


# Chapter 6


## The Impact of E–Service Quality of E–Wallet To Customer Loyalty in Malaysia (Customer Satisfaction as Mediation)

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### **ABSTRACT**

*The government of Malaysia has actively promoted a cashless society through initiatives such as the “National QR Code Standard” and partnerships with e-wallet providers. The Covid-19 acted as a catalyst to accelerate the use of electronic wallets in Malaysia for security and convenience. The Malaysian contactless payments market is competitive with 50 licenced e-wallet providers, mobile banking apps, credit cards, and newly issued credit cards, customers loyalty remains a critical challenge. The objective of the study is to find out which critical e-service quality feature i.e. app design, ease of navigation, reliability, and responsiveness has a greater impact on customer loyalty among Generation Y in Malaysia, with customer satisfaction as a mediating factor. The findings indicate that all four elements of app design, have a positive impact on customers. The study provides insight for e-wallet providers to enhance service quality and improve customer retention strategies.*

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## INTRODUCTION

Digital payments are all types of payments made using digital instruments, such as mobile payments, mobile wallets, and electronic payments. Digital payments have several advantages over traditional payment systems, including faster processing, greater convenience, accessibility, and, in many cases, greater security (Alkhowaiter, 2020). E-wallets, online banking, and mobile banking have become popular among individuals and businesses, ushering in a cashless world. As technology advances, Malaysians are increasingly accepting digital payments (Digital News Asia, 2023)

More than half of Malaysia's population, or over 16 million people, now conduct cashless transactions on a daily basis. Malaysians have achieved the second highest rate of cashless payments in Southeast Asia at 96%. The Covid-19 outbreak has accelerated the digitization of the financial industry (The Malaysia Reserve, 2022). According to the Visa 2020 consumer payment behaviour survey, technology and innovation have led to smarter consumer behaviour that has fostered new digital habits.

E-wallet is a mobile application that allows users to combine traditional payment methods such as cash and credit cards with cashless payments through scanning and transferring funds (Chelvarayan et al., 2022). With the support of regulators, policy makers, and public-private partnerships, there are 43 e-wallet providers in Malaysia, a number that continues to grow (Fintech News Malaysia, 2022). E-wallets have become one of the fastest growing payment trends in Malaysia. The industry is expected to flourish as demand increases, especially following the government allocation of RM750 million under the *PENJANA* stimulus programme in 2021 to promote the adoption of e-wallets (CompareHero.my Team, 2022)

In Malaysia, the increasing use of e-wallets has changed the way people conduct financial transactions. Major e-wallet providers in Malaysia include *GrabPay*, *Touch 'n Go eWallet*, and *Boost*. *GrabPay* which is integrated with Grab ride-hailing platform offers a wide range of services such as transportation, food delivery, online shopping, and bill payment. *Touch 'n Go eWallet* originally developed for toll payment, has since expanded to include payments for public transportation, retail stores, utility bills, and various other services. Another well-known e-wallet in Malaysia is *Boost*, it offers a wide range of services, including cell phone top-ups, bill payments, online purchases, and person-to-person transfers. *Boost* has gained popularity through extensive retail partnerships and user incentives (Zainuddin, 2023).

The rapid development of banking and financial services has been transformed by e-wallets. E-wallet providers operate within an ecosystem model to attract and retain a large and diversified user base. With a click of a button or tap, users can make seamless payment transactions to merchants for groceries, utility bills, insurance, and more. According to Gupta et al. (2022) research on the key drivers of digital payment adoption are the elimination of the need to carry cash and credit

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