

# CHAPTER I

## INTRODUCTION

### 1.1. Research Background

The rapid development of technologies has opened new opportunities for the business to be more productive and more competitive. This technological development has allowed the creation of new channels as well as better communication between businesses (Sendler, 2018). Since the era of Web 2.0, the internet has globally enabled people to interact, communicate, collaborate and share information worldwide. This allows them to eliminate some constraints that existed previously, such as time, location, and distance. This is also supported by the development of technological devices, such as smartphones, and by other modern trends (Nicoletti, 2017).

The internet is a large system computer networks that connects people all around the world. The internet has become an integral part of the modern society as it connects people all worldwide, which allows them to use email, social networking, instant messaging, data sharing, online shopping, financial services, many more (Caballé & Conesa, 2018).



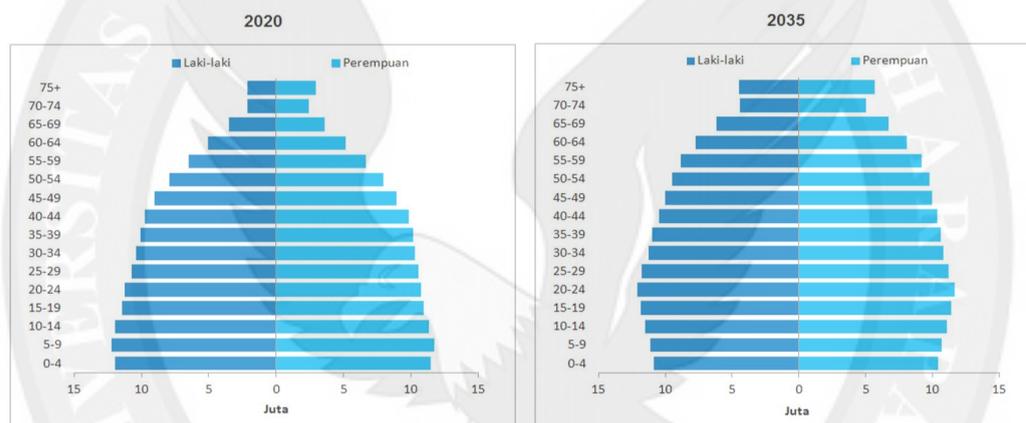
**Figure 1.1 Number of Internet Users in Indonesia**

Source: (Asosiasi Penyelenggara Jasa Internet Indonesia, 2019)

From the total of 264 million people in Indonesia, more than half of Indonesian people have used the internet, which can be seen from the statistics. According to the statistical data of internet users in Indonesia, in 2018, the number of internet users in Indonesia is 171.17 million people, which is 64.8% of the total Indonesia's population (Asosiasi Penyelenggara Jasa Internet Indonesia, 2019). Even though, the users of internet were just barely more than 50% in 2017 and had increased in 2018 to 64.8%, it is expected that the number of internet users will surely increase in 2019 because of better infrastructure, such as Palapa Ring Satellite, to support the connectivity of internet in Indonesia (Haryanto, 2019). This shows that Indonesian people are aware of the existence of the internet which

can be useful in many ways, such as searching for information, communicating, and including conducting business activities via internet.

The existence of the internet has changed the way people conduct their business and activities from conventional to more technological oriented, like digitalization. The internet has brought a lot of changes to many generations' social life, including Generation Z, which business can see that as land of opportunities (Bouwman, Nikou, Molina-Castillo, & de Reuver, 2018).



**Figure 1.2 Predicted Pyramid Population in Indonesia based on Age**

Source: (Badan Perencanaan Pembangunan Nasional, Badan Pusat Statistik, United Nation Population Fund, 2013)

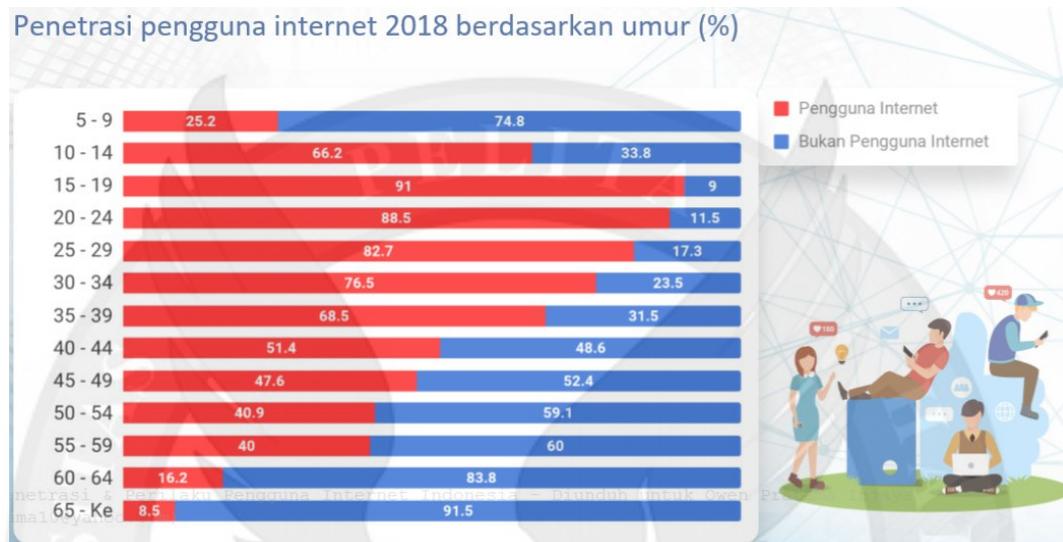
According to Opolska-Bielańska (2016), Ensari (2017), and Dudek (2017) as cited in Dolot (2018), Generation Z are those who were born after 1995. Generation Z are raised in the 2000s during the most profound changes in the century who exists in a world with web, internet, smart phones, laptops, freely available networks and digital media (Singh & Dangmei, 2016). In Indonesia

itself, according to statistical data number of people in Indonesia based on their age, it is predicted that by 2020, Generation Z will dominate the current Indonesian market. Statistically, in 2020, 34% of Indonesia's population consists of Generation Z. Not only in 2020, but until 2035, it is predicted that they will also dominate the future Indonesian market (Badan Perencanaan Pembangunan Nasional, Badan Pusat Statistik, United Nation Population Fund, 2013).

Every generation has its own characteristics, including Generation Z. One of the characteristics they differ from the other generations is in terms of their use of the internet. According to Smith (2011, as cited in Moreno, Lafuante, Avila, Moreno, 2017), backed up by the internet, Generation Z prefer e-coupon or promotions that offer benefits for them when they use digital products, including cashback program, in exchange for their interaction.

Generation Z are also known as great multitaskers. According to Botterill, Bredin and Dun (2015), Generation Z tend to use mobile phones and computers, as technological devices to orchestrate media multitasking at different moments of the day, and even simultaneously, to fulfill their special interests and daily routines. In addition to that, according to Moore (2012, as cited in Moreno et al., 2017), the Generation Z generation actively integrate technologies into their daily lives. For instance, Generation Z use mobile phones and the internet as their means to connect to people and brands. The integration of technological devices and the internet into their daily lives may result in significant number and

contribution in terms of penetration of internet usage, the devices that are used to connect to the internet, and duration of consumption of internet in a day, including in Indonesia.

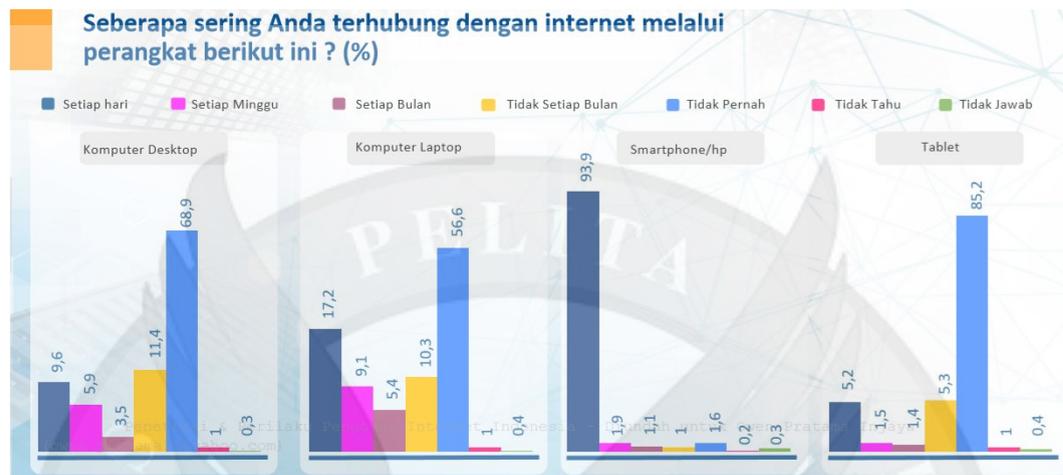


**Figure 1.3 Penetration of Internet Usage in Indonesia based on Age**

Source: (Asosiasi Penyelenggara Jasa Internet Indonesia, 2019)

Different generations will have different percentage of penetration in terms of internet usage, including in Indonesia. According to Asosiasi Penyelenggara Jasa Internet Indonesia (2019), in **Figure 1.3**, it shows that the penetration of internet usage is quite high. The highest internet penetration is experienced by the age group of 15-19 (91%), followed by the age group of 20-24 (88.5%). In conclusion, it shows that Generation Z in Indonesia, which based on Opolska-Bielńska (2016), Ensari (2017), and Dudek (2017) as cited in Dolot (2018) are those who

were born after 1995 ( $\leq 24$  years old) are the highest internet users among other generations.

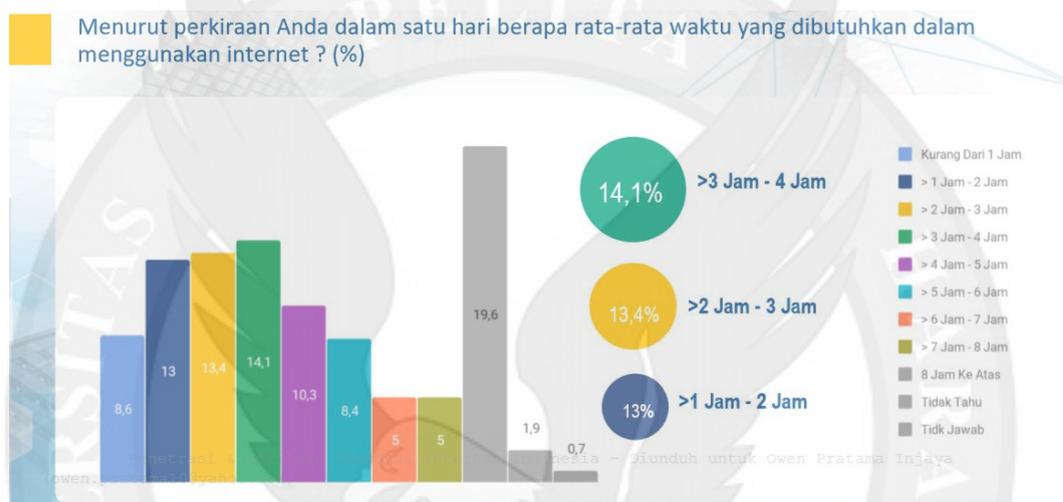


**Figure 1.4 Device Used to Access Internet**

Source: (Asosiasi Penyelenggara Jasa Internet Indonesia, 2019)

The Generation Z is known as the generation that has high mobility. With the high penetration of internet usage, Generation Z expect to have easy access to mobile and portable technologies which can be used to support their high mobility in term of accessing internet (Bannon, Ford, & Meltzer, 2011). In **Figure 1.4**, it shows the types of technological devices that are used to access the internet. According to Asosiasi Penyelenggara Jasa Internet Indonesia (2019), 93.9% of Indonesian use smartphones/mobile phones to access the internet daily as it is one of the most mobile and portable technologies that exist to support their access to internet, which leads to high penetration of internet usage, like in **Figure 1.3**. However, not only smartphones, but they also use some technological devices.

For instance, 9.6% of Indonesian use personal computer, 17.2% of Indonesian use laptop, and 5.2% of Indonesian use tablet to access the internet everyday. Some people still use those technological devices to have access to the internet even though it is not based on a daily basis. Some of them still use those devices on weekly and even monthly basis.



**Figure 1.5 Daily Consumption of Internet in Indonesia**

Source: (Asosiasi Penyelenggara Jasa Internet Indonesia, 2019)

With the facts in **Figure 1.3** and **Figure 1.4**, it seems that Generation Z can not be separated from smartphones as it is the natural extension of themselves (Bannon, Ford, & Meltzer, 2011). Sometimes, they can spend hours to access the internet in a day. According to Thayer & Ray (2006), people who spend less than 2 hour is called light users. Those who use the internet for more than 2 hours, but less than 5 hours are grouped as medium users. People who use internet for more than 5 hours are categorized as heavy users. In **Figure 1.5**, according to Asosiasi

Penyelenggara Jasa Internet Indonesia (2019), in total, 38% of internet users in Indonesia access the internet for more than 5 hours daily. Whereas, 37.8% uses internet for 2 to 5 hours in a day, and lastly, 21.6% uses internet for less than 2 hours daily.

Based on the data above, it is shown that Indonesia is dominated by medium and heavy internet users. For Generation Z, internet is everything because with digitalization era, almost everything can be done via online, such as chatting, browsing, video streaming, downloading, and others (Bannon, Ford, & Meltzer, 2011).

Tahun 2018				Tahun 2019							
September	Oktober	November	Desember	Januari	Februari	Maret	April	Mei	Juni	Juli	Agustus
142,477,296	144,361,292	152,073,288	167,205,578	173,825,919	189,222,546	199,174,153	197,413,945	198,790,786	209,891,847	232,348,971	250,477,938

**Figure 1.6 The Amount of E-money Circulating in Indonesia**

Sources: (Bank Indonesia, 2019)

Due to the development of internet and technologies which lead to digitalization era, everything has been digitalized, including financial sector. This can be seen from the development of several financial technologies in Indonesia. Financial institutions in Indonesia also have started digitalization by offering financial technology products, such as e-Banking and mobile payments (Arnaboldi & Rossignoli, 2015). Currently, in Indonesia, people, including

Generation Z have begun to shift to digital services as their financial solution. This can be seen in **Figure 1.6** where the amount of e-money circulating in Indonesia has increased over the time and the amount in August 2019 is almost double the amount in September 2018. Therefore, it can be concluded that people have begun to use server-based electronic money or wallet to replace cash (Laucereno, 2019).



**Figure 1.7 List of Non-Bank Payment System**

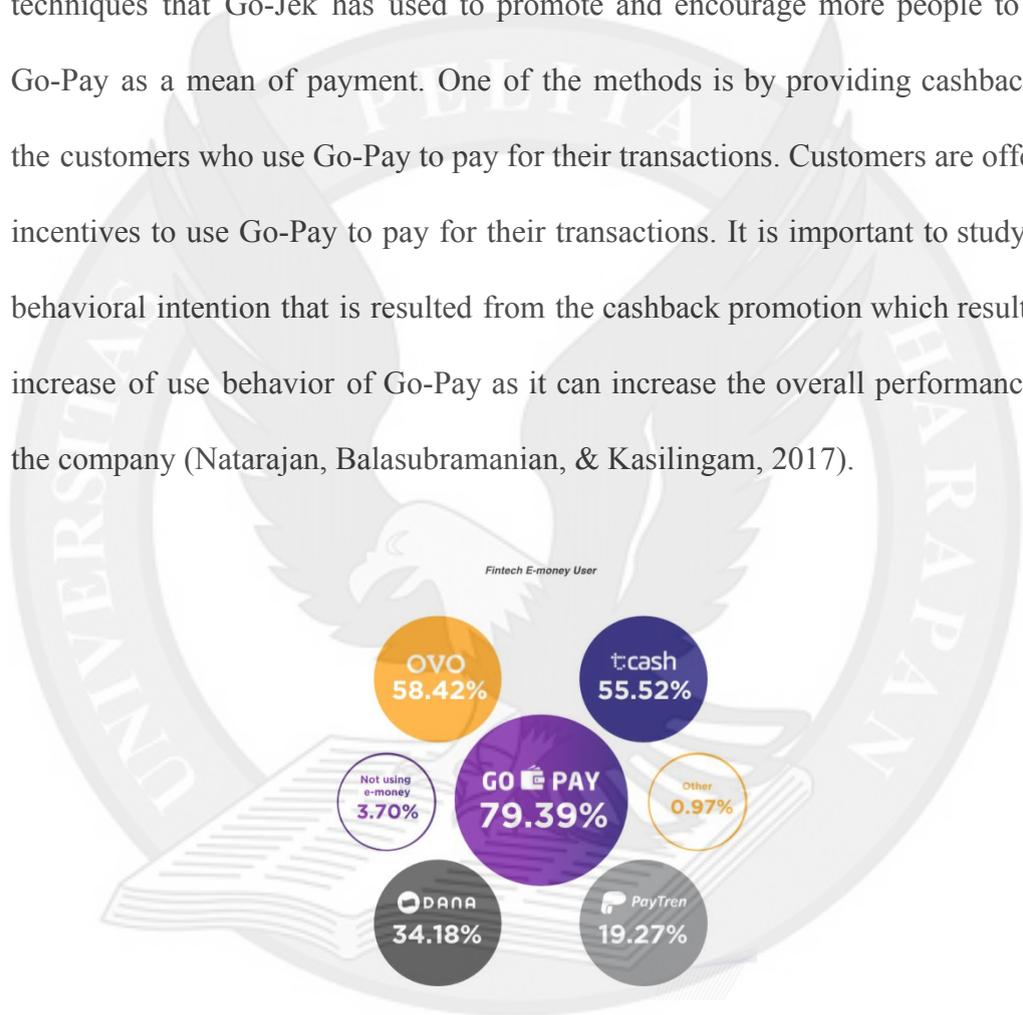
Sources: (DailySocial, 2018)

However, financial institutions are not the only one that offer financial technology products. There are many non-financial institutions also offer similar financial technology products which are widely used by people in Indonesia, like in **Figure 1.7** (Abbasi & Weigand, 2017). For instance, there are OVO, Dana, Paytren, Tcash, BluePay, Doku, and others, including Go-Pay that is offered by Go-Jek as their financial technology products to the customers who use their applications to conduct transactions.

Go-Jek is a startup company that was established in 2010 as a transportation service provider company, using a motorcycles that has now led the transportation industry in Indonesia to provide on-demand transport. It was founded by Nadiem Makarim and Michaelangelo Moran (Go-Jek, n.d.). Recently, they have become one of the nineteen startup companies that has become decacorn company which means that their company's value is more than US\$ 10 billion (CB Insights, 2018). This shows that, in almost 10 years of operation, many investors have invested in Go-Jek and they have produced many products and features for consumers, such as Go-Food, Go-Shop, Go-Ride, Go-Send, and etc., including Go-Pay which is their financial technology product that can be used by customers as a mean of payment in many merchants all around Indonesia that are partners with Go-Jek.

As stated by Chief Executive Officer of Go-Jek, Nadiem Makarin, on DailySocial.id, in 2018, Go-Jek's gross transaction value reached US\$ 9 billion or

Rp125 trillion and according to Chief Executive Officer of Go-Pay, Aldi Haryoprato, from the total of gross transaction value, 69.6% or Rp87 trillion was the transaction of Go-Pay. This shows that Go-Pay is number one payment tool in Indonesia (Franedya, 2019). Apart from the success, there are marketing techniques that Go-Jek has used to promote and encourage more people to use Go-Pay as a mean of payment. One of the methods is by providing cashback to the customers who use Go-Pay to pay for their transactions. Customers are offered incentives to use Go-Pay to pay for their transactions. It is important to study the behavioral intention that is resulted from the cashback promotion which results in increase of use behavior of Go-Pay as it can increase the overall performance of the company (Natarajan, Balasubramanian, & Kasilingam, 2017).



**Figure 1.8 Number of Fintech E-Money User**

Source: (DailySocial, 2018)

As mentioned earlier, there are other similar financial technology products other than Go-Pay, such as OVO, Dana, Paytren, and many more. In **Figure 1.8**,

based on the research that was conducted by DailySocial (2018), in association with Otoritas Jasa Keuangan and JAKPAT, it shows that Go-Pay is the most popular non bank payment system with 79.39% and followed by OVO with 58.42% in terms of popularity which means that Go-Pay and OVO are the top two digital payment apps in Indonesia.

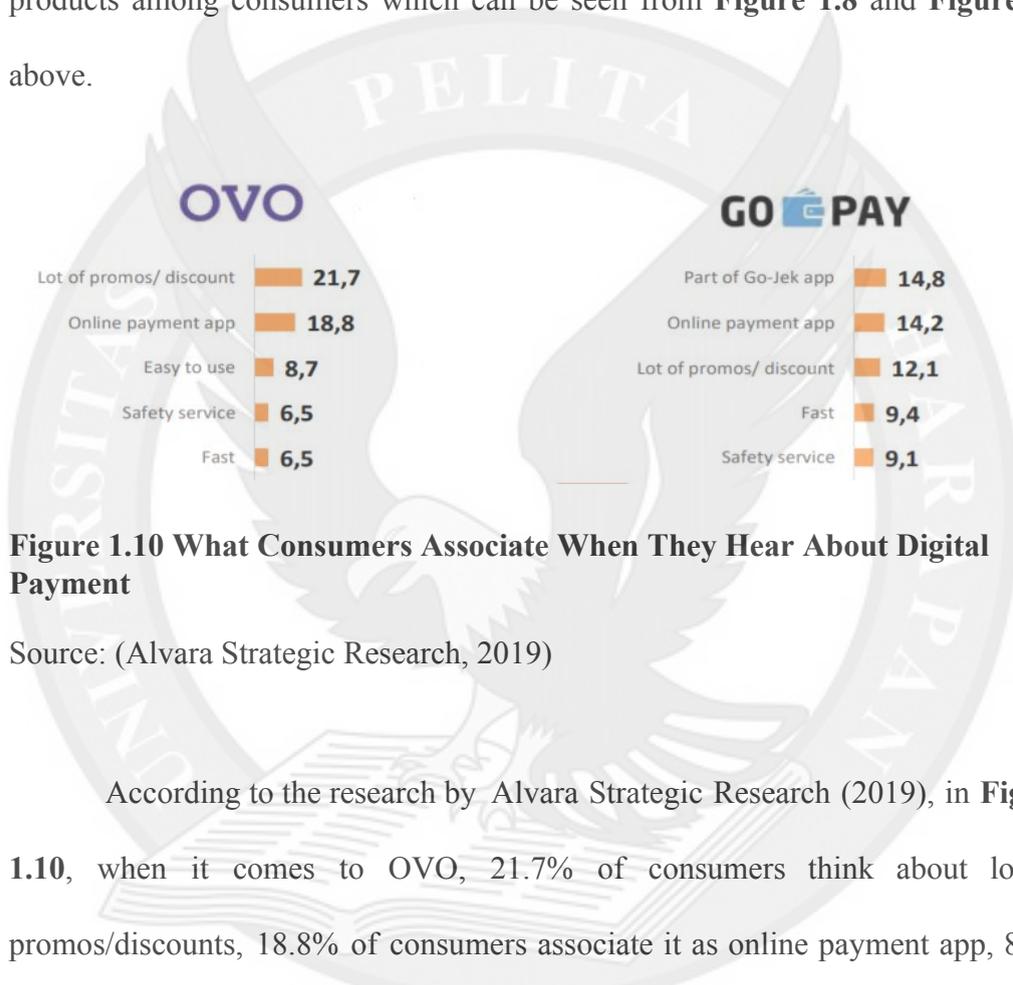


**Figure 1.9 Comparison Digital Payment Apps in Indonesia**

Source: (Alvara Strategic Research, 2019)

According to the research that was conducted by Alvara Strategic Research (2019), who is one of the members in Indonesia Marketing Research Association and Indonesia Public Opinion Survey Association, in **Figure 1.9**, Go-Pay and OVO can be said as two biggest digital payment apps in Indonesia. However, from the data, it seems that Go-Jek is more superior than OVO. In terms of total awareness, top of mind, and future intention, Go-Jek has higher number compared to OVO. Most people are aware of Go-Pay and it is on the top of their mind when

it comes to digital payment apps. Even, in the future, most people intend to use Go-Pay in the future. Even though the researches of Alvara Strategic and DailySocial show different numbers, but still their researches lead to the same conclusion that Go-Pay is the most famous and number one financial technology products among consumers which can be seen from **Figure 1.8** and **Figure 1.9** above.



**Figure 1.10 What Consumers Associate When They Hear About Digital Payment**

Source: (Alvara Strategic Research, 2019)

According to the research by Alvara Strategic Research (2019), in **Figure 1.10**, when it comes to OVO, 21.7% of consumers think about lot of promos/discounts, 18.8% of consumers associate it as online payment app, 8.7% of consumers correlate it as easy to use, 6.5% of consumers identify it as safety service, and 6.5% of consumers believe that it is fast. When it comes to Go-Pay, 14.8% of consumers think about part of Go-Jek app, 14.2% of consumers associate it as online payment app, 12.1% of consumers correlate it with lots of promos/discount, 9.5% of consumers identify it as fast, and 9.1% of consumers

believe that it is a safety service. In the context of discount/promo that both offer, consumers tend to think about OVO rather than Go-Pay which can be seen from the percentage of what digital applications people think when it comes to promo/discount. Promo/discount is one of the marketing tools to attract consumers to frequently use their financial products, but in fact, the result is quite opposite between Go-Pay and OVO.

With the problem that exists due to the gap between expectation and reality regarding the use of digital payment apps in terms of promo/discount, there are may be several elements that may influence the consumers' decision to use Go-Pay, such as performance expectancy, effort expectancy, social influence, facilitating conditions, hedonic motivations, habit, ease of use, personal capacity, perceived risk, and behavioral aspects that influence intention to use which leads to use behavior of the digital payment application (Christino, Silva, Cardozo, de Pádua Carrieri, de Paiva Nunees, 2019).

Performance expectancy can be referred as the degree to which an individual uses a particular technology that will improve his/her performance in conducting their activities (Venkatesh, Thong, & Xu, 2012). Nowadays, people are more likely to be motivated to accept and use a new technology if it brings benefits to them. Transactions done via Go-Pay as the payment method offers reduced price for the products and services it partnered with. As stated by Zaenudin (2018) on [tirto.id](http://tirto.id), "Go-Pay Day", a Go-Jek's program offers the users

with up to 50% cashback on hundreds of Go-Jek partners. This gives economic benefit for the users and contributes to increase one's motivation to use Go-Pay as a new payment method.

Effort expectancy can be associated as the degree of ease that the users realize when they use the technology in conducting their activities (Venkatesh, Thong, & Xu, 2012). People of today tend to look for channels or platforms that can assist them in conducting activities in a convenience and comfort states. According to Go-Jek's Chief Marketing Officer, Piotr Jakubowski during a press conference, "With Go-Pay, the public will be given the convenience and a cashless payment method to transact services available in Go-Jek" (Prasandi, 2017). This allows users to exert less time, energy, and overall effort by using Go-Pay as their means of payment.

According to Venkatesh, Thong, & Xu, (2012), social influence can be described as the awareness of individuals about the social perception, relevance, and importance of a new system. To create Social influence to attract the consumer all around Indonesia, Go-jek uses several feature and strategy, according to the research, the consumer in Indonesia tend to use the application because of several factors such as the price or discount and the convenience. they believe that the service to be worth the cost and increase efficiency (Anggraini, 2017). In order to maintain the social perception for the brand image, Go-Jek also keeps on maintaining the offer of a promo and discount, they also publish the

news from the social media such as Instagram which is the great medium to reach and to inform the consumer (Ekarista, 2018). By doing this the consumer perceive that Go-jek and Go-pay is the important system because they offer lower price and more convenience hence public in Indonesia are attracted and using the application.

Facilitating conditions can be defined as the degree to which individuals are perceived that there are technical and organizational infrastructure to support the use of the system (Venkatesh, Morris, Davis, Davis, 2003). Resources and skills need to be facilitated in order to encourage and help consumers to conduct cashless transaction by using one of financial technology products, such as Go-Pay. In order to strengthen Go-Pay, they have acquired three local financial technology companies, which are Kartuku, Midtrans, and Mapan. Kartuku has been used to strengthen Go-Pay in developing offline users which integrate them with merchants. Midtrans has been focused more on further developing online payment, and Mapan has been operated to support Go-Pay in socializing people to use online payment, specifically Go-Pay. Those are the examples of technical structures, or resources for the consumers that Go-Pay has provided until now to support the use of the system which may influence consumers to use Go-Pay to conduct financial transactions (Andreas, 2017).

When the users use the technology and feel pleasant with it, it will make the users to perceive that their decisions to use the application is right and pleasant

decision. Those kind of feelings are usually joy, fun, entertaining, ease, and etc. These elements construct hedonic motivation (Anderson, Knight, Pookulangara, Josiam, 2014). Hedonic value perception may be different from one segment with other segment which may influence their intention to use and use behavior. Depending on the experience of the users when they use the technology financial products, it may result in different hedonic motivations (Dedeoglu, Bilighan, Ye, Buonincontri, Okumus, 2018). For instance, Go-Pay offered cashback 30% and 40% for new Go-Pay users in some merchants, like Breadtalk and Roti'O. For first-time users, this may result in positive experience and results in hedonic benefits (Astari, 2019). This may increase their intention to use and use behavior of Go-Pay with all hedonic benefits that they can receive.

Habit can be described as the willingness to unconsciously perform due to repetitive learning process and stable context (Limayem, Hirt, & Cheung, 2007). Based on Consumer Payment Attitudes 2018, among 500 Indonesians, 95 percent of respondents still use cash as their payment method. However, at the same time, they also use non-cash transactions. Moreover, the study also found that 82 percent of the respondents have the confidence to travel without holding cash, relying only on credit card, debit card, or smartphone (Movanita, 2019). This is because more and more people have access to non cash payments, which one of them is Go-Pay. These are the evidence that payment habit in Indonesia has started to shift to cashless payment.

Ease to use is defined as the degree of ease to which individuals find in using the technologies. It is the belief of users that in using the technologies will require less efforts (Alalwan, Dwivedi, Rana, Williams, 2016). Nowadays in this globalization era, people tend to use the technologies to facilitating and helping their activities. One of them is when doing the transaction, for example, Go-Jek, for instance, launching the Go-Pay application to helping the consumer transaction activities, which is moving towards the cashless transaction (Prasandi, 2017). With using a cashless application we can reduce the cost in term of time and effort (Umah, 2019). Not only offering the cashless payment, the application such as Go-Jek also keep on developing and improving by launching the new version that provides a more simple and fresh look, to assist the consumer' activities (Wardani, 2018). This are the factor that may influence the consumer to using the Go-Jek application.

According to Walker & Johnson (2006, as cited in Christino et al., 2019), personal capacity is referred as the degree to which individuals believe that they have enough skills and resources to successfully use the technologies. It is all about how the users perceive themselves in using the technologies. In March 2019 In Indonesia, Go-Jek application has been downloaded by more than 142 million times. The total population in Indonesia is about 268 million (Hastuti, 2019). By downloading the application, this means that over half of people in Indonesia

believe that they have enough skills, resources, and capable to operate and using the Go-Jek application .

Perceived risk is referred as potential loss of the decision to use the technology (Slade, Dwivedi, Piercy, Williams, 2015). In the process of adopting technology, there may be some risks that can exist which may create anxiety among the users. For instance, recently, there was a scamming case that use Go-Pay as the medium. The scammer would ask the user of Go-Pay to inform them the one time password code which could be used to log in to the account of the user. One time password should never be given to anyone and should be kept for the users' themselves. Once the scammer logged in to the account, the money in the account could be transferred by the scammers and gone (Santhika, 2017). This is an example of risks that exist when the consumers decide to use Go-Pay which may influence the intention to use and use behavior of Go-Pay.

Behavioral aspects can be defined as the degree to which the intention to use and use behavior of users will be influenced by the use of technology (Vana , Lambrecht, & Bertini, 2018). Behavioral aspects caused changes in purchase behavior due to external influences through the use of technology. For instance, a cashback offer by using Go-Pay as the payment method has influenced buyers to make unplanned or more-than-planned purchase. As stated for tirto.id by Nur, a cook helper of a Japanese restaurant that partnered with Go-Pay, "Almost 95 percent of payment transactions at the outlet were non-cash in the form of debit

cards and payments through digital payment platforms. In addition, the cashback promo that has lasted for about three months is indeed capable of increasing sales figures” (Syafina, 2019). This is an example of behavioral aspects that influence people toward their intention to use and use behavior of Go-Pay.

Therefore, based on the research background above, from the researchers’ perspective, it is necessary for researchers to conduct research about the elements that influence customers to use cashback promotion, which leads to the use behavior of Go-Pay.

## **1.2. Research Problem**

Based on **Figure 1.9** and **Figure 1.10**, there is a gap between expectation and reality as more people think OVO when it comes to promo/discount, it is expected that they have higher brand awareness, top of mind, and future intention compared to Go-Pay. However, the reality is they are still lower than Go-Pay in those three main aspects. Even though, in terms of percentage, less people associates Go-Pay with promo/discount, they still have higher brand awareness, top of mind, and future intention, compared to OVO. During the promo/discount period that Go-Pay offers, there are several elements that may influence consumers’ decisions.

Based on the research problem above, the researchers came up with fourteen questions:

1. Does performance expectancy significantly and positively influence intention to use?
2. Does effort expectancy significantly and positively influence intention to use?
3. Does social influence significantly and positively influence intention to use?
4. Does facilitating condition significantly and positively influence intention to use?
5. Does hedonic motivation significantly and positively influence intention to use?
6. Does habit significantly and positively influence intention to use?
7. Does ease of use significantly and positively influence intention to use?
8. Does personal capacity significantly and positively influence intention to use?
9. Does perceived risk significantly and positively influence intention to use?
10. Does behavioral aspect significantly and positively influence intention to use?
11. Does intention to use significantly and positively influence use behavior?
12. Does facilitating condition significantly and positively influence use behavior?
13. Does habit significantly and positively influence use behavior?

14. Does behavioral aspect significantly and positively influence use behavior?

### **1.3. Research Objectives**

Based on the research questions and problem definition, the researcher came up with fourteen research objectives:

1. To find out if performance expectancy significantly and positively influences intention to use.
2. To find out if effort expectancy significantly and positively influences intention to use.
3. To find out if social influence significantly and positively influences intention to use.
4. To find out if facilitating condition significantly and positively influences intention to use.
5. To find out if hedonic motivation significantly and positively influences intention to use.
6. To find out if habit significantly and positively influences intention to use.
7. To find out if ease of use significantly and positively influences intention to use.

8. To find out if personal capacity significantly and positively influences intention to use.
9. To find out if perceived risk significantly and positively influences intention to use.
10. To find out if behavioral aspect significantly and positively influences intention to use.
11. To find out if the intention to use significantly and positively influences use behavior.
12. To find out if the facilitating condition significantly and positively influences use behavior.
13. To find out if the habit significantly and positively influences use behavior.
14. To find out if the behavioral aspect significantly and positively influences use behavior.

#### **1.4. Scope of Research**

This research will solely focus on elements that influence customers to use cashback promo which leads to the usage frequency of Go-Pay. The construct value price will not be discussed as part of the topic of this research. The reason for the exclusion is because the difference in the context of the question which is

about the cashback programs affect the usage frequency of Go-Pay (Venkatesh et al., 2003).

The scope of research will solely focus on Pelita Harapan University's students that have Go-Jek application on their smartphone and ever used Go-Pay to pay their transactions. By focusing the research on these students, it is hoped that the researcher will be able to gain view about the elements that influence customers to use cashback promo which leads to the usage frequency of Go-Pay.

### **1.5. Research Benefit**

Based on the research problems and objectives that have been mentioned above, this research is expected to give theoretical and managerial benefits as follows:

#### **1. Theoretical Benefits**

Provide deep understanding about elements that influence customers to use cashback promo which leads to the usage frequency of Go-Pay.

#### **2. Managerial Benefits**

Provide the business with information on the elements that influence customers to use cashback promo which may lead to an increase in the profit.

## **1.6 Limitation on Research**

The limitations of this research are as follows.

1. The data source is limited to the respondents, specifically Generation Z
2. There are only ten variables that can affect the intention to use cashback promotion which leads to usage frequency of Go-Pay. There may be other factors that may influence the intention.
3. The questionnaire will be given to the respondents who use cashback promo from Go-Pay in a designated area only (Pelita Harapan University, Lippo Karawaci) and the result might differ with other areas.

## **1.7 Research Systematics**

This research has been broken down into five different chapters accordingly in a systematic way to provide a clear and detailed illustration of the whole research

### **CHAPTER I: INTRODUCTION**

This chapter includes the discussion of the background of the research, problem definition, research objectives, benefits the research can offer, research limitations, and research systematics.

## **CHAPTER II: LITERATURE REVIEW**

This chapter presents the literature review on the relevant variables included in the research problem formulation. The concepts that are covered in this chapter are all literature-based.

## **CHAPTER III: RESEARCH METHODOLOGY**

This chapter includes details on the methodology, which includes the population and sample of the research, data collection methods, and techniques for data analysis.

## **CHAPTER IV: RESULT & DISCUSSION**

This chapter includes the analysis of the findings and emerging core concepts both through literature review and collected data

## **CHAPTER V: CONCLUSION & RECOMMENDATION**

This chapter contains conclusion and result of this thesis along with explaining the limitations and future recommended studies that can be made based on this research.