

CHAPTER I

INTRODUCTION

1.1. Background of the Study

Financial Technology or Fintech has significant potential for economic recovery. Currently, access to finance is increasingly wide open, making it one of the tips for development in the digital era. The approach to financial inclusion is not just an afterthought, but involves parties such as the central bank, regulators, ministries, and other institutions that provide financial services to the wider community. Through national policies, it is hoped that cooperation between government agencies and stakeholders can be carried out in a well-organized manner (Bank Indonesia, 2020).

The use of electronic wallets, often known as e-wallets, to make payments and store money online has grown in popularity in recent years. Dana Digital Wallet is one of the most well-known e-wallets in Indonesia. It provides users with several advantages, such as fast and simple transactions, cashback rewards, and the ability to pay bills and buy phone credit (Ardana and Setyawan, 2023).

Digital wallets are one of the most popular payment methods compared to other payment methods today. Several previous studies state that the usage of E-wallets, they found that the greater the consumers' intention to use E-wallet applications, the greater the actual usage (Pertiwi et al., 2021), (Phan et al., 2020). This can be seen from the following data taken from Katadata.



Figure 1.1 Preferred Payment Method (2022)

Source: Katadata.co.id (2022)

The increasing fintech industry in Indonesia has led many companies to create e-wallet platforms, so the competition between e-wallet companies is getting tighter (Kumbara et al, 2023). This shows the importance of Dana in retaining users and increasing the expansion of digital wallet users to remain competitive with similar digital wallet applications. Intention is behaviour to carry out desires that are not always static which can change desires over time. Desires come from oneself, such as wanting something or future desires to be achieved (Jogiyanto (2009) in Rambe and Bangsawan, 2023).

Decision to use is behavior to carry out desires that are not always static which can change desires over time. Desires come from oneself, such as wanting something or future desires to be achieved (Jogiyanto (2009) in Rambe and Bangsawan (2023). DANA is an E-wallet service provider through their own smartphone application. It is a product designed by PT Espay Debit Indonesia Koe which is registered to Bank Indonesia. As one of the favourite e-wallets now,

DANA is still unable to show good performance in terms of user acquisition compared to its competitors in the following data.

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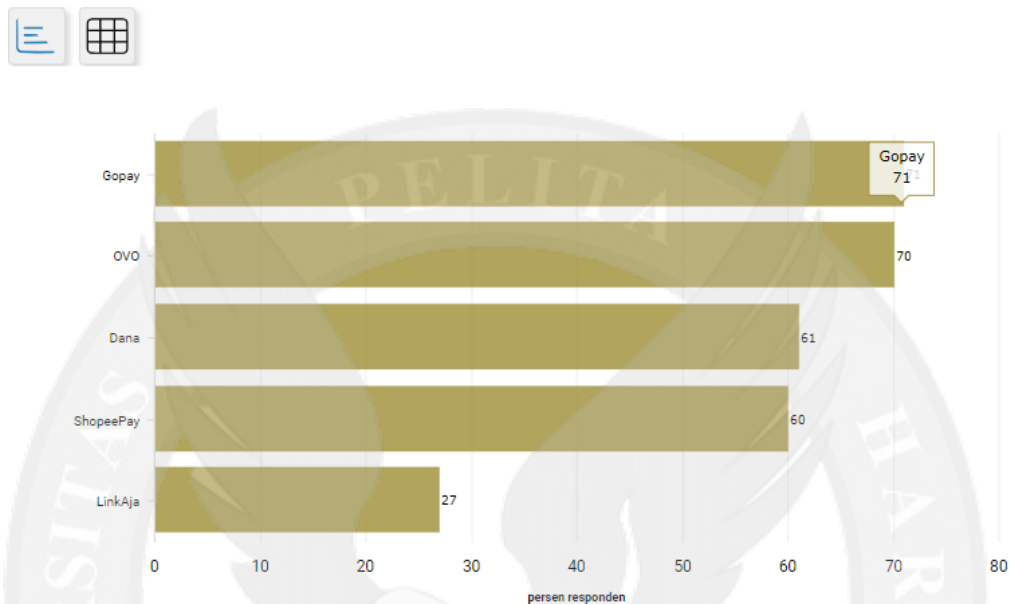


Figure 1.2 Brand of Digital Wallet used by Respondents (2022)

Source: Katadata.co.id (2022)

Insight Asia conducted this survey in September 2022, involving 1,300 respondents aged between 18-55 years old with respondents spread across several major Indonesian cities, namely Jabodetabek, Bandung, Medan, Makassar, Semarang, Palembang, and Pekanbaru. According to Insight Asia's E-Wallet Industry Outlook 2023 report, of the 1,300 urban residents surveyed, 74% have used a digital wallet. In that group, about 61% use multiple digital wallet apps at once. The most widely used platform is Gopay, with 71% of users. However, Gopay competes very closely with OVO, whose proportion of users reaches 70%. Meanwhile, the proportion of users of other digital wallet platforms such as Dana,

ShopeePay, and LinkAja are smaller as shown in the graph (Katadata, 2022). This shows that Dana has a high user base.

To see the number of users of the Dana Digital Wallet application, here is a view of the Dana application on the Play Store that has been downloaded by consumers as follows.

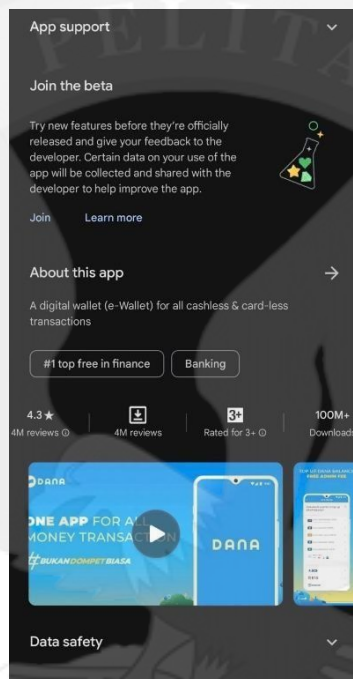


Figure 1.3 Number of Dana Digital Wallet Downloads (2023)

Source: Prepared by the writer (2023)

From the number of downloads on Play Store, it shows that the Dana application has a rating of 4.3 and has reached 100 million downloads from users who have used the Dana application.

Electronic customer loyalty is the commitment of users to continue using the app consistently and make online transactions in the future without being influenced by marketing efforts from competitors and feel like recommending the application to others. want to recommend the application to others (Syahidah and

Aransyah, 2023). To see consumer loyalty, the author takes data on the number of digital wallets that are most widely used as follows.

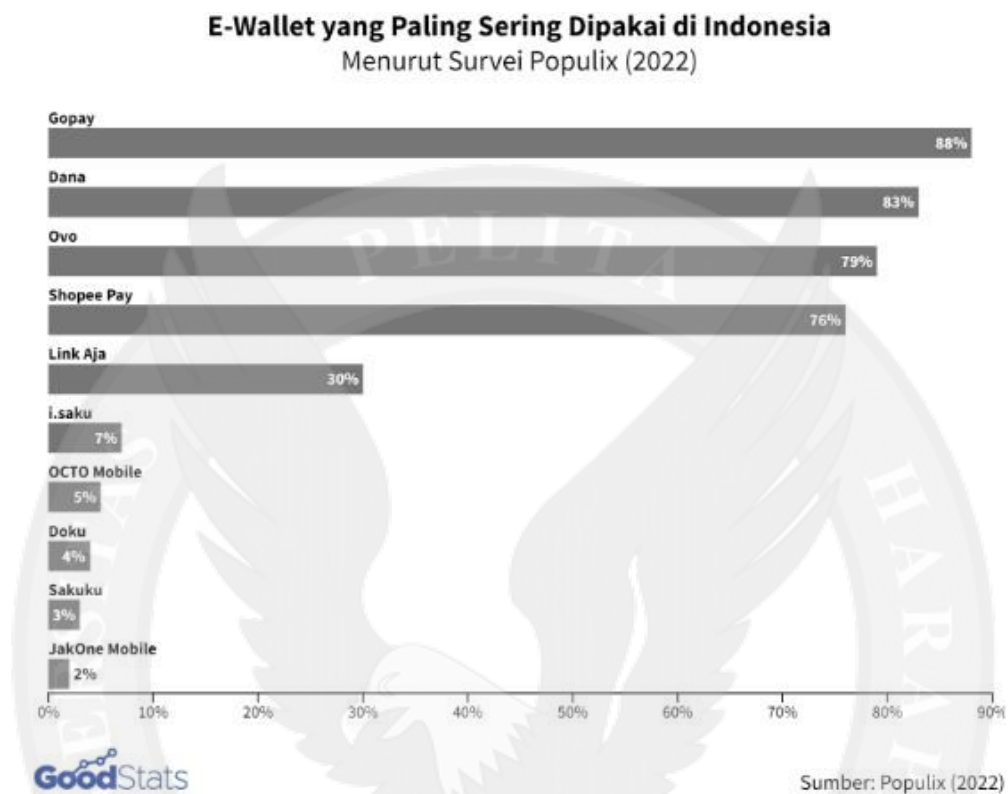


Figure 1.4 Most Used EWallet (2022)

Source: GoodStats (2022)

The data shown shows that Dana is in second place as the Digital Wallet most frequently used by consumers. This shows that Dana Digital Wallet has active users and is loyal in using Dana's digital wallet.

Table 1.1 Number of Downloads of E-Wallets

| E-Wallets | Number of Downloads | Rating |
|--------------------|---------------------|--------|
| Gopay | 5M+ | 4.7 |
| Dana | 100M+ | 4.6 |
| OVO | 50M+ | 4.2 |
| LinkAja | 10M+ | 3.6 |
| ShopeePay (Shopee) | 100M+ | 4.6 |

Source: Google Play (2023)

From the number of e wallets downloaded on the Google Play Store, it shows that Dana users are above other Ewallet brands, which states that Dana has a very wide network of users compared to other brands.



Figure 1.5 User of EWallets (2022)

Source: Ipsos (2022)

ShopeePay has the most loyal users among other digital wallets, with an NPS of +42% from 598 respondents. Followed by Ovo +34% with 684 respondents, GoPay +28% of 580 respondents, Dana +27% with 475 respondents, and Link Aja +19% with 295 respondents. In other words, ShopeePay and Ovo are the digital wallets that most users recommend to others.

From the usage mapping, it is known that ShopeePay tends to be used for shopping payments in e-commerce, the use of Gopay is fairly dynamic following its ecosystem, namely Gojek, while Ovo is mostly used for shopping at restaurants directly. As for Dana and LinkAja, their use is more often in malls directly, or to pay bills.

Convenience is the saving of time and energy in using the application to make it easier for users when looking for products and offers according to what they want (Kumbara et al, 2023). With the ease of E-Wallet transaction users, it will be easier for people to operate to use E-Wallet. The use of technology is one of the factors in the ease of using an E-wallet DANA application. So that it can make it easier for consumers to make online transactions using E-Wallet DANA (Abrilia and Sudawanto, 2020). In using the Dana application, the dominant consumer states that they are comfortable and feel safe. The following are the results of consumer reviews of the Dana application.

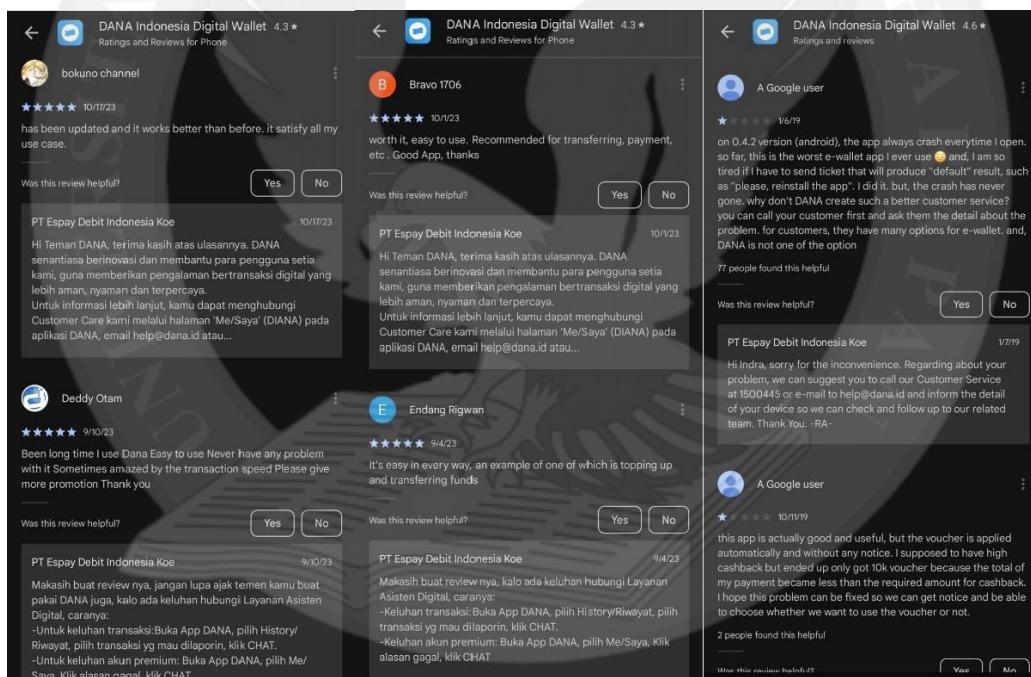


Figure 1.6 Review of Convenience using Dana (2023)

Source: Prepared by the writer (2023)

From the reviews given by consumers, it shows that consumers who use Dana give a positive and comfortable response in using the Dana Digital Wallet and show that the Dana application is able to fulfil the convenience expected by

consumers although there are still complaints about the convenience of using Dana Digital Wallet.

Efficiency is used in measuring the excellence and accuracy of services received by online customers (Yuliana et al, 2020). Efficiency is the best possible ratio between inputs and outputs (the result of the benefit to the resources used), as well as the optimal result achieved with the use of limited resources. The Dana application is efficient in terms of ease of use and appearance as follows.

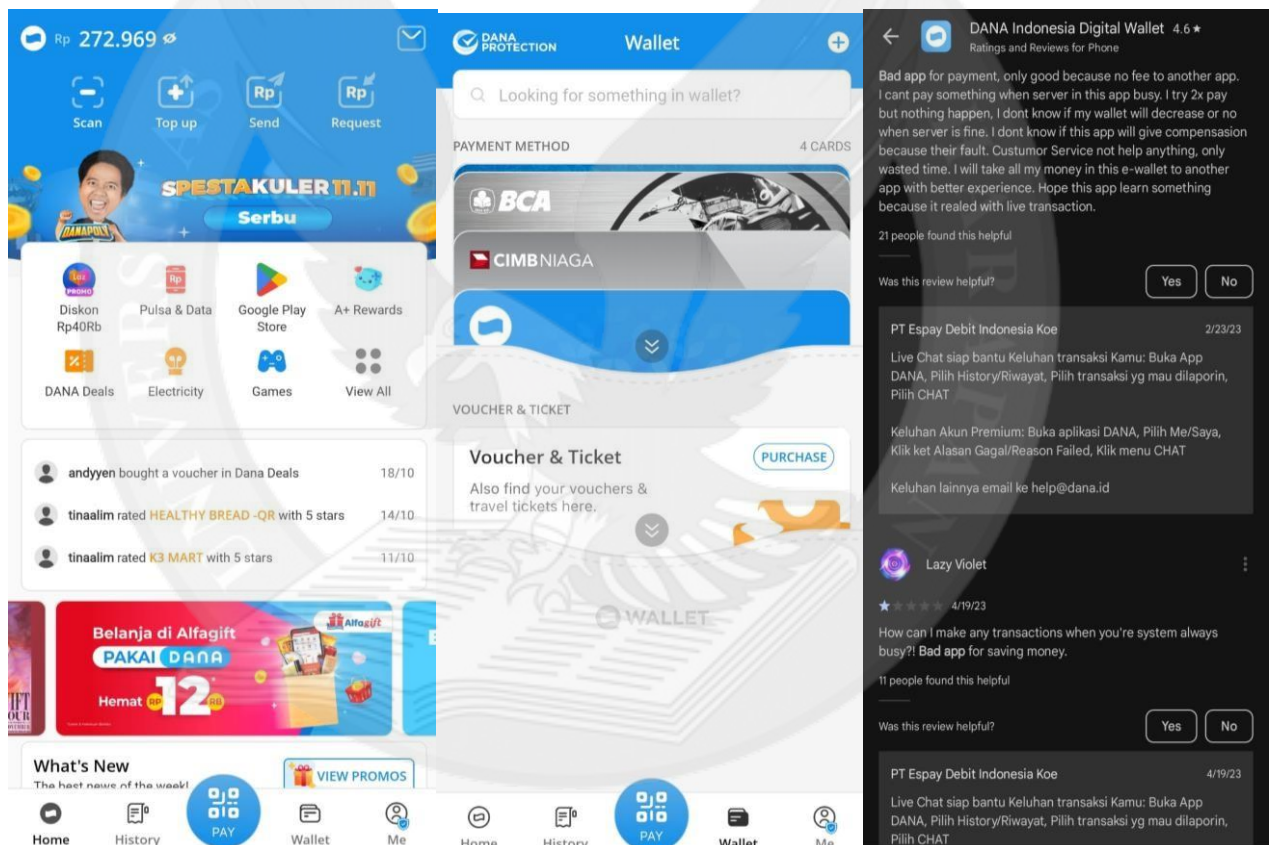


Figure 1.7 Efficiency of Dana Application (2023)

Source: Prepared by the writer (2023)

The Dana digital wallet display shows commonly used menus such as sending, receiving money, QRIS payments and various other features that make it easy for consumers to use Dana efficiently. This efficiency is also supported by the

ease of adding various Debit cards owned by consumers as payment options and top-ups.

Customer service quality is realized through the fulfilment of customer needs and desires and the accuracy of their delivery in balancing or exceeding customer expectations (Mahasani and Wahyuningsih, 2021). In the aspect of customer service, DANA provides 24/7 customer service every day by providing responsive service to various problems experienced by consumers.

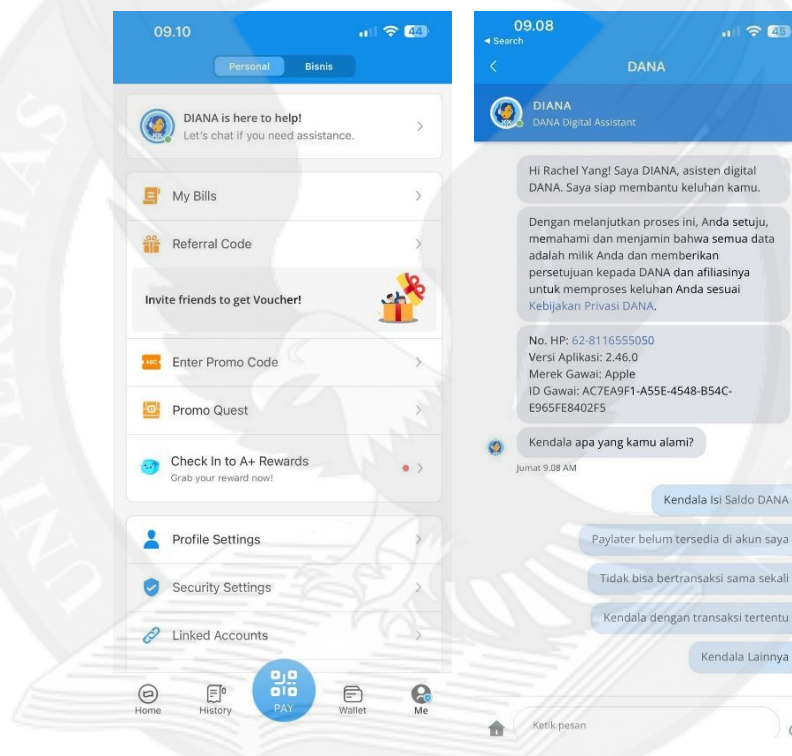


Figure 1.8 Customer Service of Dana Application (2023)

Source: Prepared by the writer (2023)

From the Dana application, it can be seen that DANA provides 24/7 customer service every day which functions to help and ask about various obstacles experienced by consumers in using the Dana application. This shows that Dana has a good application and has customer service that is qualified to help consumers' problems.

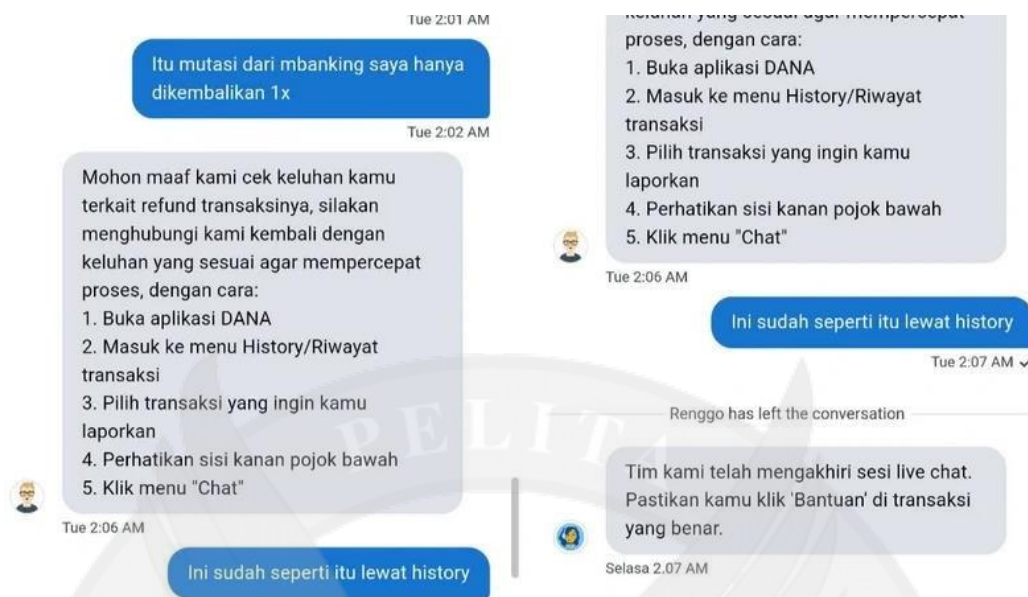


Figure 1.9 Complaints of Customer Service of Dana Application (2023)

Source: Prepared by the writer (2023)

It can be seen from the data that in the fund's customer service, it is still not optimal because it still dominantly relies on chatbots and has not provided a full solution to the problems experienced by users.

Based on the discussion in the background, the writer chose DANA users as the object of research by discussing their relationship with the Convenience, Efficiency and Customer Service variables and their relationship to the decision to use DANA and the loyalty of consumers, so the title of this research is **“The Effect of Convenience, Efficiency, and Customer Service on Decisions to Use Dana Digital Wallet and Consumer Loyalty in Medan.”**

1.2. Problem Limitation

The limitations of the problem in this paper are Convenience, Efficiency, and Customer Service and its effect on Decisions to Use Dana Digital Wallet and

Consumer Loyalty in Medan. This study will use a questionnaire filled with statements based on the selected indicators for each variable. This questionnaire is aimed at obtaining data from respondents which are limited to consumers that are using or have used the DANA application in Medan. To measure the variable, indicator of convenience is about can be accessed anytime, able to do transactions anywhere, comfortable in using (Kindagen et al, 2020). The efficiency indicator is about fast service and short waiting time, saving time, dan complete transactions quickly and reducing activity cost (Kindagen et al, 2020). Indicator of customer service is about very innovative, funds can be used throughout the merchant both online and offline, many promos and cashback, the availability of responsive customer service and provide notifications after making transactions (Sari and Waluyo, 2022). The indicator of consumer decisions is about attention, interest, desire, decision (Junaidi, 2018). The indicator of consumer loyalty is about cognitive, affective, conative and action (Syahidah dan Aransyah, 2023).

1.3. Problem Formulation

The following is the questions needed to be answered in this research are as follows:

- a. Does Convenience have partial effect on Decisions to Use Dana Digital Wallet?
- b. Does Efficiency have partial effect on Decisions to Use Dana Digital Wallet?
- c. Does Customer Service have partial effect on Decisions to Use Dana Digital

Wallet?

- d. Do Consumer Decisions to Use Dana Digital Wallet have partial effect on consumer loyalty in Medan?

1.4. Objective of the Research

According to the problem formulation above, the objectives of this research are as follows:

- a. To explain whether Convenience has partial effect on Decisions to Use Dana Digital Wallet.
- b. To explain whether Efficiency has partial effect on Decisions to Use Dana Digital Wallet.
- c. To explain whether Customer Service has partial effect on Decisions to Use Dana Digital Wallet.
- d. To explain whether consumer decisions to Use Dana Digital Wallet have partial effect on consumer loyalty in Medan.

1.5. Benefit of the Research

Benefits of this research can be listed as follow:

1.5.1 Theoretical Benefit

The results of this research are expected to contribute to the existing theories relevant with convenience, efficiency, and customer service on decisions to use dana digital wallet and consumer loyalty.

1.5.2 Practical Benefit

The practical benefit of this research as follow:

- a. For the writer, the result of this research is expected to explain the effect of convenience, efficiency, and customer service on decisions and consumer loyalty.
- b. For Dana Digital wallet user, this research as information about whether the survey that has been conducted will be useful to improve business performance.
- c. For other researchers, to be a guide and reference in leading the researcher to do other research that is compatible with this research.

