CHAPTER I

INTRODUCTION

1.1 Background of the Study

Technology advancement is advancing quickly in this time of era. One of the most popular and effective technology for using information systems is the Internet. Internet which is well-known and often utilized by individuals from many social groups in Indonesia. Every year, there is a significant growth in Indonesia's internet development. The vast majority of internet users utilize smartphones with their respective Android and iOS operating systems. Internet-based applications result from information technology. According to the Association of Indonesian Internet Service Providers (APJII), there are over 200 million people used the internet in 2022, which is resulting in 73.7% of Indonesian population are using internet. (https://apjii.or.id/ retrieved in 2022, 5 Aug)
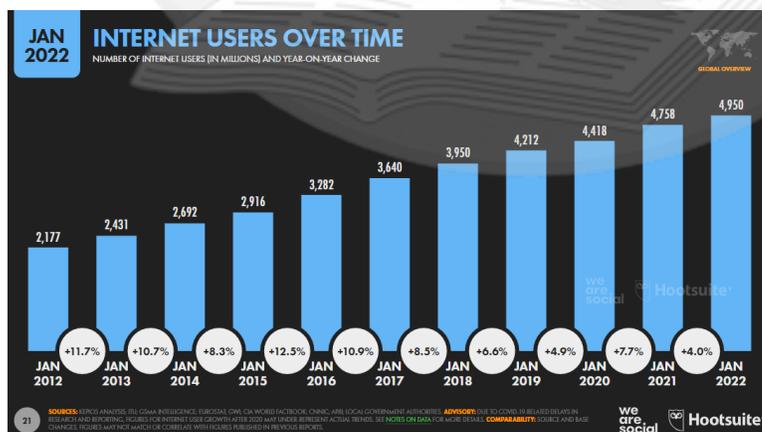

Figure 1. 1 Chart of Internet Users Over Time in Indonesia
Source: https://www.receh.in

Based on the chart above, it is undeniable that internet has become major part of our life. Due to the advancement of technology and things that are provided via internet, there are countless innovation brought to change our life including financial technology. Financial technology or often referred to as FinTech, has always been crucial to the financial services industry. Financial technology is defined as the fusion of technological and financial elements that alters the industry's business model and provides a way to lower obstacles. Financial technology's goal is to support and remove obstacles that can't be removed by conventional financial activity. Fintech is currently receiving greater attention worldwide, especially in Indonesia. E-wallets are one of the most well-known financial technology advancements that have been expanding quickly in Indonesia (Syifa & Tohang, 2020).

According to Ajmera and Bhatt (2020), e-wallet is a type of pre-paid account in which a user can store the user's money for any future online transaction. A password is required to access an e-wallet. One may pay for groceries, internet purchases, and tickets to flights, among other things, using an e-wallet. Software and data are the two major components of an e-wallet. The software component secures and encrypts the data while storing personal information. The information component is a database that contains information that the user has submitted, such as their name, shipping address, preferred method of payment, required payment amount, credit or debit card information, etc. e-wallet may also be used to make purchases at physical stores as well as online ones. e-wallet is therefore frequently regarded as the most practical payment method.

Through the Financial Services Authority, OJK, Indonesia has recently adopted a number of norms of conduct to provide participants and investors greater trust when accessing the fintech market. OJK has established the Fintech Lending Participants Association to serve as the focal point for cooperation and communication between the public and private sectors while also keeping a close eye on how players in the industry are operating in Indonesia. The fintech lending loan disbursement anticipates reaching a 214 percent growth rate in the next years, ultimately expanding 12.4 percent of credit availability for Indonesian citizens thanks to strong government oversight and a sizable market cap provided by Indonesia. (https://www.marketresearchindonesia.com/ retrieved in 2022, 5 Aug).

The number of fintech users and businesses grows yearly. The World Bank reports that the percentage of users of fintech rose from 7 percent in 2007 to 20 percent in 2011. In 2014, it rose to 36 percent, and by 2017, it had climbed to 78 percent, or 135–140 enterprises, with a total value of FinTech transactions in Indonesia expected to reach IDR 202.77 trillion in 2017 (https://www.finpay.id retrieved in 2022, 5 Aug).

The public's increased interest in utilizing electronic money may be due to the fact that traditional cash has several drawbacks, one of which is that it is less useful. Because purchasers must carry the same currency as the cost of the products, cash transactions are inefficient and may encourage criminal conduct. The people should be informed by the government about the usage of electronic money and its advantages, such as the abolition of counterfeit currency (Putri & Prasetyo, 2020).

Among the many e-wallet applications that are operating in Indonesia, this research paper concentrates on e-wallet DANA. DANA is an e-wallet application under a start-up company named PT Espay Debit Indonesia Koe which launched its service on 21st March 2018 by its founder Vincent Henry Iswaratioso. Being a start-up supported by major corporations such as Ant Financial (Alipay) and also PT Mahkota Elang Teknologi (EMTEK), DANA is able to develop themselves into one of the most used and trusted e-wallet in Indonesia (https://www.idxchannel.com retrieved in 2022, 5 Aug). One of the main purposes of DANA is to ease people's money transaction and also conducting a cashless and contactless lifestyle in Indonesia, in order to achieve that DANA has been collaborating with different banks and platforms such as BCA, BNI, BRI, BTN, CitiBank, HSBC, etc. (https://goodmoney.id retrieved in 2022, 5 Aug).

PT Kedace International (2021) conducted a survey titled "Digital Payment and Financial Services Usage and Behavior in Indonesia" with 1,000 respondents with the distribution of 40% respondents from Jakarta Metropolitan Area, 20% from Surabaya, and the rest are a combination from Makassar, Palembang, Bandung, and Medan. It can be concluded that the majority of the respondents choose OVO with 31% as their most used e-wallet application, followed up with Go-Pay with 25%, Shopee Pay 20%, DANA 19%, and lastly LinkAja with 4% (https://www.goodnewsfromindonesia.id/ retrieved in 2022, 6 Aug), which can be seen in the graph below.

Figure 1. 2 *Most Used e-wallet in Indonesia 2021*
Source: https://www.goodnewsfromindonesia.id/

Table 1. 1 The Most Used e-wallet in Indonesia 2021

E-wallet	Percentage	Rating in Play Store	Total Installed	Usage Rank
OVO	31%	4.4	10,000,000+	1
Go-Pay	25%	4.6	100,000,000+	2
Shopee Pay	20%	4.4	100,000,000+	3
DANA	19%	4.5	50,000,000+	4
LinkAja	4%	4.0	10,000,000+	5

Source: https://www.goodnewsfromindonesia.id/

DANA as one of the most used e-wallet in Indonesia has been trying to improve

its services rather than being just an e-wallet but also an application that can provide

many other features to ease people's financial purposes, such as paying several bills,

gaming contents, vouchers, etc. In order to provide an ease of transaction DANA has

implemented QRIS which is Quick Response Code Indonesia Standard which is useful

for quick transactional method by just scanning the QR or barcode provided by the

merchants in order to make a transaction, and is also easy to access in their application by just scanning through the QR code or barcode in the application (https://www.dana.id/ retrieved in 2022, 6 Aug)
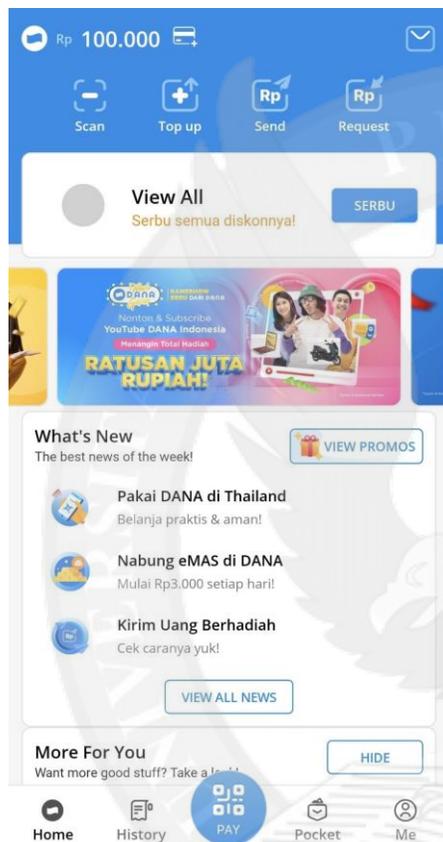
Figure 1. 3 Interface of DANA
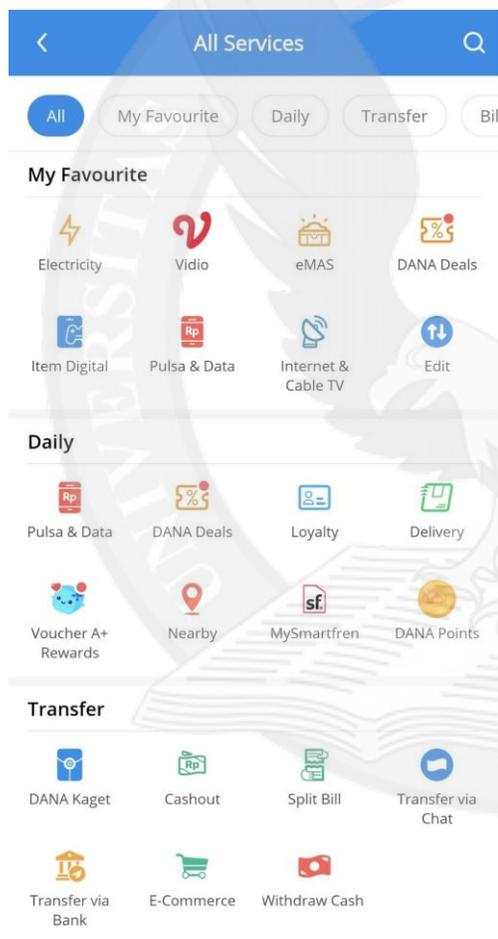Source: DANA Application

Being in a competition with many other corporations that try to compete in the digital wallet market in Indonesia where they are trying to establish a minimalized usage of physical money and the start of utilizing digital money, it is rather important for DANA to be able to increase their actual usage. The reason is that according to Ameen et al. (2019) actual usage is defined as the extent and manner in which users make use of an information system's capabilities. For instance, the quantity, regularity,

kind, convenience, and purpose of usage. This can be indicated through the significant growth that DANA had throughout the year of 2021 where the users are going from 50 million in December 2020 to 70 million in the first half of 2021, and their average growth of transactions per day recorded in May 2021 increased by 164 percent (https://www.idnfinancials.com/ retrieved in 2022, 6 Aug). This shows that the actual usage of DANA continues to increase.

Furthermore, another important aspect is the behavioral intention explained by Kotler (2014), behavior intention is a state in which customers willingly communicate their superiority with other parties and have the intention or attitude of being loyal to a brand, product, and organization. In addition, according to Dharmesta (2008), behavioral intention can be defined as consumers who want to utilize services constantly exhibit certain behaviors or attitudes. In DANA itself, according to the research conducted by PT Kedace International (2021) among the 1,000 respondents, a total of 93 percent users is aware of the application DANA and also 46 percent users are actively using it, this survey shows the behavioral pattern and the user's intention of using DANA whether in present or in the future.

According to Achiriani & Hasbi (2021), performance expectancy is the amount of technology use by consumers, and it indicates how much they value the advantages technology may bring to their daily lives. According to Vankatesh et al. (2003), performance expectancy is the degree to which a customer uses technology to profit from routine everyday activities. In this case for DANA, in order to live up the consumer's expectations toward its performances, DANA provides many different

kinds of services in an application to be used in daily lives such as e-wallet, electronic products (PLN, PDAM, game digital items, internet cable TV, etc), delivery and many more. DANA also collaborated with many different kinds of bank to ease up the consumer's transactions between e-wallet and banks, DANA also came up with several promotional deals to its consumers such as vouchers and discounts to several stores which are partnered with DANA.

Figure 1. 4 DANA Services
Source: DANA Application
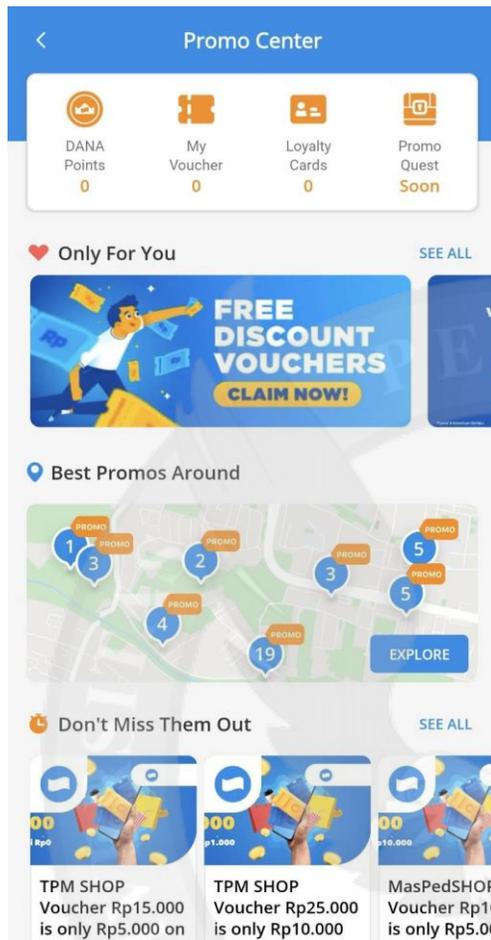
Figure 1. 5 DANA Promotion Offers
Source: DANA Application

According to Celik (2016) Effort Expectancy is an individual assessment about the level of utilization of technology that does not require more effort. Furthermore, according to Vankatesh & Morris (2003) as cited in Gholami et al. (2010), effort expectancy is known as the amount of convenience that consumers experience when paying with mobile devices for online purchases. This is connected to employing a very straightforward system that is simple to comprehend and doesn't require special skills to utilize the mobile payment system. In this case, DANA create its application to be

easily use by the consumers which does not include anything complicated in order to make a transaction. When creating an account through the application, it just needs the consumer's identity and phone number in order to create the account and it is explained with clear instructions in order to make the consumers follow it easily (https://www.dana.id/ retrieved in 2022, 8 Aug)

Figure 1. 6 DANA Instructions
Source: DANA Official Website

According to Tarhini et al. (2016), social influence is the term used to describe the peer pressure that comes from the outside world that surrounds an individual and can affect their views and behavior in carrying out particular behaviors. DANA posed as one of the most influential e-wallet application in Indonesia, as DANA itself has served for more than 100 million users and there are over 5,000 QRIS merchant using DANA as transactional method throughout the country (https://www.liputan6.com/ retrieved in 2022, 8 Aug).

According to Venkantesh et al. (2012) definition of facilitating conditions is a person's impression of the infrastructure, resources, and approaches for employing technology. In other words, this variable examines how much a person feels the system's existing technological capabilities can support its use. Facilitating Condition is the degree to which technology users consider the technical and infrastructure to be readily available to support technology (Jogiyanto, 2007). DANA provides a help center and resolution center in their application in order to sort out any problems that are faced by the consumers while doing transaction or using other services. Consumers who encountered problem can also reach DANA by using e-mail or direct contact with DANA, consumers who wants a technological support will need to fill out a form provided by DANA submitted alongside the prove of the problem (https://www.dana.id/ retrieved in 2022, 8 Aug).

The reason that performance expectancy, effort expectancy, social influence and facilitating condition are the focus of this research paper is because in this fierce competition of digital industry happening in Indonesia especially towards the digital payment system. Therefore, an actual usage towards the application and also its behavioral intention upon using the technology in order to maintain and keep on leading towards the digital industry. Thus, this research will be focusing on proving the variables of Performance Expectancy, Effort Expectancy, Social Influence and Facilitating Condition have significant influence on Behavior Intention and eventually the influence of Behavior Intention towards Actual Usage of DANA users in Medan.

1.2 Problem Limitation

In order for this research to be more precise, there are some limitations as follows:

1. This research will study about several variables including Actual usage of digital payment systems, behavioral intention to use digital payment systems that contain performance expectancy, effort expectancy, social influence, and facilitating condition. Specifically on the research object of DANA users in Medan.

2. The data that is going to be used in examining the research model is going to be collected in form of questionnaires that are designed based on the research object.

3. The samples that are going to be analyzed are limited to certain criteria; both male and female, 18 to 60 years old, living in Medan, have done an DANA top up and used the DANA application at least 2 times in the last three months, know the promos offered by DANA, ever received invitations to use DANA from family, friends and the surrounding community and have made various purchases of electronic products (eg credit, PLN, PDAM) using the DANA application.

1.3 Problem Formulation

Analyzing what is the influence of Performance Expectancy, Effort Expectancy, Social Influence and Facilitating Condition toward Behavioral Intention and Actual Usage is the intention of this research, therefore here are the problems of formulation that are found in this research that attempts to answer the following questions:

a. Does performance expectancy significantly influence behavior intentions of DANA in Medan?

b. Does effort expectancy significantly influence behavior intentions to use digital payment systems of DANA in Medan?

c. Does social influence significantly influence behavior intentions of DANA users in Medan?

d. Does facilitating condition significantly influence behavior intentions of DANA users in Medan?

e. Does behavioral intention significantly influence actual usage of DANA users in Medan?

1.4 Objective of the Research

Here are some objectives of the research to solve the problem that've been found, which are:

1. To determine whether performance expectancy have a significant impact on behavior intentions of DANA users in Medan

2. To determine whether effort expectancy have a significant impact on behavior intentions of DANA users in Medan

3. To determine whether social influence have a significant impact on behavior intentions of DANA users in Medan

4. To determine whether facilitating condition have a significant impact on behavior intentions of DANA users in Medan

5. To determine whether behavioral intention a significant impact on actual usage of DANA users in Medan

1.5 Benefit of the Research

The author hopes that this research paper could provide advantages for any stakeholders under this specific topic not only theoretically but also practically.

1.5.1 Theoretical Benefit

The benefit of doing this research theoretically is to provide future references and become the basis to improve the theory of Performance Expectancy, Effort Expectancy, Social Influence and Facilitating Condition toward Behavioral Intention and Actual Usage related to the businesses.

1.5.2 Practical Benefit

Other than gaining benefits on the theoretical side, this research will also provide benefit to the practical side. This research will be able to serve as a help for many, such as the writer, the company and other researchers as well.

a. For the writer, it is to gain knowledge on performance expectancy, effort expectancy, social influence and facilitating condition toward behavioral intention and actual usage and how they are being affected of each other. This is to boost and add to overall information on Marketing study program

b. For the company, this research is hoped to raise awareness and ways to improve their business marketing strategies, what to be done to improve and focused later on. Another is to strengthen their strategy and to understand their customer more especially in the Medan customers area.

c. For other researchers, this research can be able to act as a reference, basis, or source of information for other researchers that are interested in doing research with similar variables.