

CHAPTER 1

BACKGROUND

1.1 Background

The development of digital technology now very rapid. The first concept of a smartphone is said to have existed since the mid 1970s. However, it only materialized about 20 years later, namely when IBM launched Simon Personal Communicator who showed his face to the public in 1992. IBM Simon deserves to be called a smartphone because this device is capable of sending and receiving emails and faxes. IBM Simon has a monochrome touch screen, a stylus and charging base station.

The rapid development of technology has changed most aspects of human life, not least in the financial sector which led to the birth of innovations in information technology-based financial services commonly referred to as financial technology or Fintech. Fintech offers convenience and easy access for unreached conventional financial products. based on the internet, it makes Fintech stick with the younger generation who are very familiar with the internet and use the internet in their daily lives. So they consider Fintech easier and more practical to use than conventional financial products. Along with the rapid development of technology, Fintech business people can continue to innovate continuously. If the market has new financial problems, then Fintech players can quickly provide innovative financial products that can solve the problem by appropriately utilizing the latest technological developments. The Fintech industry is considered to be more flexible and not rigid compared to conventional financial businesses because there are still few regulations that govern this industry. that's why Fintech is the right land for young business people. With the development of Fintech, it even encouraged banks to make financial product innovations that increasingly spoiled customers.

One form of digital transformation in the financial industry is the presence of e-payment or electronic money which has now begin to be favored by many people, especially those in big cities. Currently developing digital payments developed

financial technology (Fintech) and banking startups, the payment system service uses QR (Quick Response Code) or QR payment scan technology. For example, how the mobile payment service is used to make credit purchases through OTP-based verification, how services are used to make purchases at merchants via NFC that are connected to the EDC system, or how transactions between users can be done quickly by targeting the QR Code generated by the application.

Besides making it easy, another reason many people switch to e-payment is the number of promos given by digital wallet companies. Some e-payment providers provide non-cash payments with various kinds of conveniences and promos, say OVO, Dana, and others. Therefore, as a form of contribution to the development of a cashless society in Indonesia. Pestadiskon is now present as an e-payment promo and discount information center in Indonesia, which aims to facilitate e-payment users in Indonesia to see the discount e-payment information they like. In addition to providing discount e-payment information, Pestadiskon also helped develop the cashless society concept by providing a customer questionnaire feature for providers in Indonesia to add e-payment users to increase transactions at the provider.

This cashless society trend is actually not only in Indonesia. Even this system has long been carried out by other countries, especially in developed countries there. In 2014 Belgium won the most in the implementation of non-cash transactions followed by France, Canada, Britain and Sweden. Whereas in 2014 the Asian continent, China is the winner. According to a report written by Vice.com, China is predicted to be the first country to completely leave cash. This is allegedly thanks to the strict internet control by the state. Statista data, in 2017, said that the total value of digital payment transactions in Indonesia was \$ 18.6 billion. While the value of digital payment transactions or digital payments worldwide has reached \$ 786.11 billion. This means that Indonesia only accounts for around 2 percent of the value of global digital payment transactions. (MAULIA, 2016)

Adoption of e-money use shows results fit is supported by research data. The model contains factors that influence e-money adoption or adoption based on the research findings of job relevance, demonstrability results, computer self-efficacy, external control, computer playfulness, perceived enjoyment, perceived usefulness, and perceived ease of use. The perceived usefulness factor is a factor that influences the use of e-money technology. Individuals who feel the benefits of using e-money will not object to continuing to use e-money in every transaction. Individuals who feel that using e-money makes transactions faster and more effective makes individuals often use e-money in retail transactions.

Individuals who have the right activities with the ease of e-money can directly feel the benefits of using e-money. But the use of e-money itself has not been widely used by the community because indeed the prestige of e-money itself is no better than the prestige of using an ATM-Debit card. This is likely to occur because e-money transactions can only be done if there are enough merchant available, so the transaction is not as wide as when using an ATM-Debit card.

The usefulness of e-money can be easily felt by someone if individuals feel the positive impact of using e-money in real terms. Not only the surrounding environment can affect the perception of the use of e-money, but individuals with the right type of work (job relevance) with e-money technology are practical and fast-paced will feel the use of e-money. Every individual who has the type of work that demands moving fast, effective, efficient then the use of e-money will be very necessary. This is because the use of e-money can meet the needs of transactions that are fast. The level of trust of an individual in his ability to use the e-money system and perceived ease of use to find various facilities or infrastructure for the use of e-money does not affect the use of e-money. Technology that is easy to use but does not contribute a large benefit to its users is unlikely to be accepted in the community. Therefore, people need to be convinced that the use of e-money has various benefits in facilitating the public.

Even though it is still small at the global level, the trend of using electronic money in Indonesia continues to increase. From the data of Bank Indonesia (BI), in 2011, the value of electronic money transactions reached more than Rp981 trillion. The skyrocketed in 2016 to IDR7,063 trillion. With the cashless method, just carry a card so the transaction can be done. This is because it has many benefits that can be obtained compared to carrying large amounts of cash. With the ease of e-payment, we no longer need to carry a lot of money in our wallet and spend a lot of time just waiting for change. Only by carrying 1 card or using e-payment does it take long to get what we need. This can also help the country in creating a cashless society culture in Indonesia.

Consumer usually buying things or using application that they think make their life easier, not only that but most of customer want many benefits that they get from the application that they use and they expect to have a great experience using the application. Davis, 1989 said "the degree to which a person believes that using a particular system would enhance his or her job performance. Davis said in TAM concept that people willing or not willing to adopt technology or something new actually can be predict from their intention. Intention in TAM's concept depend on perceive usefulness and perceive ease of use.

Perceived usefulness explains the user's recognition that the interactive mobile map innovation will enhance their task performance in conveniently finding locations. The user has a view of how valuable the innovation is in performing his or her tasks and how useful mobile the map is in reducing the time to get locations of where they are going to or where they are or getting the distance from a location to another location. (Davis,1989) describes perceived ease of use as “the degree to which a person believes that using a particular system would be free of effort”, that is, utilizing a specific technology (like mobile map) would be free of physical and mental exertion. The user may accept that a given innovation (such as mobile map) is helpful, but while using the mobile, the user may find out that the innovation may be difficult to use. For instance, the object on mobile screen may be difficult to see. Ease of use is the user's impression of the measure of requirement needed to use a technology or the degree to which a user accepts that utilizing a specific innovation will be effortless and smooth.

The consumers learn about products through experience or observation of the use of other consumer products and seek information by asking other consumers who know and have used the product to buy. information obtained from a friend or relative is a form of communication that is very strong in promoting and creating word of mouth. Word of mouth is the dissemination of information about a product or brand carried out by customers to other customers, which is caused by their experience in consuming a product or brand and obtaining satisfaction (Poewanto and Sukirno, 2014). Word of mouth arises when consumers feel satisfied with a product or are very disappointed with the product they bought. (Suryani, 2013).

The classic concept that makes "customer is king" seems to remain relevant. That also continues to be one of the bases for the existence of Lippo Group services through various business divisions. Yes, one of them, is, giving rewards or awards to loyal customers, is a common thing done by business entities. The awarding of this award is intended so that customers do not reduce their loyalty and become evidence that the company also gives appreciation to customers who trust the products and services offered. PT Matahari Department Store Tbk (Matahari), for example, has Matahari Club Card (MCC) for its customers. This is a membership card for customers who usually shop at Matahari, one of the Lippo business units. The more shopping, customers can get points that can be exchanged with discounted vouchers. Starting in 2016, Matahari tried to offer more value than a card for this customer. Miranti Hadisusilo, Director of Legal & Corporate Secretary at Matahari Department Store said, starting at the end of 2016, Matahari continued to innovate by

introducing a new card called Matahari Reward-OVO. This card is the result of collaboration with OVO, a start-up of Fintech formed by a subsidiary of Lippo Group, namely Multipolar. From the concept that customer is king, we know that OVO has their strategy for make their loyal customer feel special with the reward, appreciation for their product. Their customer can feel the perceive usefulness and perceive ease of use of their application by knowing that become the one of the member they can get many benefits and they feel safe to use the application and from the moment they know customer get many benefit from the application customer will tell their friends to become the member too. This also can build trust from their experience using these apps.

The researcher use OVO application as the subject its because OVO is booming from 2018 until now, most of mall in Surabaya using OVO as payment method. As we can see many promotions that OVO offer to customer (cashback, easy to pay parking cost, etc). Surabaya become smart city because most of all using e-payment as payment method to buying something or purchase something and everything become easy using e-payment, we don't need to pay by cash but only with our smart phone we can pay our bill.

1.2 Research Questions

The problem formulations of this research are:

1. Does Perceive Usefulness effect customer intention to use OVO application?
2. Does Perceive Ease of Use effect customer intention to use OVO application?
3. Does the Characteristic of e-Commerce (word of mouth) effect to customer intention to use OVO application?
4. Does the Perceive Value affect customer intention to use OVO application?
5. Does the Perceive Trust affect customer intention to use OVO application?
6. Does PU and PEOU, word of mouth, perceive value and perceive trust can affect to intention to buy thru E-payment (OVO)

1.3 Objectives of the Study

This research is conducted to analyze:

1. The effect of Perceive Usefulness on customer intention to use OVO application in Surabaya.
2. The effect of Perceive Ease of Use on customer intention to use OVO application in Surabaya.

3. The effect of word of mouth to use OVO application in Surabaya.
4. The effect of Perceive Value to use OVO application in Surabaya.
5. The effect of Perceive Trust to use OVO application in Surabaya.
6. The effect of Customer intention to use OVO application

1.4 The benefits of this research are expected to deliver advantages toward these parties:

1. Theoretical benefits

This research was made to develop consumer behavior towards the adoption of new technologies, namely relating to Fintech and bring better understanding and enrich the previous researches on the influence of TAM , characteristic of e-commerce (word of mouth) , perceive value , perceive trust and customer intention to use e-payment

2. Practical Benefits

Fintech providers know consumer behavior is related to Perceive Usefulness, perceive ease of use, word of mouth , perceive value and trust toward customer intention to use OVO payment system for purchasing .

1.5 The Writing Systematics

The writing systematics of this study is divided into 5 chapters, arranged systematically as below:

CHAPTER 1: INTRODUCTION

This chapter includes the background of study, research questions, objectives of the study, significance of the study and writing systematics.

CHAPTER 2: LITERATURE REVIEW

This chapter elaborates the previous studies, theoretical foundation which consists of Perceive Usefulness, Perceive Ease of Use, Word of Mouth, Perceive Value, Perceive trust, Customer intention to use thru e-payment, the relationship between variables, research framework, and hypotheses of the study.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter comprises: research design, variable identification, operational definition of variables, variables measurement, type and source of data, samples and sampling technique, also the data analysis technique.

CHAPTER 4: ANALYSIS AND DISCUSSION

This chapter consists of: respondent characteristics, data description, data analysis results which are using PLS testing, hypotheses testing, indirect effect testing and the discussion of research discovery.

CHAPTER 5: CONCLUSION AND SUGGESTIONS

As the final stage of the study, this chapter's content is the conclusion of result and suggestions which may be useful for OVO's management also the future research.