

CHAPTER I INTRODUCTION

This first chapter contains the introductory section of the research on the Analysis of Factors Influencing Behavioral Intentions of E-wallet Usage Amongst F&B SME Consumers in Jakarta. Discussion regarding the background of this research, problem statements, research purpose, scope of study, and the systematic structure are included in this chapter.

1.1 Research Background

In today's modern age, digitalization has paved way towards practical solutions towards everyday-problems. People in general are encouraged to innovate and find new ways to improve functions and productivity, while keeping them practical and easy enough to be acceptable by the majority of potential users. The innovation of computers has enabled people to be more productive through word processing and data processing. With the help of the invention of the internet, computers improved communications by allowing for more information to be shared through it with less cost and faster delivery. Developments of smartphones further improves on this by allowing for people to access the forementioned innovations within a few taps of their fingers, and more. As technologies developed, people are now able to not only perform transactions through their smartphones, but these technologies have led to some replacing their physical wallet through

financial technologies, with services such as e-wallets. E-wallets, as the name suggests, are virtual wallets that people can use to store money in and are able to perform transactions through the platform as a payment gateway (Aji et al., 2020).

Innovations made towards the improvement of the financial industry is referred to as Financial Technologies (Fintech). These innovations are financial innovations that has been given a touch of modern technology (Leong & Sung, 2018). Fintech is a form of technological utilization and innovative businesses operating within the financial industry. The financial innovations come in forms of technological utilization to find new and innovative ways for financial institutions such as loans, investments, and e-payments (World Economic Forum, 2015).

E-wallets, also referred to as digital wallets, is a term used to describe electronic services that “store payment instrument data, card-based payment instruments, and electronic money which can store funds to make payments” (Bank Indonesia, 2020). In the Indonesian context, some may argue as to the differences between e-wallets and E-money, another form of financial technologies. (Aji et al., 2020) aids in providing an explanation to minimize the confusion, as e-wallets utilize servers to store funds, while E-money stores funds within an electronic chip.

The growth of e-wallets has surely shown its disruptive effects towards traditional banking. According to a report made by (Bank Indonesia, 2022) on Indonesian payment systems and financial market statistics, a noticeable decline

can be seen on the usage of debit and credit cards in Jakarta from 2020 until the end of 2021, while server-based electronic money increase in numbers. With such evidence, it can be said that the importance of e-wallets is critical towards the Indonesian population and economy. A report made by (Google et al., 2019) shows that 92 million of the Indonesian population are unbanked, lacking of bank accounts, credit, investments, and insurance. The usage of e-wallets are expected to help in connecting the 92 million unbanked population with modern financial services, as the same report predicted the Indonesian internet economy of reaching \$130 billion by 2025.

The application of financial technologies on digital platforms towards the financial industry enables financial services to be offered to the public with lower costs in comparison to traditional banking (Jakšič & Marinč, 2015). Despite the existence of e-wallets have lasted for over 20 years, its application towards mobile platforms is relatively new and is continuously being developed to better serve the community. Statistics compiled from Statista, Bank Indonesia, and Tech in Asia shows that there were 71 million Indonesian users of digital payment and personal finance services in 2017, increasing to 142 million in 2020, and estimated to reach 230 million by 2025.

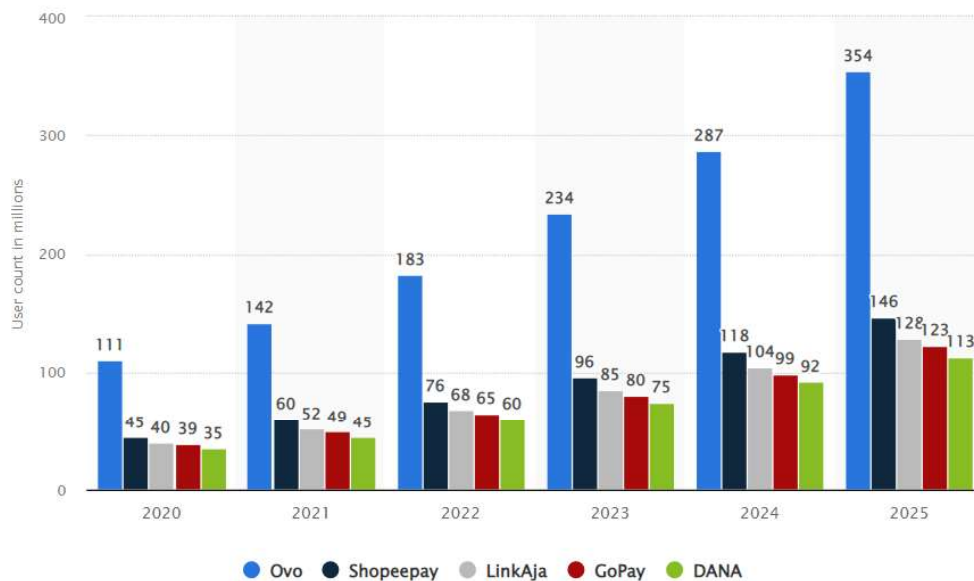


Figure 1.1 Number of users of selected e-wallets in Indonesia in 2020, with forecasts from 2021 to 2025 (Statista, 2020)

The growth of the Indonesian e-wallet industry has shown very promising prospects towards the future. Since 2020, it is estimated that e-wallet providers, namely OVO, ShopeePay, LinkAja, Gopay, Dana in Indonesia are expecting continuous growth up until 2025 (Statista, 2020). Since 2018, e-wallets have seen a massive growth on their usage by the Indonesian population. This growth can also be attributed to the support by the government with the introduction of QRIS, A QR code-based system developed by *Asosiasi Sistem Pembayaran Indonesia (ASPI)* as a way to enable for secure and efficient transactions whilst being able to accelerate digital banking acceptance. (Saputri, 2020) defines QRIS as a universal QR code system that enables digital transactions across all different e-wallet platforms.

Many of the younger age groups, such as millennials and Generation-Z, are highly incorporating e-wallets as their go-to payment platforms on a day-to-day basis. The reasoning behind this can be said due to the aspects of ease of use, usefulness, trustworthiness, mobility, and customizability that e-wallet platforms are offering to their users. To an extent, e-wallet users are no longer required to bring cash when travelling, as e-wallets are perceived to be safe and practical (Chan et al., 2020).

With the COVID-19 pandemic happening all around the world, health and safety concerns have increased. One of the changes in lifestyle that people are adopting is the usage of contactless payments to reduce the risk of catching or spreading COVID-19 through physical contact. This can attributed to the increase of e-wallets usage during the pandemic, as it is perceived to abide with health and safety recommendations in regards to efforts of COVID-19 spread reduction (Revathy & Balaji, 2020).

The growth of e-wallets in Indonesia can also be attributed to the digitalization of small-medium enterprises (SME/s), referred to locally in Indonesia as UMKM (*Usaha Mikro, Kecil, dan Menengah*). The pandemic has led to a global economic crisis, and this is visible through the many SMEs that have failed to survive throughout the pandemic. Amongst the many reasons that led to their failure, digitalization is named as one of the most important aspects that they have failed to implement towards their business model.

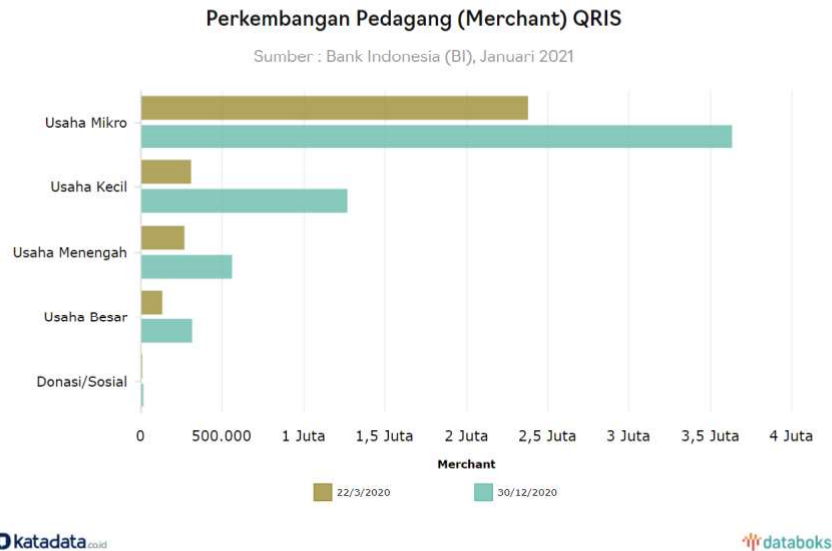


Figure 1.2 QRIS Merchant Development (Databoks, 2021)

SMEs are required to change, and innovate, their models to suit the customer expectations during the pandemic, such as digitalization in the form of utilizing digital payment platforms provided by e-wallets providers. Many businesses have chosen to incorporate e-wallet platforms as a way to increase financial efficiency. As shown in figure 1.2, the increased usage of the QRIS payment system amongst micro, small, and medium enterprises in Indonesia from Q1 and Q4 is significant. As Jakarta stands as the capital city of Indonesia, many have moved into Jakarta with hope of becoming successful by working in the nation’s capital. As there are still a large amount of undereducated population all around Indonesia, most do not qualify for formal jobs, thus needing to find other ways to become successful. One of the ways to achieve this is by starting their own small businesses, under the UMKM category. *Badan Pusat Statistik (BPS)* of Jakarta recorded 1.1 million

small-medium enterprises within the region of Jakarta, making up 98.78% of the total businesses in Jakarta (Rezqiana, 2021). Further growth towards SMEs are also supported by local governments, as Jakarta targets an increase of 200,000 SMEs in 2022.

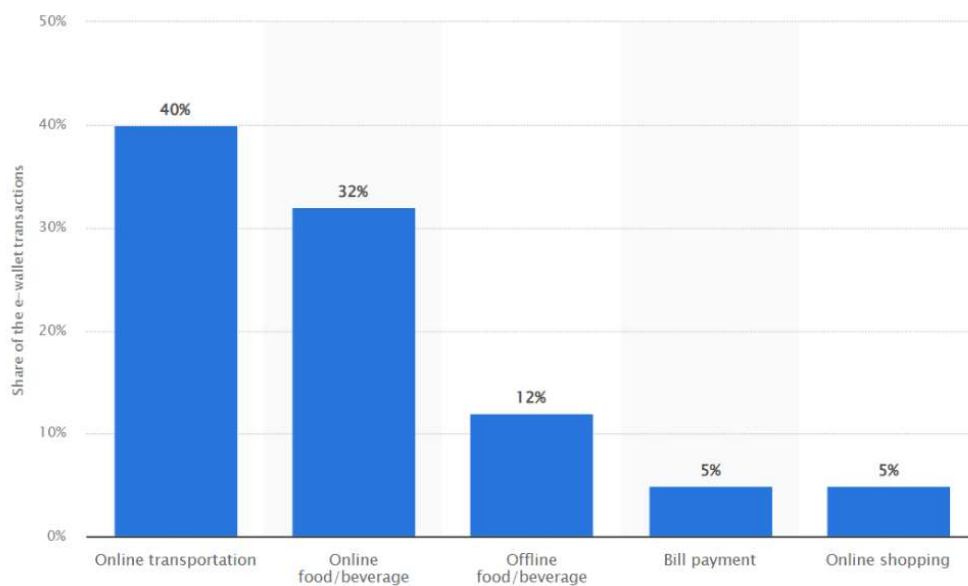


Figure 1.3 E-wallet usage amongst millennials of Indonesia in 2020 (Statista, 2020)

The Food and Beverage (F&B) industry of Jakarta has been recorded as the largest industry within SMEs. (Badan Pusat Statistik, 2020) recorded the F&B sector classifies as the largest sector of SMEs. Additional data from (Statista, 2020) mentions that 32% and 12% of millennial respondents utilize e-wallets to purchase food and beverage both online and offline respectively. The sum of F&B usage of e-wallets makes it the largest segment of e-wallets usage.

Despite all the benefits that e-wallets have to offer, it is inevitable problems will occur over time. One such examples are inconsistencies and lack of commitment from both SMEs as the merchants. There are still a large number of SMEs that are reluctant towards accepting digitization of their businesses, slowing down the implementation of e-wallets (Ambika & Lingappa, 2020).

The delay of e-wallet adoption is caused by the insufficient knowledge of e-wallet among smaller SMEs, as these businesses tend to choose traditional systems or simply using cash instead of e-wallets. This tendency can be attributed to the familiarity of using cash and the insufficient demand for transitioning cash into e-wallets systems. This explains the delay of digitization in Indonesia.

Additionally, despite promising prospects of growth for e-wallets in Indonesia, there are still certain problems that the population faces whilst using their e-wallets. Firstly, certain e-wallet features are lacking in transactional reliability, such as fund withdrawal, transfer malfunctions, and overall server performance. This can be seen from the numerous feedbacks provided by users on mobile apps stores of multiple platforms. Another problem in relation to said issue that are mentioned in the reviews are increasing costs for transactional fees. These fees are applied to deposits, transfers, withdrawals, and transactions. Although said fees are relatively small at roughly Rp. 2,500 per transactions, an increase in number of transactions would certainly increase in costs for its users, which may discourage lower-income users who are more sensitive to expense fluctuations.

It is because of this, further research on the factors which impact consumer behavioral intentions of e-wallet usage for F&B purchasing from SMEs. Existing research have studied the effects of different aspects of e-wallets have towards behavioral intentions of using the services towards SMEs in general. To the author's knowledge, there are limited evidence which defines the effects that e-wallets bring towards intentions to purchase F&B products from SMEs. With an example from (Aji et al., 2020), the study evaluates certain aspects which shows relations towards the intention to use e-wallets but lacks certain aspects and variables according to the author.

Preceding research conducted by (Kim et al., 2010) discusses the factors influencing intentions to use mobile payments. The result of said research finds that Perceived Ease of Use and Perceived Usefulness has significant effects towards intentions to use mobile payments. However, research conducted by (Chan et al., 2020) discovers that ease of use shows no significant effects towards intentions of using e-wallets.

Digitization increases risks of users' personal information as they are being transferred through on the internet, which pushes trust as an aspect which may affect behavioral intention. Additionally, as users are able to perform much more through their smartphones and the internet, they increase in mobility, which may serve to be an important factor affecting behavioral intention. Research conducted by (Akram et al., 2021) discovers that both trust and mobility have positive significant

effects towards e-commerce users. As e-commerce and e-wallets are both technological innovations, the author believes that the measurement of the two may be the same, but results are expected to vary due to the difference in function of both platforms.

Customization and Customer Involvement are also aspects which are believed to have positive significance towards the behavioral intentions of consumers to use e-wallets. Research conducted by (Liébana-Cabanillas et al., 2017) finds that both Customer Involvement and Customization have positive effects towards behavioral intention towards e-commerce. As both e-commerce and e-wallets are continuously developed to better improve customer experience and allow for higher intentions, these 2 aspects are worth investigating in research.

The troubles that SMEs face in adopting technology are different with large corporations, specifically with funding, resources, and knowledge of Internet-based technologies (Cragg & King, 1993). Therefore, research regarding variables which support the adoption of e-wallets towards F&B of SMEs is important for both academic and in real-life practices by businesses in Indonesia. The adoption of information technology in the form of e-wallets for SMEs is a field of study which requires a strong theoretical basis and requires strengthening of both conceptual and empirical foundations.

1.2 Research Problems

Based on the background of this research, the researcher identifies the following problems:

RQ 1: Does Perceived Ease of Use positively affect behavioral intention of e-wallet users towards its use in the F&B industry of SMEs?

RQ 2: Does Perceived Usefulness positively affect behavioral intention of e-wallet users towards its use in the F&B industry of SMEs?

RQ 3: Does Trust positively affect behavioral intention of e-wallet users towards its use in the F&B industry of SMEs?

RQ 4: Does Mobility positively affect behavioral intention of e-wallet users towards its use in the F&B industry of SMEs?

RQ 5: Does Customization positively affect behavioral intention of e-wallet users towards its use in the F&B industry of SMEs?

RQ 6: Does Consumer Involvement positively affect behavioral intention of e-wallet users towards its use in the F&B industry of SMEs?

1.3 Research Purpose

The purpose of this research is as follows:

1. To establish the influence perceived ease of use has to behavioral intention
2. To establish the influence perceived usefulness has to behavioral intention
3. To establish the influence trust has to behavioral intention
4. To establish the influence mobility has to behavioral intention
5. To establish the influence customization has to behavioral intention
6. To establish the influence customer involvement has to behavioral intention

1.4 Research Benefits

1. Practical Benefits

This research is made to better understand the impact and benefits of E-wallets which includes:

- a. Practical benefits for researchers which aim to have a better understanding of E-wallets and its impacts, as well as increasing

experience for both researchers in the application of knowledge towards real-world business practices, specifically in understanding the consumer behavior of e-wallets users.

- b. Practical benefits for lecturers as the results of this research are hoped to be valuable towards lecturers to help and improve student knowledge, improving the quality of studies and help provide a better understanding the consumer behavior of e-wallet users.
- c. Practical benefits for students as this research is expected to be a part of the major guideline for improvement of educational motivation and maximizing learning resources to better improve educational outcome.
- d. Practical benefits for readers as this research is expected to provide better knowledge and more insight into the consumer behavior of e-wallet users.

2. Theoretical Benefits

This research is expected to add insight, improve understanding, as well as become a future reference to factors which may have effects towards behavioral intention in the operation of e-wallets. The researcher hopes that information that are cited from authorized journals and experts of the are of knowledge can be valuable and assists the researcher into having a better understanding regarding the nature of behavioral intentions in real-life business practices. The researcher also

expects to better understand how e-wallets shifts traditional methods of financial transactions into a digital form, affecting behavioral intentions throughout society.

1.5 Thesis Systematic Structure

CHAPTER I: INTRODUCTION

The first chapter of this paper explains the background of the research, identify and describe problems of the research, define the research purpose, outline the research's scope, and provide an outline of the research.

CHAPTER II: LITERATURE REVIEW

The second chapter of this paper contains explanations and definitions of theoretical concepts used, a brief description of results from prior researches, and the establishment of the research hypotheses.

CHAPTER III: RESEARCH METHOD

The third chapter of this paper contains a description of the design for this research, an outline of research objects, the collection of samples methodology, collection of data methodology, as well as the methodology used to analyze research data.

CHAPTER IV: DISCUSSION AND ANALYSIS

The fourth chapter of this paper consists of the results of data analysis obtained and explained with statistical calculations to show the relationships between variables are made, including the hypothesis and variable testing.

CHAPTER V: CONCLUSION AND RECOMMENDATION

The fifth and final chapter of this paper concludes the results of analytical calculations and provides explanations of the possible implications that the study may incur to the aforementioned problems. Additionally, recommendations are made for future researchers to further explore the field of consumer behavior of digital services.

