

CHAPTER I

INTRODUCTION

1.1. Background of the Study

The quality of technological developments in Indonesia is currently progressing quite rapidly, causing major changes in people's daily lives. Starting from the social, educational, economic, and cultural aspects, technology has been applied as a means of approaching society. With increasingly sophisticated technology, many daily activities are now easier to do anywhere and anytime, one of which is in terms of transactions. Indonesian people are more accustomed to transacting using cash in the form of banknotes and coins. However, in today's technological era, it is possible from an economic perspective to make payments, many people are already using Electronic Money (E-Money) or Electronic Money because making payments using cash on a macro scale is considered inefficient and can increase the risk of crime. for some. Technological sophistication that is developing rapidly in terms of payments is currently able to divert cash that was previously used as the main means of payment into payments using Electronic Money (E-money) which is more effective and efficient (Octavia et al., 2019). A survey by the Indonesian Internet Service Providers Association (APJII) noted that internet penetration in Indonesia will reach

78.19% in 2023 or penetrate 215,626,156 people out of a total population of 275,773,901 people.

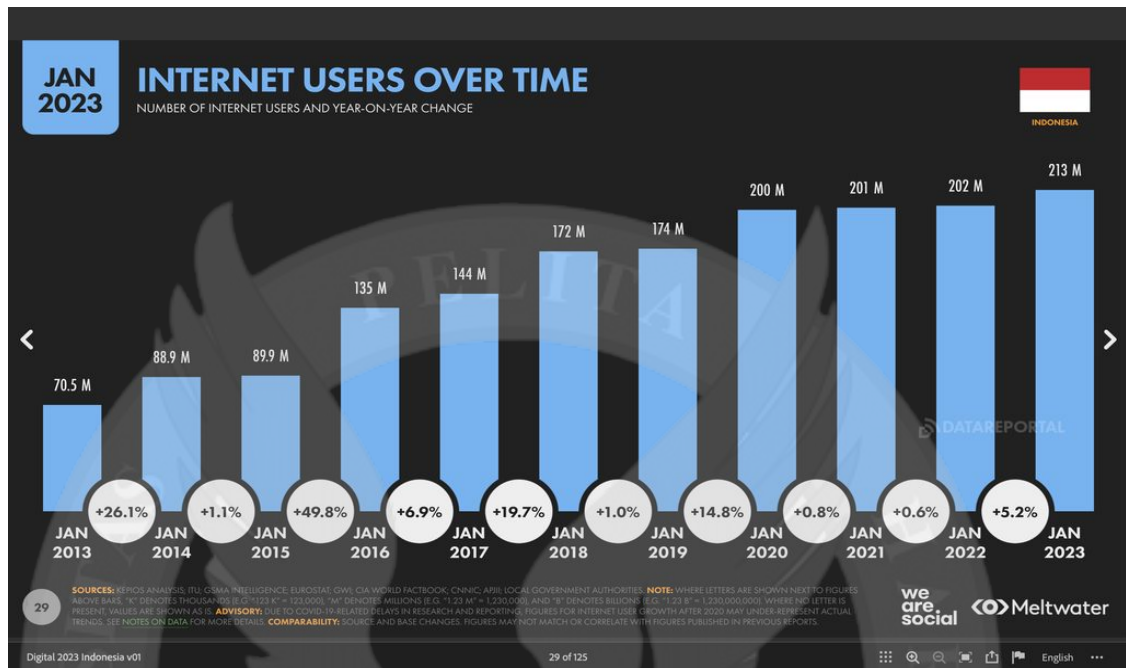


Figure 1.1 Chart of Internet User Over Time In Indonesia
Source: <http://www.inet.detik.com>

The internet has undeniably become an important aspect of our lives. Numerous inventions, including financial technology, have been introduced to transform our lives as a result of the progress of technology and the items that are provided via the internet. Financial technology, or FinTech, has long been critical to the financial services business. Financial technology is defined as a combination of technological and financial factors that are changing industries and business strategies. Financial technology's purpose is to help and remove impediments that traditional financial activity cannot.

Fintech is gaining popularity around the world, particularly in Indonesia. E-wallets are one of the most well-known and fast-developing financial technology breakthroughs (Syifa & Tohang, 2020).

People who make non-cash payments are tantamount to supporting government programs in realizing the Indonesian Movement Non-Cash (GNNT). GNNT is intended so that the Indonesian people, business people, and government agencies can reduce the use of cash payments so that a society that uses non-cash payments (Cashless Society) is formed (Octavia et al., 2019).

Bank Indonesia, as the main actor in providing payment system services, also contributed to the action of Electronic Money transactions, namely the Indonesian Non-Cash Movement (GNNT) in 2014. One of the reasons Bank Indonesia supports this government program is to save operational costs for producing cash. Bank Indonesia budgets a minimum of 3.5 trillion rupiah for printing cash annually. The Indonesia Non-Cash Movement Program (GNNT) has had a positive impact on the Indonesian economy (Nustini, 2018).

E-Money in Indonesia was inaugurated on April 13, 2009, in Bank Indonesia Regulation Number: 11/12/PBI/2009 concerning Electronic Money which was later ratified on May 7, 2018, to become Bank Indonesia Regulation Number: 20/6/PBI/2018 concerning Money Electronic. Following Bank Indonesia Regulation Number: 20/6/PBI/2018, Electronic Money is issued based on the value of money deposited in advance by the holder to the issuer and the value of the money is stored electronically in a medium such

as a server or chip. With the existence of electronic money, fast, practical and efficient payment transactions are created as well as automatic recording of transactions so that they are more accessible to users (Nustini, 2018).

According to InsightAsia in 2022, e-wallet transactions in Indonesia have reached IDR 35.1 trillion per month. Other data according to RedSeer projects that e-wallet transactions in Indonesia will reach US\$70.1 billion by 2025. These data show that e-wallets have enormous potential as one of the payment systems in Indonesia. This is also confirmed by the results of a survey conducted by RedSeer in 7 major cities (Jakarta, Bekasi, Bandung, Medan, Tangerang, Depok, Semarang, Makassar, Palembang, Bogor, Pekanbaru.) in Indonesia showing that 71% of respondents actively use e-wallets for various transactions, far more than other payment methods, even exceeding the use of cash which is only 49% and bank transfers which are only 24%. Kompas (2023).

According to Khadka and Maharjan (2017), satisfied customers will usually make more purchases from companies and become a network to reach other potential customers by sharing their experiences. Based on data OVO is a smart application that provides online payment and transaction services (OVO Cash). OVO offers the convenience of transactions without requiring customers to bring too much cash. One of them is simply showing the OVO application in which there are cash and point balances. From November 2017 to December 2018, OVO's user base grew by more than 400%, with the fifth-largest transactions in the transportation, retail, and E-Commerce sectors (Malia, 2020). Consumer interest in making payment transactions using E-

Money on the OVO application is increasing every year because of the many conveniences and benefits felt by its users.

Lawton (2016) also shows several ways, such as convenience, social media, online customer services, loyalty programs, gamification, best reviews, and payment options to help build trust and Customer Loyalty online. Loyalty arises from self-awareness and without coercion. Customer loyalty begins with customer satisfaction with the quality of the product or service they receive based on the expectations that have been conceptualized in their minds. These expectations arise from products or services that have been received previously as well as word of mouth that reaches customers. Information obtained from Olsera.com states that OVO provides flexibility by providing easy transactions for customers to attract customers to always use OVO. Olivia Samosir, Director of Customer Experience at Ipsos Indonesia, said that 71 percent of the younger generation were motivated to use a digital wallet for the first time because of a promo. But as time goes by, they get used to the convenience offered by digital wallets, their loyalty is no longer determined solely by promos but by trust in using e-wallets (Kompas.com, 2022).

According to Pramuditha et al. (2021), reliability is the customer's perception of site reliability and promptness of service promises, A survey conducted by Populix shows that currently there is 5 electronic money that are most widely used by Indonesians, namely Gopay, OVO, Dana, Shopee Pay, and LinkAja. The survey entitled "Consumer Preferences for Banking

and e-Wallet Applications" was boldly conducted on 1,000 respondents aged 18-55 years in several major cities in Indonesia (Pramudita et al., 2021).

Table 1.1 E-wallet user percentages

Rank	E-wallet	%
1	Gopay	88%
2	DANA	83%
3	OVO	79%
4	Shopee Pay	76%
5	LINK aja	30%

Source: <https://www.money.kompas.com>

As a result, GoPay won the most widely used electronic money with a value of 88%, followed by DANA at 83%, OVO at 79%, Shopee Pay at 76%, and LinkAja 76%. The study cites a number of main reasons for the popularity of e-wallets which have driven their increased usage in people's daily lives. The highest point is because it facilitates transactions, then because it is integrated with e-commerce, and the third highest is because it is easy to use. GoPay is considered to fulfill these three elements, thus making the level of use by the community very high. The survey results also noted that the majority of transactions using E-Wallet were for E-Commerce payments, followed by online motorcycle taxi/*ojek* transportation payments, and credit top-up (Kompas.com, 2022). As we can see from the data, OVO app has been used by 79% of the survey population that indicate the apps are reliable for the market users. This means OVO is one of the most reliable e-wallets in the market right now.

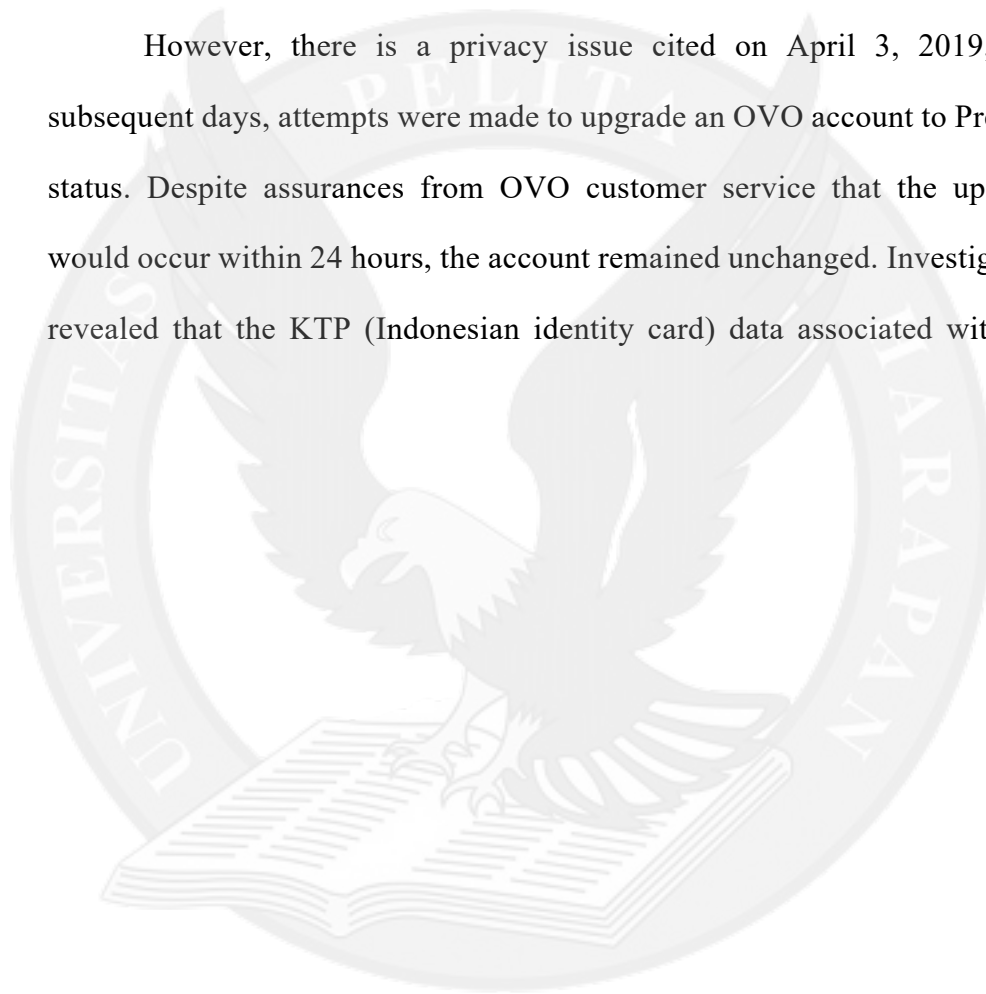
Even though OVO has advantages in several aspects, it is also faced with challenges and pressure from its competitors. Intense competition in the mobile financial industry forces OVO to continuously improve the quality of

its services and face various challenges such as data security, government regulations, and increasingly high user expectations. Additionally, the adoption of new technology and changing consumer trends are also factors they must handle carefully. Even though OVO has shown its resilience in facing this competition, it still must remain alert and adaptive to market changes.

The platform for digital payments, rewards, and financial services, OVO continues to work to ensure and improve the security of users' personal data. This is done as an effort to increase customer confidence to continue using OVO in transactions. Data Privacy Officer (DPO) Lead OVO Ruben Sumigar said, his party always tries to update the Privacy Policy. This is so that it remains in line with technological developments and applicable laws and regulations to respect the rights of its users. "OVO believes that the security of users' data is very important and is our priority. With a layered security system, OVO users' data can be guaranteed so that we can continue to provide the best, safest, and most reliable service. for all OVO users," he explained in an official statement, on Monday (18/10). According to him, OVO is always committed to safeguarding each of its users' data. Each OVO application is equipped with a security code feature and 2-step verification every time a user enters the OVO application. Apart from continuing to educate and urge users to protect personal data, he continued, OVO has prepared a number of technical tools that are layered in nature to prevent leakage of users' personal data, namely Data Loss Prevention (DLP) Tools. In addition, to date, OVO has also stepped up fraud prevention measures.

Among other things, there is an Information Security (InfoSec) team whose function is to prevent and deal with leaks of personal data of its users. OVO has also carried out the mandate set by the applicable laws and regulations by placing each user's data in a data center located in Indonesia. (Mediaindonesia, 2021).

However, there is a privacy issue cited on April 3, 2019, and subsequent days, attempts were made to upgrade an OVO account to Premier status. Despite assurances from OVO customer service that the upgrade would occur within 24 hours, the account remained unchanged. Investigation revealed that the KTP (Indonesian identity card) data associated with the



account had been linked to another user, raising concerns about data security and verification processes at OVO. (Mediaindonesia, 2021).

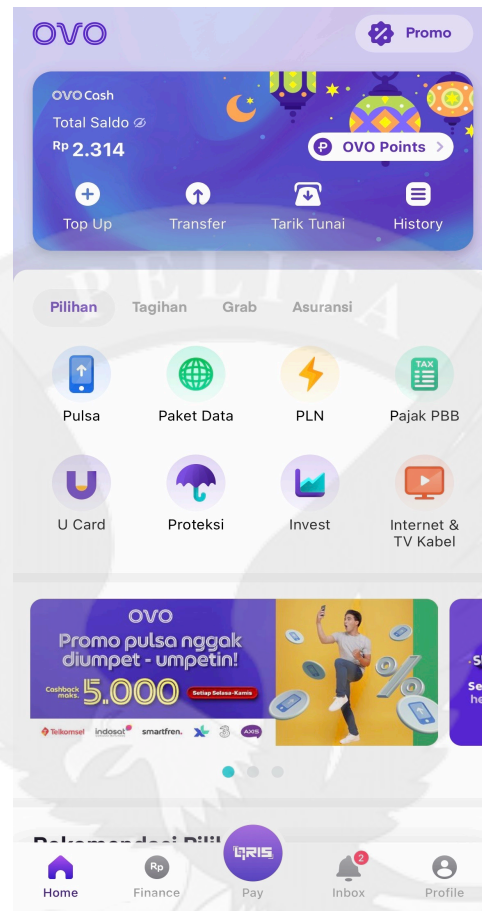


Figure 1.2 Apps Interface
Source: OVO apps

App design is the important variable in this research, website design is defined as various interactive features of e-banking services that help provide transaction structures to consumers during and summarize thereafter transaction processing structures and others (Ul Haq & Awan, 2020). In fact, web design is a graphic art on a website that helps users to access or use website functionality easily and quickly and provides comfort when accessing the website (J. B. Reswick, 2019). Indirectly, this website design

focuses on appearance, but will not eliminate the main function designed. able to provide additional comfort for website visitors and readers (Markey, 2019).

OVO uses 5 main menus on its appearance, namely Home, Deals, Finance, Wallet, and History so that it can make it easier for its users to learn and use. On the Home menu, it works for, the Deals menu functions for users to see what promos are currently available, the Finance menu functions to invest and can help organize and manage finances, the Wallet menu functions to collect point rewards, the History menu functions to display all payment transactions, top-ups, to bonuses that are got.

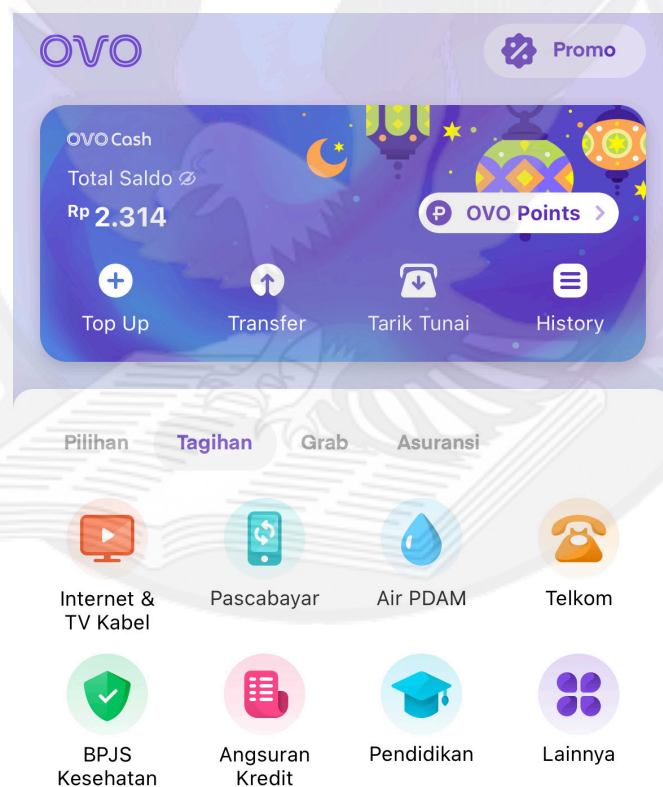


Figure 1.3 Interface of OVO
Source: OVO apps

OVO provides many differences various services in applications for daily use such as e-wallets, electronic products (PLN, PDAM, digital game items, internet cable TV, etc.), delivery, and many more. OVO also collaborates with various banks to facilitate consumer transactions between e-wallets and banks, OVO also presents several promotional offers to its consumers such as vouchers and discounts at several stores that work with OVO. This research intended to know the significance of the app design regarding the OVO e-wallet, The app's design is intended to bring convenience to the user, and also to bring enjoyment for the user to navigate the app.

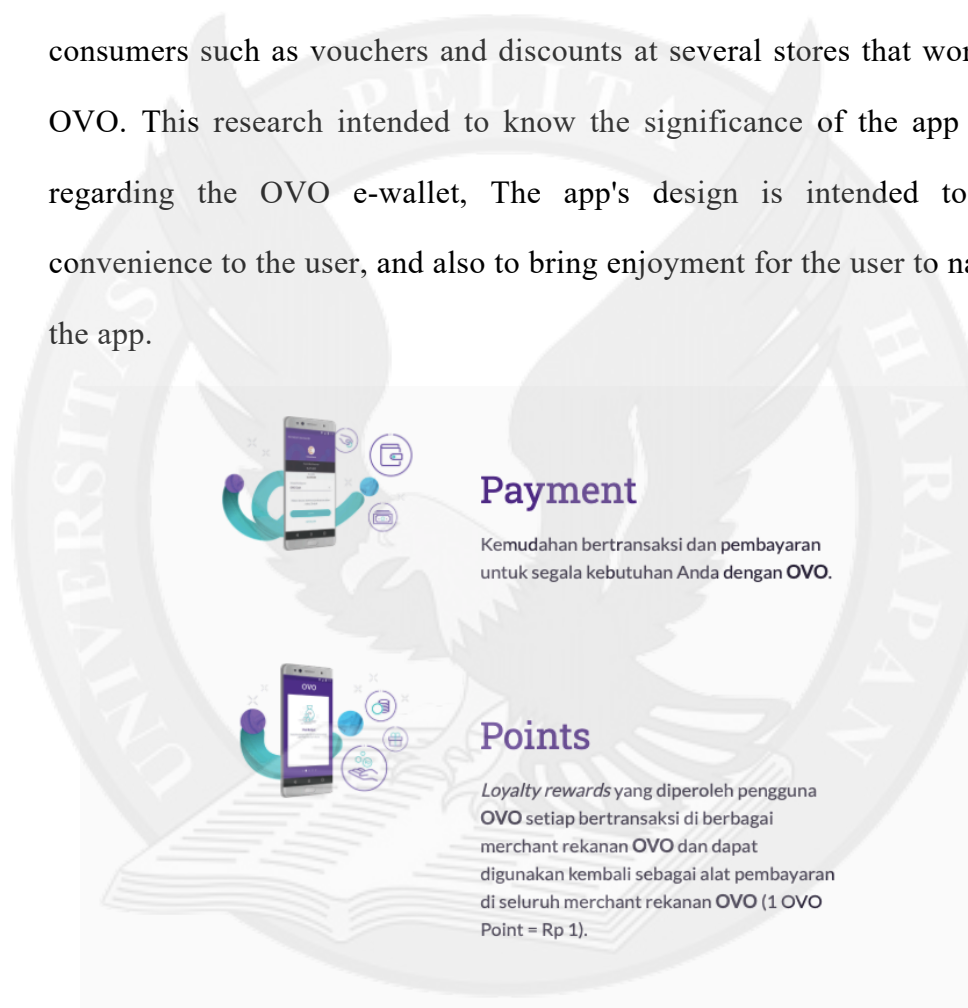


Figure 1.4 OVO instruction
Source: OVO official website

According to Krumay and Brandtweiner (2010) state that "Customer Loyalty is seen as one of the key factors in company success." (Sarmawa et al., 2021), OVO is a smart application that can be used to enjoy the server-based electronic money service that we publish (OVO Cash), and other

services that we provide to you. You can make payment transactions using the OVO Application at our online merchants and offline merchants. For offline merchants, you can transact at merchants marked "OVO Accepted Here" and merchants marked "QRIS". You can also collect OVO Points at merchants marked "OVO Zone"(OVO, n.d.)

Customer service and support are important things in e-banking or e-wallet, customer service and support are intended to reach the customer and know the problem within the app and the concern of the customer on using the OVO e-wallet service, In this research the customer service and support are one of the important variables regarding the customer satisfaction and customer loyalty. According to Novie Marlita (vice president of customer experience OVO) two strategies are implemented to own the heart of the customer first is engagement or relation to the customer this strategy is intended to know the behavior of the customer, second is Service excellent strategy are implemented to reach the consistency of the service that is given to the customer (Syifa & Tohang, 2020). Apart from continuing to improve customer service, OVO also continues to strive to improve consumer electronic satisfaction (E-Satisfaction). According to Cambridge English Dictionary (2020), "satisfaction is the pleasant feeling you get when you receive something you want, or when you have done something, you want to do," then for "CS is a measure of how happy customers are when they do business with a company," (Cambridge English Dictionary, 2020). One of the obstacles is a management system management system created to overcome problems faced by users related to the services provided by OVO. If OVO

provides such protection to its users, then users feel safe and not worried when in the future they experience problems when reusing the services provided by OVO. However, there are still problems related to the handling of complaints or complaints provided by OVO. Siswanto (2019) stated that a number of users complained that they did not get a response when making complaints to OVO. For example, one user has topped up the OVO balance and is about to use it but his account gets an error message, after which his account is unilaterally blocked by OVO. The user tried to contact customer service and followed all the procedures instructed. However, it did not produce any results. The customer service only received complaints and could not solve the problem that occurred to the user (Siswanto, 2019).

According to Ulhaq (2020), Loyalty is one of the important aspects of EBSQ (E-Banking Service Quality) the attitude of consumers who are loyal to a brand and do not turn away, loyalty begins with consistent consumer behavior to buy a brand as a consumer learning process for the brand's ability to meet their needs. Apart from that, a form of consistent consumer attitude, brand loyalty is also a positive consumer attitude and consumer commitment to a brand over another brand (Ul Haq & Awan, 2020).

The authors conclude that e-service quality is the service provided by the seller to the buyer in helping the buyer to determine the goods to be purchased via the internet network to create an effective and efficient transaction. Online consumers also choose, see and weigh the quality of a product that is displayed on the website so that the clarity of information in presenting a product is an aspect that needs to be considered by e-commerce.

To realize effective and efficient transactions, e-commerce will continue to strive to improve service quality in various ways, such as customer convenience in accessing and using applications, customer service, and so on. Based on the explanation above, the writer decided to conduct research entitled **“The Influence of Reliability, Privacy, Apps Design, and Customer Service and Support Towards E-Customer Satisfaction and E-Customer Loyalty on OVO In Medan”**.

1.2. Problem Limitation

For this research to be more precise, the writer has set some limitations as follows:

1. This research will study several variables including Reliability, privacy, app design, customer service, and support, E Customer satisfaction, and customer loyalty, the research conducted in Medan
2. The data of the research is gathered from the users of the OVO E-wallet in Medan.
3. The data will be used to determine the research model that is collected by questionnaires according to the research objectives.
4. 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.

1.3. Problem Formulation

Analyzing what is the influence of reliability, privacy, app design, customer service, and support towards e customer satisfaction and e customer loyalty 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:

1. Does reliability significantly influence e-customer satisfaction on OVO in Medan?
2. Does privacy value significantly influence e-customer satisfaction on OVO in Medan?
3. Does privacy value significantly influence e-customer satisfaction on OVO in Medan?
4. Does customer service and support significantly influence e-customer satisfaction on OVO in Medan?
5. Does e-customer satisfaction significantly influence e-customer loyalty on OVO?

1.4. The objective of the Research

Based on the problem identification proposed in the previous point, here are some objectives of this research:

1. To determine the influence of the reliability on E Customer Satisfaction on OVO in Medan
2. To determine the influence of privacy on E Customer Satisfaction on OVO in Medan
3. To determine the influence of the app design on E Customer Satisfaction on OVO in Medan
4. To determine the influence of customer service and support on E Customer Satisfaction on OVO in Medan

5. To determine the influence of the e customer satisfaction on E Customer loyalty on OVO in Medan

1.5. The benefit of the Research

The writer hopes that this research paper can benefit both theoretically and practically.

1.5.1. Theoretical Benefit

The theoretical benefit of the results of this study is that they can be used as additional information and as a reference for conducting further research related to Reliability, privacy, app design, customer service, and support, influence E Customer satisfaction, and customer loyalty.

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 additional knowledge that can help OVO in Medan, the writer, and other researchers as well.

1. For OVO in Medan, it is expected to provide additional information and material for consideration in making decisions related to Reliability, privacy, app design, customer service, and support so that in the future the results of this research can help OVO in Medan.
2. For the writer, it is to gain knowledge regarding Reliability, privacy, app design, customer service, support, influence, and how they are being influenced by each other.

3. For other researchers, this research can be a reference, basis, or source of information for other researchers who are interested in conducting research with similar variables.

