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Exploring Trust and Perceived Risk in Digital Payment Adoption among MSMEs: A Phenomenological Approach

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Abstract

Digital payment systems have expanded rapidly in Indonesia, offering micro, small, and medium enterprises (MSMEs) opportunities to improve transaction efficiency and strengthen financial inclusion. However, adoption among MSMEs remains uneven, suggesting that technological benefits alone do not fully explain acceptance. This study explores how MSME owners in Makassar experience trust and perceived risk in adopting digital payment systems. Using a qualitative phenomenological approach, data were collected through in-depth semi-structured interviews with twelve MSME owners operating across diverse sectors in Makassar. The interviews were transcribed verbatim and analyzed manually through iterative data reduction, coding, and thematic development to capture the essence of participants' lived experiences. The findings reveal four interconnected themes. First, trust emerged as an experiential outcome shaped by repeated successful transactions and perceived system reliability. Second, perceived risk persisted as an emotional concern, particularly related to financial loss and loss of control during transaction uncertainty. Third, trust and risk were actively negotiated through social validation from peer MSMEs and institutional cues such as regulatory legitimacy. Fourth, trust and perceived risk jointly shaped adoption as an adaptive process, leading to selective and hybrid usage patterns rather than full replacement of cash transactions. This study contributes to digital payment adoption literature by reframing trust and perceived risk as lived, dynamic experiences embedded in everyday business practices. Practically, the findings highlight the need for payment providers and policymakers to strengthen system reliability, improve transparent dispute-handling mechanisms, and leverage community-based trust-building strategies to support sustainable digital payment adoption among MSMEs.

Keywords: *Digital Payment, MSMEs, Perceived Risk, QRIS, Phenomenological Study*

1. Introduction

The rapid expansion of digital payment technologies has fundamentally transformed the way economic transactions are conducted, particularly within small-scale commercial activities. Digital payment systems such as mobile wallets, QR code–based payments, and other electronic transaction platforms offer efficiency, transaction traceability, and broader market access. These advantages are especially relevant for micro, small, and medium enterprises (MSMEs), which often operate under resource constraints and rely heavily on daily cash flow. Nevertheless, the adoption of digital payments among MSMEs remains uneven, as decisions to move away from cash-based transactions are shaped not only by technological considerations but also by psychological and experiential factors.

A growing body of literature emphasizes that trust and perceived risk are among the most critical determinants in the adoption of digital payment technologies. Trust refers to users' confidence in the reliability, security, and integrity of a payment system and its provider, while perceived risk reflects users' subjective expectations of potential losses associated with using the technology, including financial, privacy, and performance-related risks (Featherman & Pavlou, 2003; Pavlou, 2003). In digital financial contexts, trust is often conceptualized as a mechanism that reduces uncertainty, whereas perceived risk represents the uncertainty itself. Numerous empirical studies have demonstrated that higher levels of trust increase users' intention to adopt mobile payment systems, while heightened perceived risk acts as a significant barrier (Kim et al., 2010; Oliveira et al., 2016).

In developing economies, where digital infrastructure, financial literacy, and regulatory familiarity vary considerably, the interaction between trust and perceived risk becomes even more salient. Research on mobile payment adoption consistently shows that security perceptions, prior experiences, and institutional trust play pivotal roles in shaping users' acceptance and continued use of digital payment services (Patil et al., 2018; Alrawad et al., 2023). Importantly, these studies also indicate that trust and perceived risk are not static attributes but are dynamically constructed through users' repeated interactions with technology in everyday contexts.

In Indonesia, the relevance of trust and perceived risk is amplified by the rapid diffusion of digital payment systems following the introduction of the Quick Response Code Indonesian Standard (QRIS). Implemented by Bank Indonesia, QRIS was designed to integrate multiple payment providers into a single interoperable system, thereby simplifying digital transactions and supporting financial inclusion for MSMEs (Bank Indonesia, 2019). Despite its strategic importance, QRIS adoption among MSMEs has not progressed uniformly across regions. Several quantitative studies suggest that concerns over transaction security, system reliability, and uncertainty during technical disruptions continue to shape MSMEs' willingness to adopt QRIS and other digital payment platforms (Muchtar et al., 2024; Saputri, 2025).

The city of Makassar, as one of the major economic hubs in Eastern Indonesia, provides a particularly relevant context for examining these issues. Makassar hosts a dense concentration of MSMEs operating in sectors such as food and beverage, retail, traditional markets, and small-scale services. While digital payment infrastructure is increasingly available in the city, MSME adoption remains heterogeneous, ranging from enthusiastic early adopters to business owners who remain reluctant or use digital payments only sporadically. Previous local and national studies indicate that MSMEs in urban Indonesian contexts often navigate digital payment adoption amid concerns related to transaction failures, delayed settlements, perceived vulnerability to fraud, and uncertainty regarding customer disputes (Astuti & Prasetyo, 2024; Saadah & Setiawan, 2023). These concerns are not merely technical but are embedded in the lived realities of daily business operations, where even minor disruptions can have immediate financial consequences.

Most existing research on digital payment adoption in Indonesia including studies focusing on QRIS has predominantly employed quantitative approaches grounded in models such as the Technology Acceptance Model (TAM) and the Unified Theory of Acceptance and Use of Technology (UTAUT). While these models have been valuable in identifying statistical relationships between constructs such as perceived usefulness, ease of use, trust, perceived risk, and behavioral intention (Venkatesh et al., 2012; Muchtar et al., 2024), they tend to conceptualize trust and risk as measurable variables rather than as experiences shaped by context, memory, and meaning. Consequently, there remains a limited understanding of how MSME owners experience trust and perceived risk in their day-to-day interactions with digital payment systems, particularly within specific urban settings such as Makassar.

For MSME operators, trust in digital payment systems is often grounded in concrete experiences: successful transactions, recommendations from peers, responsiveness of service providers, or visible institutional backing. Conversely, perceived risk may emerge from personal or vicarious experiences of transaction errors, fear of financial loss, lack of technical support, or uncertainty when facing customer complaints. These experiential dimensions suggest that trust and perceived risk are not merely cognitive evaluations but are deeply intertwined with emotions, routines, and social interactions. Understanding these phenomena therefore requires an approach that goes beyond measuring intention or frequency of use.

In this regard, a phenomenological approach offers a valuable methodological lens. Phenomenology seeks to understand how individuals interpret and give meaning to their lived experiences, allowing researchers to capture the subjective realities that underlie observable behaviors (Creswell & Poth, 2018). Applied to the context of digital payment adoption among MSMEs in Makassar, phenomenology enables an in-depth exploration of how trust is built, sustained, or eroded, and how perceived risk is recognized, negotiated, and managed within everyday business practices. Rather than asking whether trust or risk influences adoption, this approach asks how MSME owners experience these constructs in the process of adopting digital payments.

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Accordingly, this study aims to explore the lived experiences of MSME owners in Makassar regarding trust and perceived risk in the adoption of digital payment systems. By foregrounding the voices and narratives of MSME practitioners, this research seeks to provide a nuanced understanding of how digital payment technologies are perceived and enacted within a specific socio-economic context. The findings are expected to contribute theoretically by enriching the literature on digital payment adoption with a qualitative, experience-based perspective, and practically by offering insights for policymakers, financial institutions, and payment service providers seeking to foster more inclusive and trust-sensitive digital payment ecosystems for MSMEs in urban Indonesia.

2. Literature Review

2.1 Digital Payment Adoption in MSMEs

Digital payment adoption refers to the process through which individuals or organizations begin using electronic payment systems as a primary method of transaction. In MSME contexts, adoption is often shaped by operational needs, resource limitations, and customer payment preferences. Digital payments can provide tangible benefits such as improved transaction efficiency, reduced cash-handling risk, and more structured financial records, which are particularly useful for MSMEs with limited accounting systems (Oliveira et al., 2016). However, MSMEs also face structural and psychological barriers, including limited digital literacy, fear of fraud, and uncertainty regarding system reliability.

From a technology adoption perspective, MSMEs differ from individual consumers because adoption decisions are embedded in business routines and economic survival. In many small businesses, even minor disruptions such as delayed settlements or transaction failures can have direct implications for daily cash flow and customer satisfaction. Therefore, digital payment adoption among MSMEs should be understood not only as a rational evaluation of benefits and costs, but also as an experiential process shaped by repeated interactions with technology, customers, and institutional systems.

In Indonesia, QRIS was introduced as a national interoperable QR payment standard to accelerate digital payment diffusion and support financial inclusion (Bank Indonesia, 2019). While QRIS provides infrastructure and standardization, adoption remains uneven, particularly across different business sectors and regions. Studies indicate that MSME adoption is shaped by factors such as perceived usefulness, ease of use, and system reliability (Muchtar et al., 2024). However, the psychological dynamics underlying adoption decisions especially those related to trust and perceived risk remain insufficiently explored through qualitative approaches

2.2 Technology Adoption Theories as Conceptual Foundations

Digital payment adoption research has frequently relied on foundational technology acceptance models. The Technology Acceptance Model (TAM) posits that perceived usefulness and perceived ease of use are key determinants of users' attitudes and intentions toward adopting technology (Davis, 1989). In payment contexts, perceived usefulness often relates to transaction speed, convenience, and customer satisfaction, while ease of use relates to the simplicity of the payment interface and the learning process.

Similarly, the Unified Theory of Acceptance and Use of Technology (UTAUT) integrates multiple adoption frameworks and highlights performance expectancy, effort expectancy, social influence, and facilitating conditions as determinants of behavioral intention and use (Venkatesh et al., 2003). UTAUT2 extends this model into consumer contexts by incorporating hedonic motivation, price value, and habit (Venkatesh et al., 2012). These models have been widely applied to mobile payment and QR-based payment adoption studies, offering strong explanatory power for predicting adoption intentions.

However, although TAM and UTAUT are useful for explaining general adoption patterns, they are primarily designed for quantitative testing of relationships between variables. They often assume stable constructs and linear causal relationships. In contrast, MSMEs' adoption decisions may be shaped by lived experiences such as past fraud incidents, customer conflicts, or peer influence, which are difficult to capture through standardized measurement alone. Therefore, this study does not position TAM or UTAUT as predictive models, but rather as

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conceptual background illustrating why psychological constructs particularly trust and perceived risk are essential in understanding digital payment adoption

2.3 Trust in Digital Payment Contexts

Trust has been widely recognized as a central construct in online commerce and digital financial services. In general, trust refers to the willingness of a party to be vulnerable to the actions of another, based on the expectation that the other will perform a particular action important to the trustor (Mayer et al., 1995). In digital payment contexts, trust may be directed toward multiple targets: the technology system itself, the payment service provider, the financial institution, and the broader regulatory environment.

In e-commerce research, Pavlou (2003) argues that trust reduces uncertainty and increases consumer acceptance of electronic transactions. Trust becomes particularly important when users cannot directly observe the reliability of the system and must rely on perceived credibility and institutional assurances. For MSMEs, trust can be shaped by repeated successful transactions, transparency of settlement processes, and the responsiveness of customer service when problems occur.

Trust has also been conceptualized as a multi-dimensional phenomenon. McKnight et al. (2002) distinguish between trust beliefs (competence, benevolence, integrity) and trust intentions (willingness to depend). In digital payment adoption, competence refers to the provider's ability to deliver reliable services, integrity refers to honesty and transparency, and benevolence refers to the perception that the provider will not exploit the user. These dimensions provide a useful lens for exploring how MSME owners in Makassar experience trust in digital payments.

Empirical studies consistently show that trust is positively associated with mobile payment adoption intention and continued use (Kim et al., 2010; Patil et al., 2018). Recent studies also suggest that trust can mediate the effects of perceived risk on adoption intention (Alrawad et al., 2023). Yet, these findings are largely derived from survey-based research, leaving open questions about how trust is formed, maintained, or damaged in real-life MSME transactions

2.4 Perceived Risk in Digital Financial Adoption

Perceived risk is another foundational construct in consumer behavior and technology adoption research. Bauer (1960) introduced the concept by arguing that consumer behavior involves risk because actions may produce consequences that cannot be anticipated with certainty. In digital financial contexts, perceived risk is particularly salient because transactions involve money, sensitive personal data, and system dependency.

Featherman and Pavlou (2003) conceptualize perceived risk in e-services adoption as a multi-faceted construct, including financial risk, performance risk, privacy risk, time risk, and psychological risk. In digital payments, financial risk may involve fear of losing money due to fraud or technical errors, performance risk involves concerns that the system may fail during transactions, and privacy risk relates to data misuse or unauthorized access.

In mobile payment adoption research, perceived risk has been found to significantly reduce adoption intention (Kim et al., 2010). Risk perceptions are often intensified by media reports of fraud, personal experiences of system failure, or limited understanding of how digital systems work. For MSMEs, perceived risk may also involve business-related concerns, such as customer disputes, chargeback-like situations, or reputational harm if a transaction fails in front of customers.

Importantly, perceived risk is not only cognitive but also emotional. Users may experience anxiety, fear, or loss of control when dealing with unfamiliar financial technology. These emotional dimensions are central to phenomenological inquiry because they represent how individuals experience risk rather than merely how they rate it on a scale.

2.5 The Relationship Between Trust and Perceived Risk

Trust and perceived risk are conceptually intertwined. In digital contexts, trust often functions as a mechanism that reduces perceived risk by providing a sense of assurance and predictability (Pavlou, 2003). When trust is high, users may tolerate certain risks because they believe the provider will handle problems fairly and transparently.

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Conversely, when perceived risk is high, trust may be undermined because users interpret uncertainty as a sign of unreliability or vulnerability.

Patil et al. (2018), through a meta-analytic review of mobile payment adoption, highlight that trust and perceived risk consistently appear as key determinants across studies, with trust generally having a positive effect and perceived risk having a negative effect on adoption. In the context of MSMEs, the interaction between these constructs may be particularly complex, because business owners are not only users but also intermediaries who must manage customers' expectations. Trust and risk may therefore be experienced both personally and socially, influencing how MSMEs communicate payment options to customers.

This study treats trust and perceived risk not as isolated variables but as lived phenomena that emerge through everyday business practices. Understanding how MSMEs in Makassar experience these constructs requires exploring how trust is built through repeated transactions, how risk is perceived through uncertainty and past incidents, and how both shape decisions to adopt or resist digital payments.

2.6 Phenomenology as an Approach to Understanding Adoption Experience

Phenomenology is a qualitative research approach aimed at understanding the essence of lived experiences as perceived by individuals (Moustakas, 1994). Rather than focusing on objective measurement, phenomenology emphasizes subjective meaning, consciousness, and interpretation. Schutz (1967) argues that social reality is constructed through individuals' interpretations of everyday experiences, making phenomenology particularly relevant for studying how people make sense of technology in daily life.

In qualitative research design, phenomenology is often used when researchers aim to understand a phenomenon shared by a group of individuals, such as experiences of using digital payment systems among MSME owners (Creswell & Poth, 2018). The approach seeks to identify common themes across participants' narratives and describe the core essence of the experience.

For this study, phenomenology provides a methodological foundation for exploring trust and perceived risk as lived experiences rather than abstract constructs. It enables the researcher to examine how MSME owners interpret digital payments, how their experiences shape trust and risk perceptions, and how these meanings influence adoption. By focusing on Makassar, this study also recognizes that lived experiences are shaped by socio-economic context, local business practices, and community norms.

2.7 Conceptual Lens for This Study

Based on the reviewed literature, this study adopts trust and perceived risk as primary conceptual lenses for exploring digital payment adoption among MSMEs in Makassar. Trust is understood as a multi-dimensional experience involving confidence in system reliability, provider integrity, and institutional support (Mayer et al., 1995; McKnight et al., 2002). Perceived risk is understood as a multi-faceted experience involving financial, performance, privacy, and psychological concerns (Bauer, 1960; Featherman & Pavlou, 2003).

Rather than testing causal relationships, this study aims to uncover how MSME owners experience these constructs in everyday practice. By applying a phenomenological approach, the study seeks to identify thematic patterns that reveal how trust and perceived risk are constructed, negotiated, and embodied in MSMEs' digital payment adoption processes.

3. Research Methodology

3.1 Research Design

This study adopts a qualitative phenomenological research design to explore how trust and perceived risk are experienced by micro, small, and medium enterprise (MSME) owners in adopting digital payment systems. Phenomenology is appropriate when the research seeks to understand the meaning of lived experiences as perceived by individuals who directly encounter the phenomenon (Moustakas, 1994). Rather than measuring relationships between predefined variables, this approach focuses on how participants interpret, reflect upon, and give meaning to their experiences.

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Within this study, trust and perceived risk are conceptualized as experiential constructs that emerge through MSME owners' day-to-day interactions with digital payment technologies, customers, and institutional actors. The phenomenological approach allows for an in-depth understanding of these experiences within their natural business context.

3.2 Research Context

The research was conducted in Makassar, a major economic center in Eastern Indonesia with a high concentration of MSMEs across diverse sectors, including food and beverage, retail, traditional markets, and service-based enterprises. Makassar has experienced increasing penetration of digital payment systems, particularly QRIS-based transactions, supported by banks and fintech providers.

Despite the availability of digital payment infrastructure, adoption among MSMEs in Makassar varies considerably. Some business owners actively integrate digital payments into daily transactions, while others remain cautious or use them selectively. This diversity of adoption experiences makes Makassar a suitable context for exploring how trust and perceived risk are formed and negotiated in real business settings.

3.3 Participants and Sampling Strategy

Participants in this study were selected using purposive sampling, a technique commonly used in qualitative research to identify information-rich cases relevant to the phenomenon under investigation (Patton, 2015). The inclusion criteria for participants were as follows:

a. MSME owners or managers who operate a registered or informal business in Makassar;
b. Have experience using at least one form of digital payment system (e.g., QRIS, mobile wallets, or mobile banking) in business transactions;
c. Have used digital payment systems for a minimum of three months to ensure sufficient experiential exposure;
d. Are willing and able to articulate their experiences and reflections during in-depth interviews.

A total of 12 MSME owners participated in the study. This number was deemed appropriate, as phenomenological research prioritizes depth and richness of data over sample size, and saturation was achieved when no substantially new themes emerged from subsequent interviews (Creswell & Poth, 2018). Participants represented diverse business sectors and levels of digital payment usage, allowing for varied experiential perspectives.

To ensure ethical standards, all participants were informed about the purpose of the study, the voluntary nature of their participation, and their right to withdraw at any time. Pseudonyms or participant codes (e.g., P1–P12) were used to protect anonymity.

3.4 Data Collection

Data were collected through in-depth, semi-structured interviews, which are well suited for phenomenological research as they allow participants to describe their experiences in their own words while providing enough structure to maintain focus on the research objectives. Interviews were conducted between [month–month, year], either face-to-face at participants' business locations or online via video calls, depending on participants' availability and preferences. Each interview lasted approximately 40–60 minutes and was audio-recorded with participants' consent. The interview guide included open-ended questions designed to elicit rich descriptions of participants' experiences, such as:

a. How participants first encountered and decided to use digital payment systems;
b. Experiences that contributed to building or weakening trust in digital payments;
c. Situations in which participants felt uncertainty, fear, or risk when using digital payments;
d. How trust and perceived risk influence daily business decisions and interactions with customers.

Probing questions were used to encourage deeper reflection and clarification. Field notes were taken during and after interviews to capture contextual information, non-verbal cues, and preliminary analytical insights.

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3.5 Data Analysis

Data analysis was conducted manually using a phenomenological data reduction process, emphasizing close engagement with participants' narratives rather than reliance on qualitative analysis software. The analysis followed an iterative process inspired by phenomenological and thematic analysis principles (Moustakas, 1994; Miles et al., 2014):

a. Data Familiarization
   Interview recordings were transcribed verbatim. The researcher repeatedly read the transcripts to gain an in-depth understanding of participants' experiences.
b. Data Reduction
   Meaningful statements related to trust, perceived risk, and digital payment experiences were identified and highlighted. Redundant or irrelevant information was gradually reduced while preserving essential experiential content.
c. Manual Coding
   Codes were developed manually by grouping similar statements and labeling them based on shared meanings. This process was conducted using printed transcripts and annotation notes to maintain closeness to the data.
d. Theme Construction
   Codes were clustered into broader themes that represented recurring patterns of experience across participants, such as sources of trust, forms of perceived risk, and coping strategies.
e. Essence Description
   The final stage involved synthesizing themes into a coherent description of the essence of MSME owners' lived experiences with trust and perceived risk in digital payment adoption.

Throughout the analysis, the researcher engaged in reflexive journaling to bracket prior assumptions and remain attentive to participants' perspectives.

3.6 Phenomenological Research Questions

This study seeks to explore the lived experiences of MSME owners in Makassar regarding trust and perceived risk in adopting digital payment systems. Guided by a phenomenological perspective, the research is driven by the following questions:

Table 1. Phenomenological Research Questions

Type	Phenomenological Research Question
Main Question	How do MSME owners in Makassar experience trust and perceived risk in adopting digital payment systems in their daily business transactions?
Supporting Question	How do MSME owners describe the process through which trust in digital payment systems is built, strengthened, or weakened over time?
Supporting Question	What forms of perceived risk do MSME owners in Makassar experience when using digital payment systems, and how do these risks manifest in real transaction situations?
Supporting Question	How do MSME owners interpret and negotiate trust and perceived risk when interacting with customers, payment providers, and financial institutions?
Supporting Question	How do trust and perceived risk shape MSME owners' decisions to continue, limit, or discontinue the use of digital payment systems?

4. Research Findings

This section presents and discusses the findings of the study based on in-depth interviews with MSME owners in Makassar. Using a phenomenological lens, the analysis reveals four interrelated themes that represent the essence of how trust and perceived risk are experienced in the adoption of digital payment systems. Rather than treating trust and risk as abstract variables, the findings highlight how these constructs emerge through everyday business practices, interactions, and reflections.

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4.1 Trust as an Experiential Outcome of Repeated Successful Transactions

For most participants, trust in digital payment systems did not emerge instantly but was gradually built through repeated successful transaction experiences. MSME owners described trust as something that *"grows"* over time, shaped by moments when transactions were completed smoothly, balances were settled correctly, and no disputes arose with customers.

One participant explained that initial hesitation faded only after several weeks of uninterrupted use:

"At first I was still worried. But after many transactions went through without problems, I started to feel more confident using it every day." (P3)

This finding suggests that trust is not merely a belief formed prior to adoption, but an experiential outcome grounded in routine practice. Successful transactions function as confirmation cues that reinforce perceptions of system reliability and provider competence. This aligns with Mayer et al.'s (1995) conceptualization of trust as willingness to accept vulnerability based on positive expectations, as well as McKnight et al.'s (2002) notion of competence-based trust.

In the context of MSMEs in Makassar, trust was often pragmatic rather than abstract. Participants rarely referred to technical security features or encryption mechanisms. Instead, trust was associated with tangible experiences such as *"the money arrived", "the report was clear" or "customers did not complain"*. This finding extends prior quantitative studies by illustrating how trust is experienced through everyday confirmation rather than cognitively assessed in advance (Pavlou, 2003).

4.2 Perceived Risk as Fear of Financial Loss and Loss of Control

Despite recognizing the benefits of digital payments, participants consistently described perceived risk as a persistent concern, particularly related to financial loss and loss of control over transactions. These risks were not always tied to actual negative events but were often anticipatory and emotionally grounded.

Several MSME owners expressed anxiety about scenarios such as system errors, delayed settlements, or incorrect transaction amounts:

"What I'm afraid of is if something goes wrong and I don't know how to fix it. With cash, I can see everything directly." (P7)

This perception reflects Bauer's (1960) original conception of consumer behavior as risk-taking under uncertainty. In digital payment contexts, perceived risk is amplified by the invisibility of processes that were previously observable in cash transactions. For MSMEs, where daily liquidity is critical, even the possibility of temporary fund inaccessibility was experienced as threatening.

Consistent with Featherman and Pavlou's (2003) framework, participants' narratives reflected multiple facets of perceived risk financial, performance, and time-related risks often intertwined. Importantly, these risks were experienced emotionally, manifesting as worry, hesitation, and cautious behavior. This underscores the relevance of viewing perceived risk not only as a cognitive evaluation but as an embodied experience, which is often overlooked in survey-based research.

4.3 Negotiating Trust and Risk Through Social and Institutional Cues

Participants did not experience trust and risk in isolation; rather, these perceptions were actively negotiated through social and institutional cues. Recommendations from fellow business owners, customer preferences, and visible institutional support played significant roles in shaping participants' confidence in digital payment systems.

Several MSME owners mentioned that seeing peers successfully use digital payments reduced their own sense of risk:

"When I saw other sellers around me using it without problems, I thought maybe it's safe enough." (P5)

This finding reflects the importance of social validation in technology adoption, as highlighted in diffusion of innovation theory (Rogers, 2003). In Makassar's MSME environment, informal networks and peer observation

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served as powerful mechanisms for trust-building, sometimes more influential than formal training or promotional campaigns.

Institutional signals such as the association of QRIS with Bank Indonesia also contributed to perceived legitimacy and reduced uncertainty:

"Because it's from the central bank, I feel it's more trustworthy." (P9)

These narratives support the view that trust in digital payments is multi-layered, encompassing trust in technology, providers, and regulatory institutions. This aligns with institutional trust perspectives in digital commerce, suggesting that regulatory endorsement can partially offset perceived risk (Pavlou, 2003; Venkatesh et al., 2012).

4.4 Trust and Risk as Determinants of Continued, Selective, or Limited Use

The interplay between trust and perceived risk ultimately shaped how MSME owners decided to continue, limit, or selectively use digital payment systems. Rather than a binary adoption decision, participants described nuanced usage patterns influenced by situational judgments.

Some MSME owners reported using digital payments only for certain transaction types or customer segments:

"I accept digital payments, but for large amounts I still prefer cash." (P11)

Others continued using digital payments but maintained backup strategies, such as checking balances immediately after transactions or limiting daily usage. These behaviors indicate that trust does not eliminate risk perception but allows MSMEs to manage risk pragmatically.

This finding challenges linear adoption models that assume adoption leads to uniform usage. Instead, it supports a processual view of adoption as ongoing negotiation, where trust and perceived risk coexist and shape adaptive practices. This resonates with phenomenological perspectives that emphasize meaning-making and contextual decision-making (Schutz, 1967; Moustakas, 1994).

4.5 Synthesis of Findings

Collectively, the findings reveal that trust and perceived risk among MSME owners in Makassar are dynamic, relational, and experience-based. Trust emerges through repeated confirmation in practice, while perceived risk persists as an emotional response to uncertainty and loss of control. Social interactions and institutional legitimacy serve as mediating forces that help MSMEs navigate these experiences.

By foregrounding lived experiences, this study extends existing technology adoption literature by demonstrating that digital payment adoption among MSMEs is not a one-time decision driven solely by perceived usefulness or ease of use. Instead, it is an ongoing experiential process shaped by trust-building, risk negotiation, and contextual adaptation.

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Table 2. Synthesis of Interview Findings

Participant	Dominant Theme	Description of Lived Experience	Representative Quotation
P1	Experiential Trust Building	Trust developed gradually after repeated successful transactions without errors or disputes.	*"After many transactions went smoothly, I started to feel safe using digital payments."*
P2	Financial Risk Awareness	Perceived risk centered on fear of financial loss and delayed settlement.	*"I worry if the money is delayed, because daily cash flow is very important."*
P3	Trust through System Reliability	Trust emerged when transaction records were clear and balances matched sales.	*"As long as the reports are clear and the money matches, I trust the system."*
P4	Performance Risk	Concern about system errors during peak transaction times.	*"When the system is slow, I feel nervous because customers are waiting."*
P5	Social Trust Formation	Trust strengthened through observing peer MSMEs using digital payments successfully.	*"Other sellers use it without problems, so I feel more confident."*
P6	Loss of Control Anxiety	Anxiety due to inability to directly observe transaction processes.	*"With cash I can see it directly; digital payments feel less controllable."*
P7	Risk Mitigation Strategy	Managing risk by limiting transaction value for digital payments.	*"For large amounts, I still prefer cash."*
P8	Institutional Trust	Trust reinforced by association with banks and Bank Indonesia (QRIS).	*"Because it's regulated by the central bank, I feel safer."*
P9	Emotional Risk Experience	Feelings of worry and hesitation despite no prior negative experience.	*"Even without problems, I still feel worried sometimes."*
P10	Conditional Trust	Trust dependent on customer behavior and transaction transparency.	*"If the customer shows the proof clearly, I feel safe."*
P11	Selective Adoption	Digital payments used selectively alongside cash transactions.	*"I use digital payments, but not for all transactions."*
P12	Sustained Use with Caution	Continued use accompanied by constant monitoring and checking.	*"I always check immediately after each transaction."*

5. Discussion

This study set out to explore how MSME owners in Makassar experience trust and perceived risk in adopting digital payment systems. The findings reveal that trust and perceived risk are not static determinants that operate independently, but rather intertwined experiential processes that evolve through daily business practices, social interactions, and institutional encounters. By examining these experiences phenomenologically, the discussion moves beyond explaining adoption as a rational decision and instead illuminates how digital payment use is continuously shaped by meaning-making and contextual negotiation.

First, the finding that trust develops gradually through repeated successful transactions reinforces and extends existing trust theories in digital commerce. Mayer et al. (1995) conceptualize trust as a willingness to accept vulnerability based on positive expectations, while McKnight et al. (2002) emphasize competence and reliability as central dimensions of trust beliefs. The experiences of MSME owners in Makassar demonstrate that these dimensions are not formed abstractly, but are validated through routine transactional success. Trust emerged not

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from technical knowledge about system security, but from tangible confirmation that *"the money arrived"* and *"the report was correct"*. This finding aligns with Pavlou's (2003) argument that trust in electronic transactions is experiential and reinforced through interaction, yet it adds nuance by showing how trust is grounded in the practical realities of small-scale businesses with limited tolerance for error.

Second, the persistent presence of perceived risk even among experienced users highlights the emotional and embodied nature of risk perception. Consistent with Bauer's (1960) risk-taking perspective, MSME owners perceived digital payment adoption as an act involving uncertainty and potential loss. However, unlike survey-based studies that often frame perceived risk as a cognitive assessment, this study reveals perceived risk as felt anxiety, particularly related to loss of control and temporary inaccessibility of funds. This supports Featherman and Pavlou's (2003) multidimensional risk framework while extending it phenomenologically by showing how different risk facets merge into a general sense of unease during daily transactions. In the Makassar context, where MSMEs rely heavily on daily liquidity, even short delays or system ambiguity were experienced as disproportionately threatening.

Third, the findings underscore the importance of social and institutional trust in mediating risk perceptions. Trust was frequently negotiated through peer observation, informal recommendations, and visible regulatory endorsement, such as the association of QRIS with Bank Indonesia. This supports Rogers' (2003) diffusion of innovation theory, which emphasizes social systems and observability in shaping adoption decisions. The Makassar MSME environment, characterized by close-knit business communities, amplifies the role of peer experiences as informal evidence of system safety. Institutional backing further functioned as a symbolic assurance that reduced uncertainty, echoing arguments in institutional trust literature that regulatory legitimacy can substitute for technical understanding in fostering adoption (Venkatesh et al., 2012).

Fourth, the study challenges linear models of technology adoption by revealing selective and adaptive usage patterns. Rather than fully replacing cash transactions, MSME owners often adopted digital payments conditionally limiting transaction size, monitoring balances closely, or using digital payments only for certain customers. This behavior suggests that trust does not eliminate perceived risk; instead, it enables MSMEs to manage risk pragmatically. Such findings resonate with phenomenological perspectives (Schutz, 1967; Moustakas, 1994), which view human action as context-dependent and continuously interpreted. Adoption, in this sense, is not a final state but an ongoing process of adjustment and sense-making.

From a theoretical standpoint, this study contributes to digital payment and fintech literature by reframing trust and perceived risk as lived experiences rather than predictive variables. While prior studies grounded in TAM or UTAUT have demonstrated statistical relationships between trust, risk, and adoption intention (Kim et al., 2010; Oliveira et al., 2016), this research complements those findings by explaining how and why such relationships emerge in practice. The phenomenological lens reveals that trust is built through experiential confirmation, risk persists as emotional awareness, and both coexist in shaping adaptive adoption behaviors.

Contextually, the Makassar setting provides important insight into digital payment adoption beyond major metropolitan centers in Western Indonesia. The findings suggest that regional urban contexts with heterogeneous digital literacy levels require trust-building strategies that emphasize reliability, peer visibility, and responsive institutional support rather than purely technological sophistication. This highlights the importance of contextual sensitivity in designing digital payment ecosystems for MSMEs.

Overall, the discussion demonstrates that understanding digital payment adoption among MSMEs requires moving beyond intention-based models toward an appreciation of everyday experiences, emotions, and social negotiations. Trust and perceived risk are not obstacles to be *"overcome"* once, but ongoing experiences that shape how digital payments are used, limited, or embraced within the lived realities of MSME owners in Makassar.

6. Conclusion

This study explored the lived experiences of MSME owners in Makassar regarding trust and perceived risk in adopting digital payment systems. Using a phenomenological approach, the research moved beyond predictive adoption models to understand how trust and risk are constructed, negotiated, and embodied in everyday business

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transactions. The findings demonstrate that digital payment adoption among MSMEs is not a one-time decision but an ongoing experiential process shaped by repeated practice, emotional responses to uncertainty, and social-institutional influences. The study identified four central themes. First, trust was primarily built through repeated successful transactions, where system reliability and accurate settlement functioned as experiential confirmation. Second, perceived risk remained persistent, particularly as fear of financial loss and loss of control, reflecting the vulnerability MSMEs feel when transactions become less visible than cash-based exchanges. Third, trust and risk were actively negotiated through social validation (peer recommendations and observation) and institutional cues (perceived legitimacy from QRIS and banking support). Fourth, trust and perceived risk jointly shaped MSMEs' adoption outcomes, resulting in selective and adaptive use, rather than full substitution of cash transactions.

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