

CHAPTER 1

INTRODUCTION

This Chapter consist of the Background of the Research, Problem Statement, Research Questions and Objectives, the Significance of the Study and the Research Outline related to the Study.

1.1 Background

In today's banking industry world, the banks have change and transform to the age of technological developments and improvements when it comes to telecommunications and information technology, the banking sector has undergone a transformation. In contrast to traditional banking products, the mobile banking, is known to be one of the advanced technological applications being implemented in the twenty-first century which offers a significant change when it comes to efficiency delivery methods. Which has been implemented by banks all over Indonesia and being one of them which is, Bank Central Asia or also known as BCA, could be the assurance of having a significant change and impact to the market of Indonesia. (Safeena, al, 2012). In order for banks to reach out to their clients to increase customer satisfaction where it is more easy to use and more efficient in a way for the bank's clients to use the app, by implementing this newly advance application, it could bring out a new outcome where more opportunities to create new job prospects, banks all over Indonesia which includes Bank Central Asia, are being compelled to offer this cutting-

edge service along with new software and application design which is compatible with nowadays advanced devices which is also being used to up their market shares (Shaikh al, 2013).

One of the factors of the drastic increase in percentage is due to the outburst of coronavirus outbreak where it started in the year of 2019 where things got serious and the WHO or known as the World Health Organization have advises to all people around the world to limit themselves from interpersonal contact while preserving and keeping social distance in order to reduce the chances of infecting from the virus (WHO and Tanget al, 2020). In this situation, the online mobile banking's contactless feature which Bank Central Asia have made which is called the BCA Mobile application which could really be useful when customers or users are in need to do their transactions while ensuring their secure from the virus as customers and users are no longer needed to go outside from their home to the ATMs due to the advanced in technology and mobile apps such as the Mobile Banking.

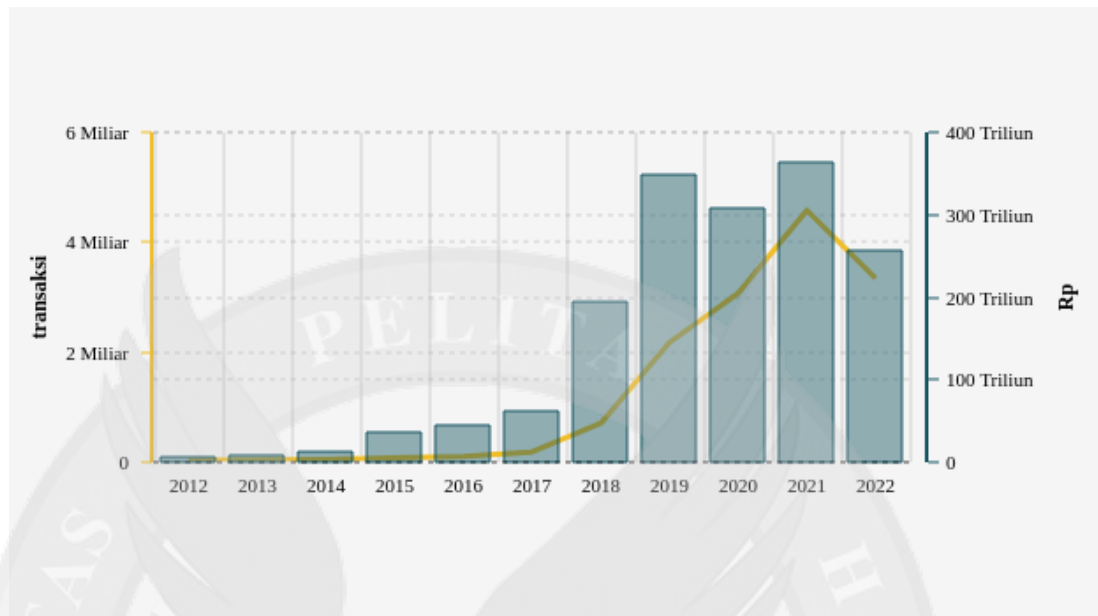


Figure 1.1 Volume and number of transactions done using electronic money in Indonesia.
 Source: Transactions sales using electronic money reached up to 300 trillion Rupiah in 2022

With a value approximately around forty-four million USD and expected to have an increase up to one hundred twenty-four million USD by the year of 2025, Indonesia have become the nation with the highest value of digital economic transaction (Sindonews, 2021). From the current situation, Bank Central Asia have recorded an increase of 60% or more over up to 18 million users of BCA mobile banking throughout the year of 2021 (Jatmiko, 2021). In the year of 2019 to 2020, BCA Bank came in second with a score of 95.08% overall. This demonstrates that most BCA bank clients have utilized and grown to love BCA-Mobile service items. Customers may save money in the bank of their choice for a variety of reasons. Starting with the

proximity to the location, pleasant service, six levels of protection, convenient facilities for transactions, and time and money savings. The issue affecting transaction facility convenience is, however, the most fascinating to examine. This is because there is a fair amount of competition amongst banks in this factor. The consumer is interested in the sophistication and quantity of amenities that offer convenience when transacting once the degree of security, service, and closeness to the site have been judged to be generally adequate. The BCA bank subsequently used this data on transaction facility ease to make a large investment in offering BCA Mobile facilities. Many consumers find it to be quite simple to do transactions with BCA-Mobile. (Suparno & Riska., 2021).

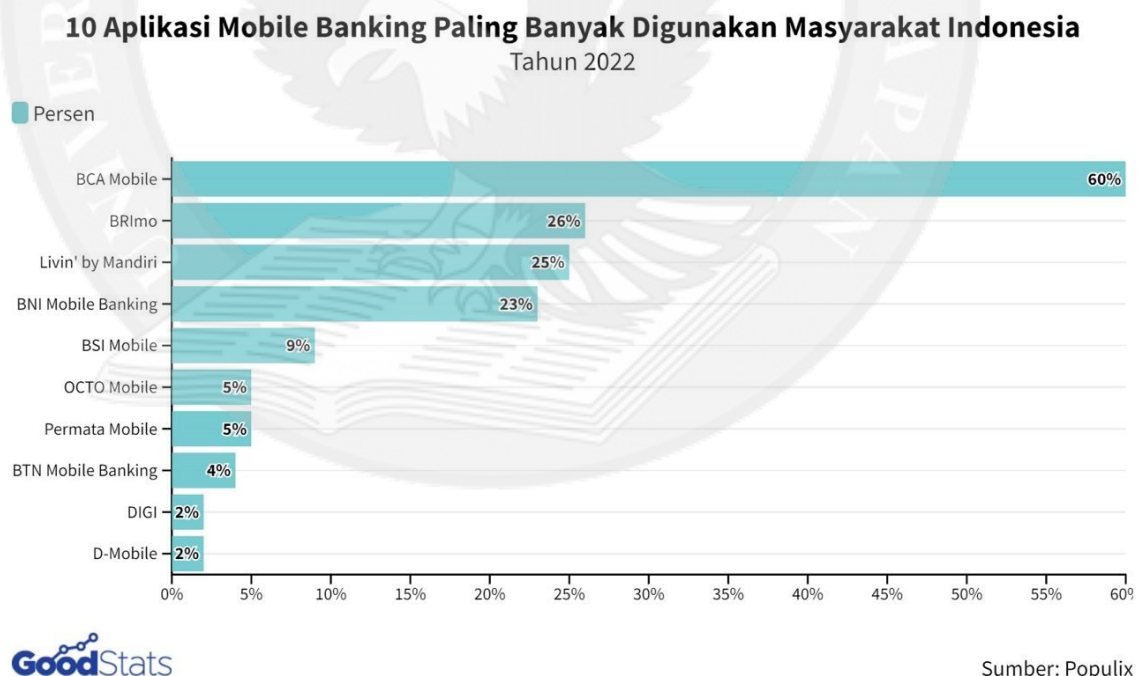


Figure 1.2 10 aplikasi *mobile banking* paling banyak digunakan masyarakat Indonesia tahun 2022
Source: Good Stat, 2022.

This is evident from data on digital banking transactions, which increased dramatically during the pandemic. In terms of transaction volume, it increased with a significant amount up to forty one percent from the previous year which is equivalent to 513.7 million Rupiah. The transactions valued at IDR 2,774.5 trillion have climbed by 13.91 percent annually (Sindonews, 2021). The Financial Service Authorities or known as the OJK have revealed that the data of the users of Electronic Banking up to date is massive. The number of people using m-banking, which includes SMS banking, phone banking, mobile banking, and internet banking, has increased by more than 270% from 13.6 million in 2012 to 50.4 million in 2016, and the number of transactions has increased by 169% from 150.8 million in 2012 to 210 million in 2016. (Sindonews, 2021).

One of the most well-known theories examining the elements influencing a person's intention to accept a brand-new innovation or technology is the diffusion of innovation theory, which E.M. Rogers. Where The Diffusion Innovation Theory aims to clarify the how, why, and rate at which novel concepts and innovations spread throughout any situation. And in this theory, Roger stated there are 5 attributes that rely on how innovations are made and adopted which are relative advantage, compatibility, complexity, trialability and observability (Sadiq, 2012).

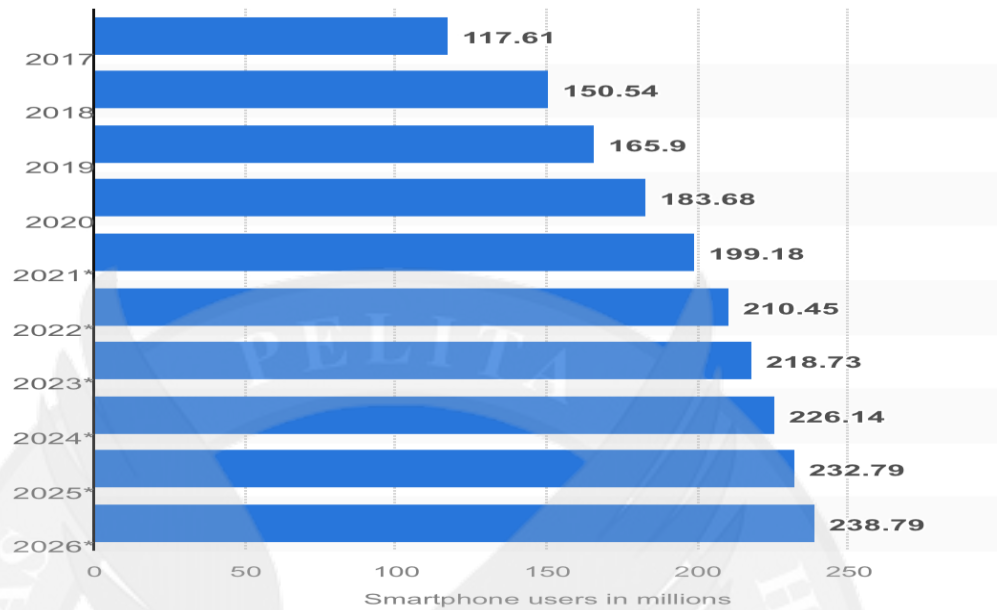


Figure 1.3 Number of smartphone users in Indonesia
 Source: Statista Research Department, March 2022

The objective of this study is to analyze the factors that are influencing mobile banking adoption in Indonesia which mainly is related to Bank Central Asia (BCA) mobile banking application known as BCA Mobile. Even though mobile banking is so widespread these days, many Indonesians still opt not to use it, therefore it is still seen as a relatively new service by such individuals. From the graph above, it shows that there are plenty of smartphone users in Indonesia as there is always an increase year by year but still there are some that are still not interested in using mobile banking in today's world. Therefore, it is crucial to research the variables influencing the uptake and utilization of mobile banking in Indonesia since the results of this study may aid the banking system in developing precise responses for different client segments of Bank Central Asia or known for BCA.

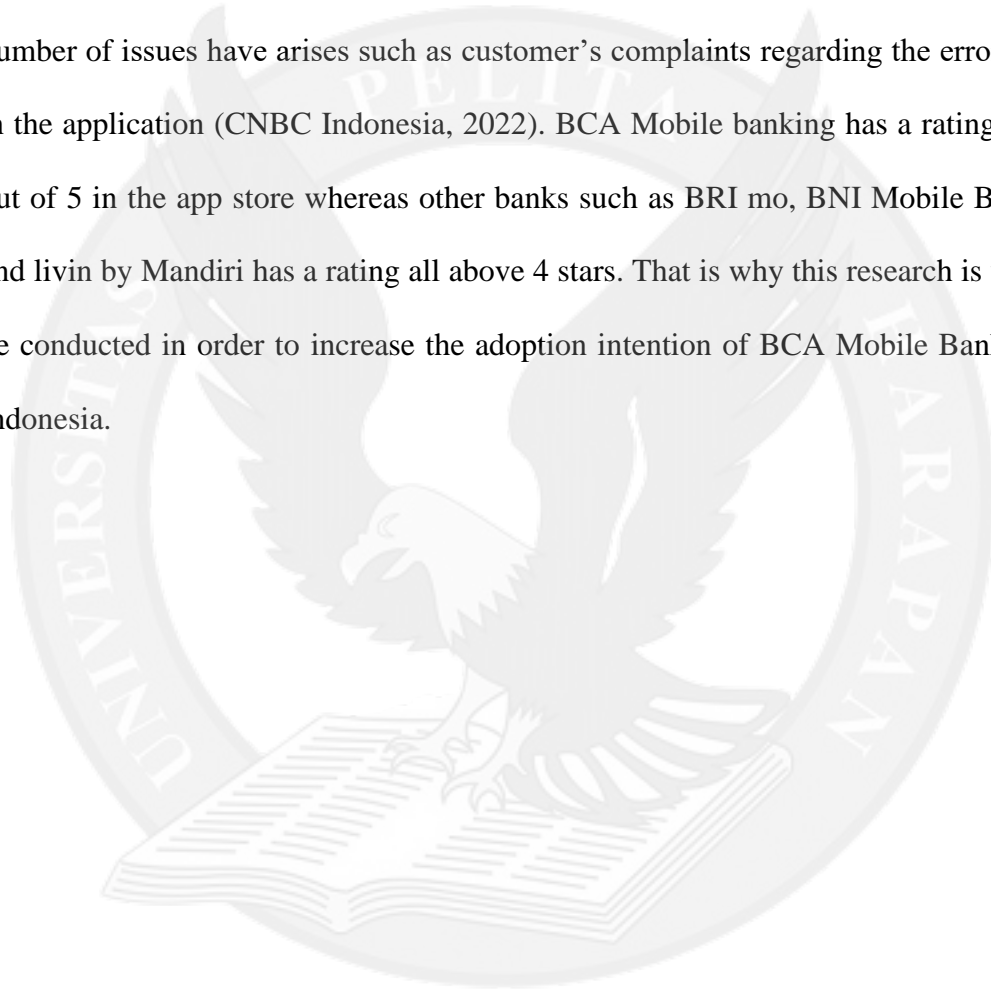
1.2 Research Problem

There are six characteristics of innovations, according to Rogers (2003) in his written book called "Diffusion of Innovations." Which consist of the six characteristics which are relative benefit, compatibility, complexity, trialability, and observability are thought to be the ones that most strongly influence the rate at which innovations are adopted and an external variable which is perceived risk. Mobile banking shows to be a valuable innovation to help with daily transactions without having to be exposed to the outside scenario or needless contact with other people, which is recommended because to the COVID-19 pandemic virus outburst.

The Financial Services Authority (OJK) reports that there are still a significant number of underbanked individuals. This means that there are still many Indonesian citizens who do not use mobile banking services for their regular transactions, and there is still time for Bank Central Asia's BCA mobile application for growth to meet their client's expectation when using the application for their transactions.

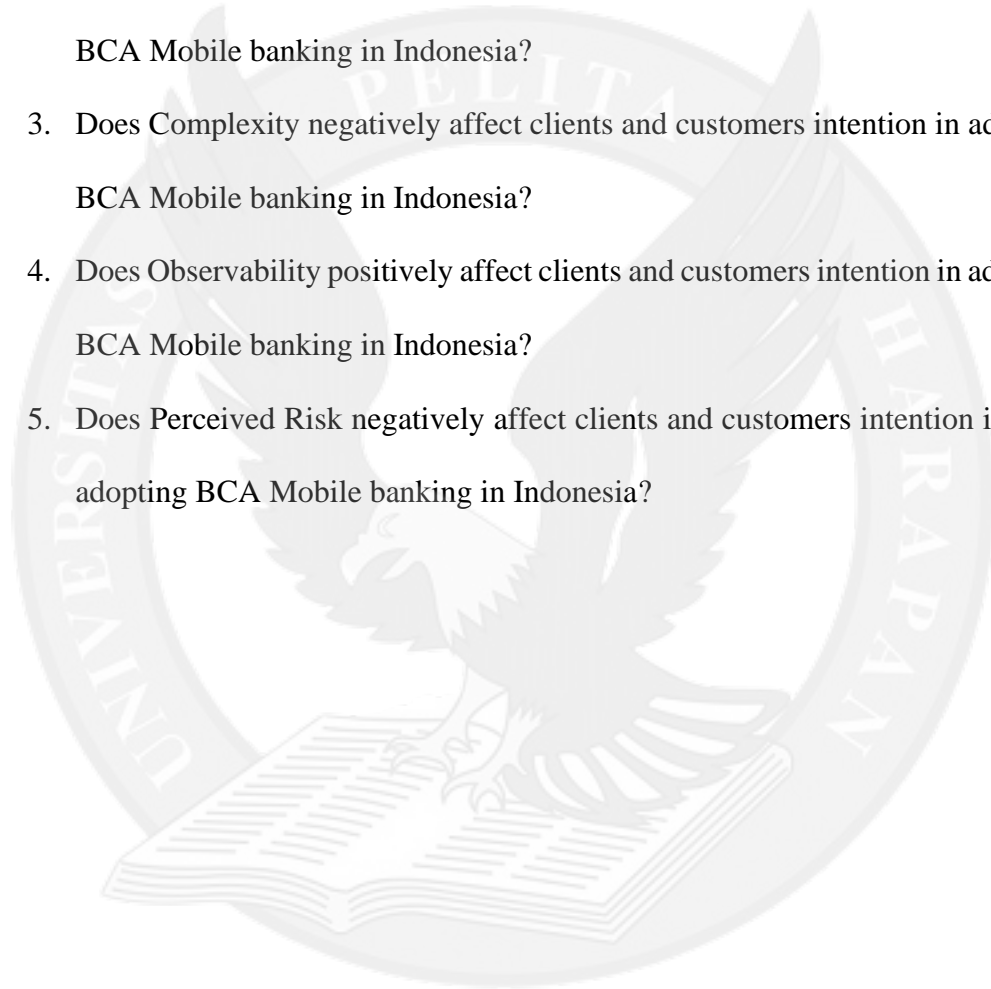
This could be an opportunity for Bank Central Asia mobile banking application (BCA Mobile) where they could present to their clients and customers on how efficient and ease it is to use Mobile Banking by just clicking a button and having the same transactions done without stepping a foot out of the house to go to the ATM.

BCA still sits at the number one ranking mobile banking in Indonesia when it comes to mobile banking users but it faces an increase of competition either from local banks and foreign banks. (Good Stats, 2022). Therefore, BCA should maintain their quality of mobile banking so that it is still maintain the number one spot. But lately the number of issues have arises such as customer's complaints regarding the error occur in the application (CNBC Indonesia, 2022). BCA Mobile banking has a rating of 3.4 out of 5 in the app store whereas other banks such as BRI mo, BNI Mobile Banking and livin by Mandiri has a rating all above 4 stars. That is why this research is used to be conducted in order to increase the adoption intention of BCA Mobile Banking in Indonesia.



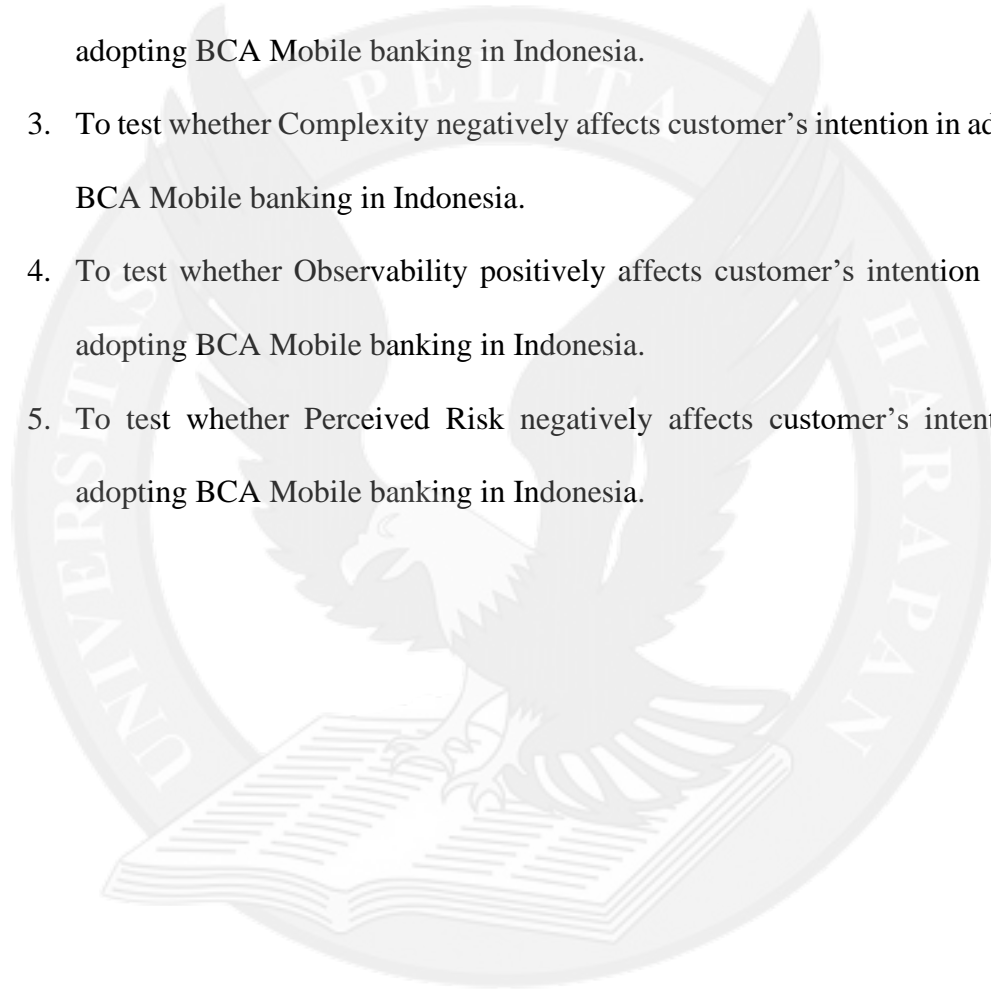
1.3 Research Questions

1. Does Relative Advantage positively affect clients and customers intention in adopting BCA Mobile banking in Indonesia?
2. Does Compatibility positively affect clients and customers intention in adopting BCA Mobile banking in Indonesia?
3. Does Complexity negatively affect clients and customers intention in adopting BCA Mobile banking in Indonesia?
4. Does Observability positively affect clients and customers intention in adopting BCA Mobile banking in Indonesia?
5. Does Perceived Risk negatively affect clients and customers intention in adopting BCA Mobile banking in Indonesia?



1.4 Research Objectives

1. To test whether Relative Advantage positively affects customer's intention in adopting BCA Mobile banking in Indonesia.
2. To test whether Compatibility positively affects customer's intention in adopting BCA Mobile banking in Indonesia.
3. To test whether Complexity negatively affects customer's intention in adopting BCA Mobile banking in Indonesia.
4. To test whether Observability positively affects customer's intention in adopting BCA Mobile banking in Indonesia.
5. To test whether Perceived Risk negatively affects customer's intention in adopting BCA Mobile banking in Indonesia.



1.5 Significance of the Study

1.5.1 For the Researcher

The goal of this study is to further understand the elements and variables that affect the uptake of implementing of BCA Mobile banking in Indonesia and the connections between relative advantage, compatibility, complexity, trialability, observability and an external variable which is perceived risk.

1.5.2 For the Banks

The goal of this study is to help for banks all over Indonesia exclusively for Bank Central Asia or known as BCA that offers mobile banking services to get an insight into the elements and variables that influence a customer's intention in order to utilize those services and that this could help banks in order to understand more about what the clients and customers' needs and expectation which would be beneficial and efficient when they do their daily transactions.

1.5.3 For the Future Researcher

This study has a purpose which is intended to future researcher that this will be beneficial and helpful when they are researching about the implementation of mobile banking adoption in Indonesia, and it is in hope that the information in this study will be reliable and source-full for the research.

1.6 Organization of the Study

CHAPTER 1: INTRODUCTION

In this Chapter, it consists of the Background, Research Problem, Research Questions, Research Objectives, and the Organization of the Study which is the outline of the thesis.

CHAPTER 2: LITERATURE REVIEW

In this Chapter, it explains on the theories and the conceptual framework that is used to build the bridge to connect from each one variable to another. And it is aimed to create a hypothesis out of it.

CHAPTER 3: RESEARCH METHOD

In this Chapter, it consists of the analysis method that is going to be used to research the data, data sources and questionnaire to be used to solve the case.

CHAPTER 4: DISCUSSION AND ANALYSIS

In this Chapter, this contains the results from the research that has been done on this case and the data analysis will be shown and further review by using the statistically calculation on relation between each one of the variables of this case and the testify of the hypothesis that is created.

CHAPTER 5: CONCLUSION AND SUGGESTION

In this Chapter, it consists of the final statement of this case and the suggestion that it has for the problem of the case. The conclusion will consist of the result from the analytical calculation of the data been done.