


Chapter 18

What Drives Digital Wallet Use?

An Empirical Insight From a Developing Economy

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ABSTRACT

Financial technology (FinTech) payment tools, such as digital wallets, are becoming crucial to the digital economy. This study explores the digital wallet landscape in Brunei Darussalam, a developing nation with a growing digital ecosystem. It investigates the adoption levels of local digital wallet platforms, focusing on both users and non-users. The study examines the direct effects of effort expectancy (EE), lifestyle compatibility (LC), and social influence (SI) on digital wallet usage. Additionally, it analyzes how age, income level, and personal innovativeness moderate the relationship between behavioral intention and actual usage. The findings show that EE and LC significantly influence behavioral intention, which in turn affects actual usage. Contrary to common belief, demographic factors (age, income, and personal innovativeness) do not moderate this relationship. The study's insights helps policymakers and authorities develop strategies to leverage the shift in the e-commerce landscape.

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1. INTRODUCTION

Financial technology (FinTech) payment tool such as digital wallets have become more relevant in this digital economy. The COVID-19 pandemic is widely regarded as a catalyst for the global adoption of digital wallets in developing countries, primarily to mitigate the spread of the virus (Cull et al., 2023). Beyond the pandemic, the adoption of digital wallets has continued to accelerate, driven by increased internet connectivity, widespread mobile phone use, and the expansion of e-commerce platforms from the perspective of customers (Sait et al., 2024, 2025).

A recent report by Boku and Juniper Research (2024), indicates that in 2023, digital wallets accounted for 49 per cent of global e-commerce transactions and is projected to rise to 59 per cent by 2028. In contrast, transactions via global card schemes (e.g., Mastercard and Visa) are anticipated to decline from 41 per cent in 2023 to 30 per cent by 2028. This trend underscores the increasing adoption of this technology, among businesses, including micro, small, and medium enterprises (MSMEs), which often lack the capital to invest in traditional point-of-sale (PoS) systems. This current adoption growth has further spurs the expansion of digital wallet services through both start-ups and collaborations with traditional financial institutions (TFIs), such as banks.

A recent report by AITI (2022) indicates that digital wallet usage in Brunei Darussalam accounts for only 20.4 per cent of the population. While this marks a significant increase from 7 per cent in 2019 (AITI, 2019), the adoption level remains relatively low compared to developed ASEAN countries such as Malaysia, Singapore, and Indonesia, where digital wallets have matured and constitute over 50 per cent of total payment transactions (Boku and Juniper Research, 2024)

This slow adoption rate contradicts the current digital landscape in Brunei Darussalam, considering that only a small minority (0.6 per cent) of Brunei's population lack basic digital skills, while 66.1 per cent possess intermediate or standard digital skills AITI (2022), 99 per cent of Brunei's population are internet users (Ministry of Finance and Economy, 2023; The World Bank, 2022), and 47 per cent of mobile phone activities involve online shopping (AITI, 2019).

A prevailing belief is that the slow adoption rate can be attributed to the relatively nascent digital wallet industry in Brunei, where the business market is still dominated by debit card and cash transactions (Sait et al., 2024). In contrast, Indonesia, Singapore, and Malaysia developed their digital wallet ecosystems much earlier, in 2007, 2014, and 2017, respectively (DBS, 2020; Nisa, 2022; Opopotus, 2020; Sait et al., 2023).

However, a recent qualitative study by Sait et al. (2024) indicated a trend of discontinuing digital wallet usage, particularly among the youth in Brunei Darussalam. This trend is attributed to acceptability issues, as there are limited vendors accepting

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