payment transaction. The statement shows that almost all Malaysians use e-money for small transaction payments. For the high-value payments, most of the Malaysian consumer more prefer to execute via internet banking.

Fintechnews.my (2018) also stated that, if more Malaysians had a credit card, the transaction value of credit cards would be higher. In 2018, the total credit card holder was about 10.3 million, compared with 42.5 million debit cardholders.

Muhammad Ibrahim (2016) research that shows e-payment efficiency will improve the nation's commercial transactions and growth. Few studies had shown the perceived security and attitude is the primary concern which directly influences the consumer willingness to use e-payment. E-payment system user interface must fulfil customer requirements (Abrazhevich, 2001). Most of the studies were done in the western country, which includes Ireland, Australia, Europe, and the United States, just a few of the research on e-payment done in Asia.

The study outcome will be contributing to financial institutions and retail payment service providers to know what factor influence consumer in implementing e-payment system as their daily payment instrument. The findings in this study will provide Malaysian perception on which factor will directly affect the intention to utilise electronic payment system.

1.3 Scope of the study

Research area focuses on factors affecting Malaysian consumer's intention in using e-payment system. All types of e-payment which exist in Malaysia will discuss in this research, which includes the five-retail payment infrastructure and three type of retail payment channel. The target respondent of this research is Malaysia's most significant purchasing power population, which among from 18-38 years old. The research concentrate on the e-payment user and non-e-payment user. This study assumes that all respondents complete the questions honestly, and they know the e-payment system and function. The selection bias will happen because of the sampling technique used by the researcher.

1.4 Justification of the study

Old traditional marketing strategies are not applicable and eliminated by youth generation; the e-payment system has become a new trend for them. The entire market trend keeps changing these few years, marketers trying to introduce a new idea to approach youth generation customers. The e-payment system adoption increases yearly due to the accessibility of the Internet and the integration of smartphones in consumers daily work. Due to the development in Malaysia these few years, there will be an increase of e-payment adoption. To make sure market transaction efficiency, the introduction of e-payment to the general user is a must and essential.

The reader of this study will gain access to the information on the e-payment system by identifying the research gap that other researchers found from previous research. The research gap is needed to analyse the relationship between each factor with others to get the information from this research. This study could be helpful for the next scholars researching e-payment adoption. The knowledge and finding in this study can use for new or in-depth analysis.

1.4.1 Theoretical Contribution

This research will implement the TAM Model and TPB model to analyse consumer intention to utilise electronic payment system. Readers will understand the problem, which is the main consumer concern, which affects the willingness of the consumer to implement e-payment system. The factor which includes perceived usefulness, perceived ease of use, subjective norm, attitude, and perceived security will be used as independent variables in this research. Three models are used to provide a better understanding of the willingness to use e-payment among Malaysians.

1.4.2 Practical Contribution

This study conducts to recognise the factor influences Malaysian intention to utilise electronic payment system, the outcome of the research will act as supportive data for specific authorities such as marketer and financial institution to develop an appropriate strategy in promoting e-payment among Malaysia. Other than that, to ensure the financial institutions, government, e-payment service provider, and e-payment applications creator also need to understand the main challenge and problem meet by Malaysian consumers in using the e-payment system. The highest purchasing power in Malaysia is the youth generations; this study will more focus on this segment of the consumer.

This research study will deliver more facts and knowledge regarding the influences which affect e-payment user intention. This research will conform to Financial Sector Blueprint 2011-2020, which stated that e-payment system should be a prefer economic business exchange medium in Malaysia.

1.5 Research Question

This study carries out to determine, examine, and analyse the factor influences consumer intention to utilise electronic payment system. This research objective achieved by fulfilling research questions:

RQ1: What are the factors that influence consumer intention to utilise the electronic payment system in Malaysia?

RQ2: What is the relationship between consumer intention to utilise electronic payment system and the factor which influences the intention to utilise electronic payment system among Malaysians?

RQ3: Which factor influencing the consumer intention to utilise electronic payment system the most?

1.6 Research Objective

This study is to aim to determine, investigate, and analyse factor, which influences consumer intention to utilise electronic payment system in Malaysia. To complete the research objective, the research question needs to be answered below.

RO1: To determine which factors influence the consumer intention to utilise electronic payment system in Malaysia

RO2: To identify the relationship between consumer intention to utilise electronic payment system and the factor which influences the intention to utilise electronic payment system among Malaysians.

RO3: To investigate which factor influencing the consumer intention to utilise electronic payment system the most.

1.7 Definition of terms

The definitions of the key terms shown in the table below:

Table 1. 1: Key terms

Key terms	Definition and Source
Subjective Norm	Consists of two dependent elements, including normative belief and compliance motivation. Normative belief is a personal belief on how others want them to do or not to do; motivation to meet is the motivation to satisfy the desires of others (Ajzen & Fishbein, 1980).
Attitude	Measurement toward behaviour, level of positive or negative of evaluation. It also means the valuation of the behaviour (Bagozzi, Davis, & Warshaw, 1992).
Perceived ease of use	The degree of a person believes would be free of effort after using the information technology system is named as perceived ease of use (Davis, Bagozzi, & Warshaw, 1989)
Perceived usefulness	The degree of a person believes that using a technology system would improve the performance is known as perceived usefulness (Davis et al., 1989)
Perceived security	Unofficial entities and unauthorised modifications and alteration of the data (Wei, 2017).

1.8 Organisation of Research

Chapter 1: Introduction

This chapter will explain briefly about researching topic, which includes the research topic background and the proposal of variables and includes problems statement, research objectives, research questions, research hypotheses and justification of the study.

Chapter 2: Literature review

There are few types of research around the world concerning the e-payment system carried out by other researchers. Chapter 2 discusses the literature review of previous studies relevant to the research topic. The factors variables and the theoretical model used will also be covered.

Chapter 3: Methodology

This chapter includes research methodologies and process of conducting survey. This chapter will describe data collection methodology, the sample for analysis, the measurement of scales used, and the approach used to analyse data. This chapter will explain the framework, the method used to create questionnaires, hypotheses of this research. The sampling method, target, and methodology illustrated in this section.

Chapter 4: Data Analysis and Findings

After collection of data, the information obtained, will be analysed. The data gathered will examined through SPSS. The outcomes of the research will be shown in the most straightforward form for a more fundamental understanding.