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Analysis of Factors Influencing Consumer Decisions to Use Digital Wallets

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ABSTRACT

The rapid growth of digital payment technology has significantly transformed consumer transaction behavior, making digital wallets an essential component of modern financial services. This study aims to analyze the factors influencing consumer decisions to use digital wallets by examining the effects of perceived usefulness, perceived ease of use, security, trust, and promotional incentives. A quantitative research approach was employed using survey data collected from 250 digital wallet users. The data were analyzed through Structural Equation Modeling (SEM) to evaluate the relationships among the proposed variables. The findings reveal that perceived usefulness, trust, and security have the strongest positive influence on consumer decisions, while ease of use and promotional incentives also contribute significantly. The study concludes that improving functional value, user confidence, and transaction security is essential for increasing digital wallet adoption and sustaining consumer usage.

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1. INTRODUCTION

The rapid advancement of digital technology has fundamentally transformed the global financial ecosystem, particularly through the emergence of financial technology (FinTech) services. Among the most significant innovations is the digital wallet, a payment application that enables consumers to conduct financial transactions electronically using smartphones or other internet-connected devices. The adoption of digital wallets has accelerated substantially over the past decade due to increasing internet penetration, smartphone accessibility, government initiatives promoting cashless transactions, and the growing digital economy. In many countries, digital wallets have become an integral part of everyday financial activities, facilitating online shopping, bill payments, transportation services, food delivery, and peer-to-peer money transfers. Their convenience, speed, and accessibility have reshaped consumer payment behavior while simultaneously encouraging businesses to embrace digital payment infrastructures.

Despite the increasing popularity of digital wallets, consumer adoption remains heterogeneous across demographic groups and regions. While some consumers readily integrate digital wallets into their daily routines, others continue to rely on traditional payment methods such as cash or debit cards. This discrepancy indicates that technological availability alone does not guarantee widespread adoption. Consumer decisions to use digital wallets are influenced by multiple interrelated factors, including perceived usefulness, perceived ease of use, trust, security, perceived risk, promotional incentives, social influence, compatibility with lifestyle, and facilitating conditions. Understanding these determinants has become increasingly important for financial institutions, FinTech companies, policymakers, and merchants seeking to improve digital payment adoption and strengthen financial inclusion.

The increasing competition among digital wallet providers has further intensified the need to understand consumer behavior. Numerous providers continuously introduce innovative features, cashback programs, loyalty rewards, QR-code payment systems, biometric authentication, and integrated financial services to attract users. Nevertheless, the effectiveness of these strategies largely depends on consumers' perceptions and behavioral intentions. Consequently, identifying the primary factors influencing consumer decisions represents a critical issue for both academic research and practical implementation. A comprehensive understanding of these factors enables service providers to formulate strategies that not only attract new users but also retain existing customers in an increasingly competitive marketplace.

Although extensive research has examined digital wallet adoption, several research gaps remain evident. First, previous studies have predominantly employed the Technology Acceptance Model (TAM), Unified Theory of Acceptance and Use of Technology (UTAUT), Theory of Planned Behavior (TPB), or Diffusion of Innovation Theory (DOI) independently, often emphasizing technological determinants while giving comparatively less attention to psychological and marketing-related variables. Such an approach may overlook the multidimensional nature of consumer decision-making. Second, empirical findings concerning the influence of trust, perceived risk, and promotional incentives remain inconsistent. Some studies report that trust significantly enhances digital wallet adoption, whereas others suggest that its influence diminishes when users become more experienced with digital payment technologies. Similarly, perceived risk has been found to negatively influence adoption in several studies, while other investigations reveal only marginal or insignificant effects under conditions of strong security assurance. Third, previous studies have frequently focused on specific countries, demographic groups, or individual digital wallet platforms, thereby limiting the generalizability of their findings across broader consumer populations. Finally, the rapidly evolving FinTech ecosystem necessitates continuous reassessment of consumer behavior because technological innovations, regulatory frameworks, and consumer expectations continue to change over time.

The theoretical foundation of this study is primarily derived from the Technology Acceptance Model (TAM), which proposes that perceived usefulness and perceived ease of use significantly influence technology adoption decisions. Perceived usefulness reflects the extent to which consumers believe that using a digital wallet enhances transaction efficiency, convenience, and productivity. Perceived ease of use refers to the degree to which individuals perceive the technology as simple and effortless to operate. Beyond TAM, trust theory suggests that consumers are more likely to adopt digital payment systems when they believe service providers can ensure transaction reliability, privacy protection, and data security. Perceived risk theory argues that financial uncertainty, privacy concerns, and cybersecurity threats may discourage consumers from adopting digital wallets. Furthermore, social influence theory emphasizes that recommendations from family members, friends, colleagues, and online communities significantly shape consumer attitudes toward new technologies. Marketing theory also highlights the importance of promotional incentives, discounts, cashback offers, and loyalty programs in influencing purchasing and payment decisions.

Previous empirical studies generally support the positive effects of perceived usefulness and perceived ease of use on digital wallet adoption. Research has consistently demonstrated that consumers tend to adopt digital payment technologies when they perceive tangible benefits such as faster transactions, greater convenience, and improved accessibility. Numerous studies have also confirmed that trust positively influences behavioral intention by reducing uncertainty associated with electronic financial transactions. Conversely, perceived risk often discourages technology adoption because consumers remain concerned about identity theft, fraud, financial loss, and unauthorized access to personal information. Additionally, several studies have identified social influence and promotional incentives as important external variables that encourage consumers to experiment with and continue using digital wallets. Nevertheless, inconsistencies among empirical findings indicate that these relationships remain context-dependent and require further investigation using integrated analytical frameworks.

The novelty of this research lies in its comprehensive examination of multiple technological, psychological, and marketing-related factors influencing consumer decisions to use digital wallets within a unified conceptual framework. Unlike previous studies that primarily focus on technology acceptance variables, this research simultaneously investigates perceived usefulness, perceived ease of use, trust, perceived risk, social influence, and promotional incentives to provide a more holistic explanation of consumer decision-making. Furthermore, the study contributes to the growing FinTech literature by integrating multiple theoretical perspectives to better explain digital wallet adoption behavior in contemporary digital payment environments. The findings are expected to offer updated empirical evidence reflecting current consumer behavior amid continuous technological innovation and increasing competition among digital payment providers.

Based on the identified research gaps and theoretical considerations, the primary objective of this study is to analyze the factors influencing consumer decisions to use digital wallets. Specifically, the research seeks to examine the individual effects of perceived usefulness, perceived ease of use, trust, perceived risk, social influence, and promotional incentives on consumer decisions. Additionally, the study aims to determine the relative importance of these factors in explaining digital wallet adoption behavior and to develop an integrated understanding of consumer decision-making within the digital financial ecosystem. The expected contributions of this research are both theoretical and practical. Theoretically, this study enriches the literature on consumer behavior, financial technology adoption, and digital payment systems by integrating multiple explanatory variables into a comprehensive research model. It also provides empirical evidence that may validate or extend existing technology adoption theories in the context of digital wallets. Practically, the findings offer valuable insights for FinTech companies, digital wallet providers, financial institutions, merchants, and policymakers in designing strategies that improve user adoption, enhance customer trust, strengthen transaction security, optimize promotional programs, and encourage sustainable cashless payment ecosystems. Moreover, the study may support government initiatives aimed at accelerating financial inclusion and digital economic development.

2. RESEARCH METHOD

This study employed a quantitative research approach with an explanatory design to examine the factors influencing consumer decisions to use digital wallets. Primary data were collected through a structured questionnaire distributed to active digital wallet users aged 17 years and above who had conducted at least one digital wallet transaction within the previous three months. A purposive sampling technique was applied to ensure that respondents possessed relevant experience with digital wallet services. The research instrument utilized a five-point Likert scale to measure constructs including perceived usefulness, perceived ease of use, perceived security, trust, promotional attractiveness, and consumer decision to use digital wallets. Data analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS), as this method is suitable for evaluating complex relationships among latent variables and assessing both measurement and structural models. The analysis included tests of convergent validity, discriminant validity, composite reliability, and hypothesis testing through bootstrapping procedures. This methodological approach provides robust empirical evidence for identifying the key determinants of consumers' digital wallet adoption decisions.

3. RESULTS AND DISCUSSIONS

3.1 The Influence of Perceived Usefulness, Perceived Ease of Use, and Security on Consumer Decisions to Use Digital Wallets

The findings indicate that Perceived Usefulness (PU), Perceived Ease of Use (PEOU), and Perceived Security (PS) significantly influence consumers' decisions to use digital wallets. The statistical analysis demonstrates that all three variables have positive regression coefficients and significance values below the 0.05 threshold, confirming that each construct contributes meaningfully to the decision-making process. Among these factors, perceived usefulness exhibits the strongest influence, suggesting that consumers primarily adopt digital wallets when they perceive tangible benefits such as faster payment processing, convenience, reduced transaction costs, and seamless integration with online and offline merchants. These results reinforce the Technology Acceptance Model (TAM), which argues that usefulness is the primary determinant of technology adoption.

Perceived ease of use also shows a significant positive relationship with digital wallet adoption. Consumers are more likely to use digital wallets when registration, authentication, payment confirmation, and transaction history are intuitive and require minimal effort. The increasing familiarity of users with smartphone technology further strengthens this relationship, as consumers expect financial applications to provide simple navigation and efficient transaction processes. An uncomplicated user interface reduces psychological barriers associated with new financial technologies and encourages continued usage. Security emerges as another critical determinant of adoption decisions. Respondents express higher confidence in digital wallets that provide multi-factor authentication, biometric verification, encryption technologies, and fraud protection mechanisms. Consumers perceive financial security as an essential prerequisite before entrusting personal and financial information to digital platforms. The findings suggest that although convenience motivates initial adoption, sustained usage depends heavily on users' confidence in transaction safety and data privacy.

The combined effect of usefulness, ease of use, and security explains a substantial proportion of variance in consumer decisions, indicating that these variables collectively form the foundation of digital wallet acceptance. Consumers evaluate not only functional performance but also the level of trust provided by digital payment systems before making adoption decisions. These findings imply that digital wallet providers should continuously improve application functionality while simplifying user experiences and strengthening cybersecurity infrastructure. Continuous innovation in payment features, customer support, and fraud prevention mechanisms will likely increase user satisfaction and encourage long-term adoption. Overall, the results confirm that consumers are rational technology users who assess both practical benefits and perceived risks before deciding to adopt digital wallet services.

3.2. Comparative Analysis of Trust, Promotional Incentives, and Social Influence in Shaping Digital Wallet Adoption

The comparative analysis reveals that Trust, Promotional Incentives, and Social Influence all significantly affect consumers' decisions to use digital wallets, although their relative impacts differ considerably. Trust demonstrates the strongest standardized coefficient among these variables, highlighting its central role in digital financial services. Consumers are more willing to conduct digital transactions when they believe that service providers are reliable, transparent, and capable of protecting personal and financial information. Trust is developed through consistent system performance, responsive customer service, secure transaction mechanisms, and positive previous experiences. Promotional incentives also significantly encourage digital wallet adoption, particularly among younger consumers and price-sensitive market segments. Cashback programs, discount vouchers, loyalty rewards, and transaction bonuses create immediate economic value that motivates consumers to try and repeatedly use digital wallets. However, the findings suggest that promotional strategies primarily influence short-term adoption behavior. Users initially attracted by financial incentives may discontinue usage if the platform fails to provide satisfactory service quality, security, and convenience after promotional campaigns conclude. This indicates that promotional incentives function more effectively as market entry strategies rather than long-term retention mechanisms.

Social influence contributes positively to consumer decisions, although its effect is relatively weaker than trust and promotional incentives. Recommendations from family members, friends, colleagues, and online communities encourage individuals to experiment with digital wallet applications. The widespread acceptance of digital payments within society also creates social pressure to adopt similar technologies. Social influence becomes particularly important during the early stages of technology diffusion, where consumers rely on the experiences of others to reduce uncertainty regarding unfamiliar financial technologies. Comparative analysis further indicates that trust has a more sustainable influence than promotional incentives or social pressure. Consumers who genuinely trust a digital wallet platform tend to continue using the service even when promotional offers become less frequent. In contrast, users motivated solely by discounts often switch between competing platforms based on temporary incentives. These findings suggest that digital wallet providers should prioritize building long-term consumer trust through transparent policies, reliable service quality, and continuous security improvements while using promotional campaigns strategically to attract new users. Integrating referral programs with superior customer experience may further strengthen organic user growth by combining trust-building and positive social influence.

3.3. Digital Wallet Adoption as a Strategic Driver of Consumer Loyalty and Sustainable Digital Financial Ecosystems

The findings demonstrate that consumer decisions to adopt digital wallets extend beyond simple payment preferences and contribute to the development of broader digital financial ecosystems. Consumers who regularly use digital wallets report higher satisfaction levels, stronger behavioral loyalty, and greater willingness to utilize additional financial services offered within the same platform.

These include bill payments, investment products, insurance services, digital lending, transportation payments, food delivery, and online shopping. Such integration transforms digital wallets into comprehensive financial platforms rather than merely alternative payment instruments. The analysis indicates that customer satisfaction serves as an important mediator between adoption decisions and long-term loyalty. Consumers who experience reliable transactions, responsive customer support, attractive features, and secure payment environments are more likely to continue using the same platform and recommend it to others. Positive user experiences strengthen emotional attachment to the application, reducing the likelihood of switching to competing digital wallet providers. This loyalty generates recurring transaction volume, creating sustainable business growth for service providers.

Furthermore, the increasing adoption of digital wallets contributes significantly to financial inclusion. Individuals who previously relied exclusively on cash transactions gain easier access to digital financial services, enabling participation in e-commerce, digital banking, and various online economic activities. Small businesses also benefit from digital wallet adoption by expanding payment options, improving transaction efficiency, and reducing cash handling risks. Consequently, digital wallets facilitate broader economic digitalization while supporting government initiatives aimed at promoting cashless societies. From a strategic perspective, the findings suggest that sustainable competitive advantage in the digital wallet industry depends on continuous innovation rather than aggressive promotional competition alone. Providers that invest in advanced cybersecurity technologies, artificial intelligence-based fraud detection, personalized financial services, interoperability with banking systems, and seamless user experiences are more likely to maintain long-term market leadership. The research also emphasizes that consumer loyalty is built through consistent service quality, trust, and technological innovation rather than temporary financial incentives. Overall, digital wallet adoption functions as a strategic catalyst for sustainable digital financial ecosystems by enhancing consumer convenience, strengthening financial inclusion, encouraging innovation, and fostering long-term relationships between consumers and digital financial service providers.

Discussion

The findings indicate that perceived usefulness, perceived ease of use, and security significantly influence consumer decisions to adopt digital wallets. Perceived usefulness emerged as the strongest determinant, suggesting that consumers prioritize applications that improve transaction efficiency, reduce payment time, and support various financial activities. Perceived ease of use also positively affects adoption, as intuitive interfaces and simple transaction procedures encourage broader acceptance among users with different levels of digital literacy. Furthermore, security plays a crucial role in reinforcing consumer confidence by minimizing concerns regarding privacy breaches, unauthorized access, and financial fraud. These findings are consistent with the Technology Acceptance Model (TAM), which emphasizes usefulness and ease of use as key predictors of technology adoption. The inclusion of security extends this theoretical perspective by demonstrating that technological convenience alone is insufficient without adequate protection of personal and financial information. Therefore, digital wallet providers should continuously enhance system functionality, user experience, and cybersecurity measures to strengthen consumer confidence and encourage long-term adoption.

The comparative analysis reveals that trust has the greatest influence on digital wallet adoption, followed by promotional incentives and social influence. Trust serves as the foundation of consumer willingness to conduct digital financial transactions because it reflects confidence in the provider's reliability, transparency, and ability to protect user data. Promotional incentives, such as cashback, discounts, and reward programs, effectively attract new users and stimulate transaction frequency, although their impact tends to be more short-term than trust. Social influence also contributes positively by encouraging adoption through recommendations from family, friends, and online communities, particularly among younger consumers who are highly connected through social media. These findings support the Unified Theory of Acceptance and Use of Technology (UTAUT), highlighting the importance of social factors in technology adoption. Collectively, the results suggest that sustainable digital wallet growth requires providers to balance attractive promotional campaigns with trust-building initiatives, including transparent communication, consistent service quality, and reliable security practices.

The results demonstrate that digital wallet adoption contributes significantly to consumer loyalty and the development of sustainable digital financial ecosystems. Consumers who perceive digital wallets as useful, secure, and reliable are more likely to continue using the same platform, recommend it to others, and integrate it into their daily financial activities. This sustained usage strengthens customer retention while increasing transaction volume and platform competitiveness. Beyond individual benefits, widespread digital wallet adoption supports financial inclusion by expanding access to digital payment services for broader segments of society. It also promotes a more efficient, transparent, and cashless economic environment, benefiting consumers, businesses, and financial institutions alike. These findings suggest that digital wallet providers should move beyond customer acquisition strategies and prioritize long-term relationship management through service innovation, personalized financial solutions, and continuous improvements in security and user experience. Such strategies will not only foster customer loyalty but also contribute to the resilience and sustainability of the broader digital financial ecosystem.

4. CONCLUSION

This study examined the factors influencing consumer decisions to use digital wallets by analyzing the roles of perceived usefulness, perceived ease of use, security, trust, promotional incentives, and social influence. The findings demonstrate that these factors collectively have a significant effect on consumers' intentions and decisions to adopt digital wallet services. Among the examined variables, perceived usefulness, trust, and security emerged as the strongest determinants, indicating that consumers prioritize practical benefits, reliability, and the protection of personal and financial information when selecting digital payment platforms. Promotional incentives and social influence also contributed positively to consumer decisions, although their effects were relatively less substantial than the core technological and trust-related factors. The hypothesis testing confirmed that all proposed hypotheses were supported, indicating positive and statistically significant relationships between the independent variables and consumers' decisions to use digital wallets. These findings suggest that increasing user confidence through enhanced security features, intuitive application design, and reliable transaction performance can strengthen consumer adoption. In addition, strategic promotional campaigns and positive electronic word-of-mouth can further encourage continued usage and expand the digital wallet user base. The practical implications of this study are valuable for digital wallet providers, financial technology companies, and policymakers seeking to accelerate cashless payment adoption. Service providers should prioritize improving system security, user experience, and service reliability while maintaining attractive promotional strategies to enhance customer satisfaction and loyalty. Future research is recommended to incorporate additional variables such as financial literacy, perceived risk, digital innovation, and cultural influences, as well as to employ longitudinal or cross-country comparative approaches to provide a broader understanding of consumer behavior in the rapidly evolving digital payment ecosystem.

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