

CHAPTER I

INTRODUCTION

1.1 Background of the Study

FinTech, stands for ‘Financial Technology’, is a term used to describe new technology that seeks to improve and automate the delivery and use of financial services. At its core, fintech is utilized to help companies, business owners and customers better manage their financial operations, processes and lives by utilizing specialized software and algorithms that are used on computers and, increasingly, smartphones. Since fintech emerged in the 21st Century, there has been a shift from business to more customer-oriented services and therefore Fintech’s definition becomes more customer-oriented (<https://www.investopedia.com>, retrieved on February 7, 2019).

FinTech is coming to represent technologies that are disrupting traditional financial services, including mobile payments, money transfers, loans, fundraising, and asset management. Accenture—a global management consulting and professional services firm headquartered in Ireland—released a report which found that investment in fintech around the world has increased dramatically from \$930 million in 2008 to more than \$12 billion by early 2015 (<https://www.forbes.com>, retrieved on February 9, 2019).

Since 2016, Bank Indonesia (BI) as Indonesia’s central bank has been promoting the movement of “*Gerakan Nasional Non-Tunai*” or “National Cashless Movement”. In a macro scale, non-cash transactions are making economy more efficient by making the handling process that has been done by businesses and governments becoming more transparent and accountable (Kompas, 2016). The constant push from this cashless movement and the increasing trend of smartphone penetration in Indonesia is leading to the next big trend: Mobile Payments (<https://medium.com>, retrieved on February 9, 2019).

According to CNBC Indonesia, Indonesian Fintech Industry is growing rapidly now especially on peer to peer lending (P2P lending) and the ones engaged in payment systems. The Financial Services Authority (OJK) also noted that the financial technology industry has channeled loans of Rp 5.42 trillion in April 2018,

which was an increase of 111.23% compared to December 2017 of Rp 2.56 trillion (www.cnbcindonesia.com, retrieved on March 13, 2019). The growth of the fintech industry in 2017 is also inseparable from the government's positive support through various regulations and initiatives launched throughout the year. It is proven by the report from business people who were generally satisfied with the performance of both Bank Indonesia (BI) and OJK throughout 2017 (swa.co.id, retrieved on March 13, 2019). Based on research by Fintechnews Singapore, there were a total of 167 fintech companies operating in Indonesia in 2018, compared with only 50 in 2016 (www.fintechnews.sg, retrieved on February 7, 2019).

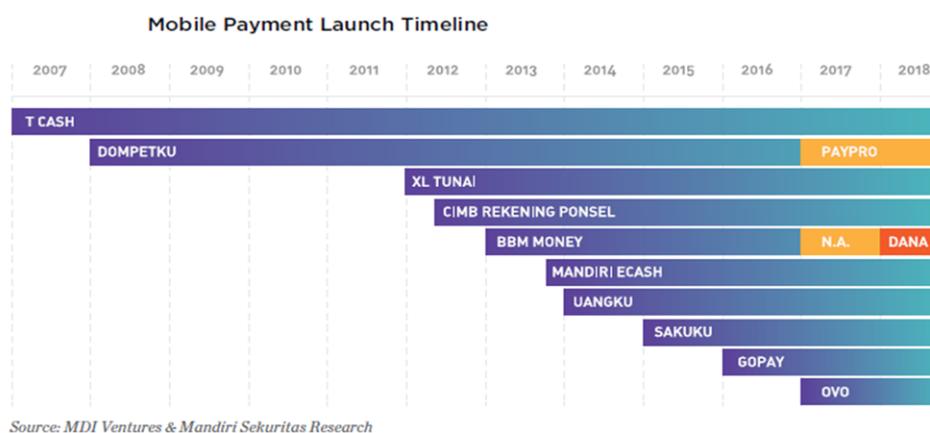


Figure 1.1 Indonesian Mobile Payment Launch Timeline

Note: MDI Ventures & Mandiri Sekuritas Research

(<https://cms.dailysocial.id>, retrieved on February 9, 2019)

As shown in Figure 1, the first mobile payment service in Indonesia was T-Cash which launched in 2007. After that, there were other mobile payments following T-Cash (Dompotku, XL Tunai, CIMB Rekening Ponsel, BBM Money, Mandiri Ecash, Uangku, Sakuku). Go-Pay launched its service in 2016. However, by 2017, Go-Pay has as many users as T-Cash though their start line was 9 years apart.

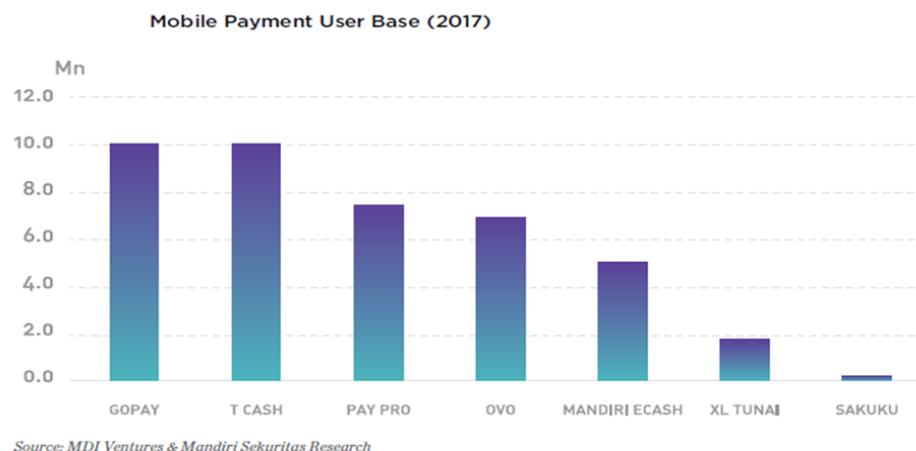


Figure 1.2 The most popular mobile payment brand in Indonesia in 2017

Note. MDI Ventures & Mandiri Sekuritas Research

(<https://cms.dailysocial.id>, retrieved on February 9, 2019)

Go-Pay is a Mobile Payment service owned by PT Aplikasi Karya Anak Bangsa or PT GO-JEK Indonesia. It was originally used only in GO-JEK application, to simplify the process payment of its service. Today, GO-PAY is not only to pay for GO-JEK services but also available to help the customers with new features and products. GO-JEK is a technology company with a social mission to improve the welfare and livelihoods of workers in various informal sectors in Indonesia. Established in 2010 as a motorcycle ride-hailing phone service, GO-JEK has evolved into an on-demand mobile platform and a cutting-edge app, providing a wide range of services that includes transportation, logistics, mobile payments, food delivery, and many other on-demand services. GO-JEK now operates in 50 cities across Indonesia (<https://www.go-jek.com>, retrieved on February 11, 2019).

Based on the latest survey on Fintech Report 2018 written by Daily Social id, Go-Pay, Go-Jek's digital wallet, is the most popular mobile payment provider (79%), followed by Lippo's OVO (58%) and Telkomsel's Tcash (55%) (<https://dailysocial.id>, retrieved on February 18, 2019). The rising of Go-Pay Mobile Payment markets are increasingly concerned with customer's post-purchase behavior. It is recognized that merely satisfying customers will be sufficient to secure customers also lower a tendency to switch to competitors (Lasser, 1998).

Since mobile payment can be regarded as a wireless version of subscription-based commercial online information services, subscribers' continued usage

intention is especially critical for its rapid growth in the market (Hong et al., 2006). According to Davis in Teng and Chen (2010), Continued Usage Intention is defined as the interest or desire of an individual to continue using a system. Kim et al. (2013) described Continued usage intention as users' behavioral intention to continuously use a certain technology. Go-Pay has developed a continued usage intention on its users. It can be seen from the increasing number of Go-Pay's monthly users in 2016 to 2018. The number shows increasing number of users in a significant amount which indicates that there is high continued usage intention on Go-Pay's users.

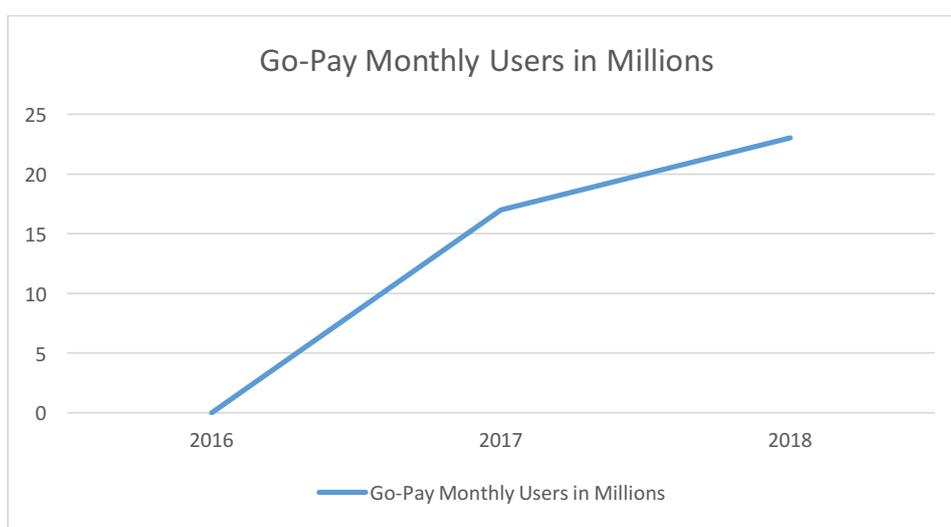


Figure 1.3 Continued Usage Intention on Go-Pay

Note: <https://seasia.co>; <http://www.theasianbanker.com> (retrieved on July 11, 2019)

Utilitarian Value, described as instrumental (functional, task related) and related to cognitive evaluation. Utilitarian Value is related with the idea of product performance and usability (Mano and Oliver, 1993). For example, comfort and quality of products can be classified between utilitarian values or benefit (Chaudhuri and Holbrook, 2001; Ailawad 2001).

Go-Pay has a high utilitarian value on its practical function for customers to simplify and speed up their shopping process and payments. Go-Pay provides QR Code feature on its application and merchant partners to execute the payment service in a convenient way. Go-Pay also offers Go-Deals to display Go-Pay's promotions which have been categorized and facilitate the users to find promotions they look for in a quick way.



Figure 1.4 Utilitarian Value of Go-Pay (1)

Note: <https://tirto.id> (retrieved on June 18, 2019)



Figure 1.5 Utilitarian Value of Go-Pay (2)

Note: Gojek Application (retrieved on June 18, 2019)

According to Heijden (2004), in the social commerce context, hedonic value is related to the non-functional benefits (i.e. self-fulfilling) obtained from the use of social commerce sites—such as enjoyment and happiness—which pay more attention to the emotional benefit.

Go-Pay has a high hedonic value on its usage. It offers Lifestyle and Activities Section in Go-Deals, one of its features, which provides Go-Pay promotions related to leisure activities to eliminate users' pressures in their daily life. With its features and service, customers are stimulated to enjoy and feel good when shopping.



Figure 1.6 Hedonic Value of Go-Pay (1)

Note: <https://twitter.com> (retrieved on June 10, 2019)

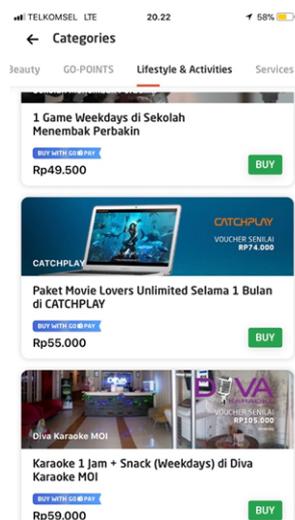


Figure 1.7 Hedonic Value of Go-Pay (1)

Note: Gojek Application (retrieved on June 19, 2019)

Schiffman and Kanuk (2008) define perceived risk as uncertainty faced by customers when they can not predict the impact of their purchasing decisions. Kotler (2002) reveals that customers' decisions to modify, delay, or avoiding purchasing decisions is strongly influenced by the risk perception. In particular relations with e-commerce, perceived risk is interpreted as subjective estimation of individuals to suffer losses in order to receive the desired results (Pavlou, 2003). Security and privacy policies also foster customer satisfaction—as perceptions of

security and privacy risk decrease, satisfaction with the information service is expected to increase (Ha, 2004; Park and Kim, 2006).

Go-Pay as a digital wallet is a part of e-commerce, which has inevitable risks that could happen on any e-commerce businesses such as online security, system reliability, and privacy issues. Go-Pay has a high concern for safety on its usage, by requesting OTP (One Time Password) Code for its transactions. CNN Indonesia on 8 December 2017 stated that OTP code is indeed needed by users who have just installed the Gojek application on their mobile phones. This code is useful as a second parameter when logging in the Gojek application. The OTP code will only be valid for a certain amount of time and will be sent to the owner of the cellphone number (<https://www.cnnindonesia.com>, retrieved on March 13, 2019 from).

Perceived ease of use (PEOU) refers to the degree to which a person believes that using a particular system would be free from great effort (Davis, 1989). Jayasingha and Eza (2009) also states that the perceived ease of use describes the user's perception regarding the amount of effort required to use the system or the extent to which users are confident that using a particular system will be easy. In other words, perceived ease of use is also defined as an effort, ease or difficulty of performing a technology use behavior (Kim et al., 2008).

Go-Pay as a mobile payment application has a high perceived ease of use on its users. Go-Pay is easy to use, because it categorizes its services in a form of convenient user interface. Furthermore, a survey included in DetikNews (2019) mentioned that 74.9% of Go-Pay users understand how to use Go-Pay due to its PEOU (Retrieved on June 9, 2019 from <https://finance.detik.com>).

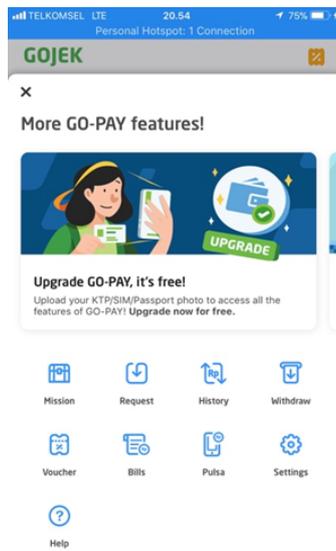


Figure 1.8 Go-Pay User's Review on PEOU

Note: Gojek Application (retrieved on June 9, 2019)

According to Ajzen (1991), subjective norm is defined as “the perceived social pressure to perform or not to perform the behavior in question”. Subjective norm refers to social pressures felt by individuals to do or not do a behavior (Tung, 2011). Heung (2003) defined subjective norm as an individual's perception of whether the people who are considered important to him or her think a certain behavior should be performed.

Go-Pay has created subjective norms on its users and non-users where there is a pressure to make both users and non-users use Go-Pay. Extra Go-Pay balance is offered to Go-Pay users who invite non-users to use Go-Bills whose payment is using Go-Pay. The invitation addressee will also receive extra Go-Pay balance for their first transaction using Go-Pay in Go-Bills. Moreover, Go-Pay has a “Split Bill” feature on its application, where the users can send bills towards each others in the chatting group. With this feature, Go-Pay creates a subjective norm towards its users to use Go-Pay to facilitate the bill payments between friends and family. CNN Indonesia on 9 June 2019 stated that Go-Jek created a joint venture feature named “chat” in its application where users can split their bill and pay using Go-Pay via the “chat” feature.



Figure 1.9 SN on Go-Pay's Users through Giving out Go-Bills Invitation to Friends

Note: <https://www.gojek.com> (retrieved on March 13, 2019)

Innovativeness is a desire owned by individuals to look for new things, look for differences that exist from these products, try, adopt and buy products or new things faster and more often than others. (Hellier et al., 2003). In other words, Innovativeness refers to the condition where customers are displaying greater innovation in new products in which they might have higher probability of adopting alternative products instead of just staying with just one product (Strick. Lumpkin. & Vit or 2011). Innovativeness is the willingness of users to try a new system (Rogers, 2002).

Go-Pay as a mobile payment service has made its users willing to try a new system. According to DetikFinance's survey results (2019), Go-Pay is the Most Used Electronic Money in Indonesia. Even though Go-Pay has only operated for 3 years, but it has the most e-wallet users in Indonesia. This shows that Go-Pay's users has a high level of Innovativeness as they are willing to try new technology like Go-Pay (Retrieved on on June 9, 2019 from <https://finance.detik.com>).

Therefore, this study will examine the factors that significantly affect the continued usage intention of Go-Pay users amongst Surabaya Citizen through perceived risk, perceived ease of use, subjective norm, innovativeness, utilitarian value, and hedonic value. In this study, the collection of data will be done by distributing questionnaires containing questions to some customers who have used Go-Pay at least 2 times in the last one month and are aware of Go-Pay's promotions, which will be randomly selected in the Surabaya area, which is targeted on people at the age of 17 to 60 years old who have Go-Pay application in their smartphones.

1.2 Research Problems

Based on the background of the study, research problems consist of the following:

1. Does utilitarian value have significant effect on Go-Pay customers' continued usage intention in Surabaya?
2. Does hedonic value have significant effect on Go-Pay customers' continued usage intention in Surabaya?
3. Does perceived risk have significant effect on Go-Pay customers' utilitarian value in Surabaya?
4. Does perceived risk have significant effect on Go-Pay customers' hedonic value in Surabaya?
5. Does perceived ease of use have significant effect on Go-Pay customers' utilitarian value in Surabaya?
6. Does perceived ease of use have significant effect on Go-Pay customers' hedonic value in Surabaya?
7. Does subjective norm have significant effect on Go-Pay customers' utilitarian value in Surabaya?
8. Does subjective norm have significant effect on Go-Pay customers' hedonic value in Surabaya?
9. Does innovativeness have significant effect on Go-Pay customers' utilitarian value in Surabaya?
10. Does innovativeness have significant effect on Go-Pay customers' hedonic value in Surabaya?

1.3 Research Objectives

Based on the research problems, research objectives consist of the following:

1. Examine the significant effect of utilitarian value on Go-Pay customers' continued usage intention in Surabaya?
2. Examine the significant effect of hedonic value on Go-Pay customers' continued usage intention in Surabaya?

3. Examine the significant effect of perceived risk on Go-Pay customers' utilitarian value in Surabaya?
4. Examine the significant effect of perceived risk on Go-Pay customers' hedonic value in Surabaya?
5. Examine the significant effect of perceived ease of use on Go-Pay customers' utilitarian value in Surabaya?
6. Examine the significant effect of perceived ease of use on Go-Pay customers' hedonic value in Surabaya?
7. Examine the significant effect of subjective norm on Go-Pay customers' utilitarian value in Surabaya?
8. Examine the significant effect of subjective norm on Go-Pay customers' hedonic value in Surabaya?
9. Examine the significant effect of innovativeness on Go-Pay customers' utilitarian value in Surabaya?
10. Examine the significant effect of innovativeness on Go-Pay customers' hedonic value in Surabaya?

1.4 Research Contributions

1.4.1 Theoretical Advantages

This study made its contribution as a reference in Customer Satisfaction and Purchase Behavior, by identifying the significance of factors that affect re-using behavior in fin-tech product. This study also a reference for further studies related to similar to the field of study.

1.4.2 Empirical Advantages

1.4.2.1 for Go-Pay

The result of this study can be used for evaluation purposes by Go-Pay regarding their customer behavior and how they can improve their strategies in marketing by learning about their customers and how to create effective marketing through the variables such as utilitarian value, hedonic value, social value, and perceived low risk.

1.4.2.2 for the Researcher

This study depends on the researcher's knowledge about Marketing Strategy particularly in the sub-field of marketing strategy. It gives the researcher a much broader awareness of the intricacy of marketing and its elements to its marketing strategy.

1.5 Research Limitations

This study was conducted with Go-Pay as the allowed research object. This research used utilitarian value, hedonic value, social value, perceived low risk, and customer satisfaction as the independent variables, and customer satisfaction and customer re-using intention as the dependent variable. The researcher is limited in terms of location because the research will be done in Surabaya, Indonesia. The research is conducted on June-July 2019.

1.6 Research Outlines

Research outline explains the systematic writing of this study. The outline is divided into five chapters as follows:

Chapter I

This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

Chapter II

This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of theories that apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

Chapter III

This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

Chapter IV

This chapter organizes the logical presentation of all findings in the research questions, and focus on how these key findings relate back to the theory and prior research presented in the beginning of the study.

Chapter V

This chapter outlines the implications, conclusions, and recommendation supposed to advance the study of the research topics by its theoretical, methodological, or substantive contributions that may be necessary to overcome the limitations of existing empirical facts.