

CHAPTER 1

INTRODUCTION

1.1 Research Background

In the Industrial Revolution Era 4.0, technology has become essential in optimizing business activities and resources more effectively and efficiently. There is a massive usage & adoption of internet technology in society. According to "We Are Social" data, in January 2021, the internet users in Indonesia reached about 202,6 million people, or around 73,7% of the total population connected to the internet. It indicates that more than half of the Indonesian people are internet users. Furthermore, the digital era provides a challenge that turned into an opportunity, because it provides more flexibility and functionality in several aspects (Inna & Marina, 2016). Following the rapid development and usage of internet technology, fostering innovation in various technology-based industries in the financial sector, namely FinTech (Financial Technology), initiated to support financial service solutions (Safitri,2020).

The emergence of financial technology (FinTech) offers efficiency in today's digital revolutions era. These include fundraising, investment, payment instruments, loan tools, deposit devices, digital banking, and much more. So, The transition of people to FinTech is due to the ease and speediness in accessing financing and various interest rates, which has driven the FinTech sector to flourish in Indonesia (Tang, 2021). One of technological developments through the financial industry is FinTech Peer-to- Peer Lending Platform. This platform offers flexibility where lenders can allocate and obtain funds for return of investment, effectively & transparently. (Vovchenko et al., 2017). In general, the investment activities occur due to the economic indicators such as inflation rate that can have an impact on cash flow and profit rates depreciates assets. These terms usually drive people to do investing.

Besides developing Indonesia's FinTech, the regulators become decisive to the relevant issues of the emergence fintech platforms. OJK (Indonesia Financial Service Authority), as regulators, has strengthened the FinTech regulator

framework & scheme to be more comprehensive. The key would be to strike a balance between protecting customers or Fintech users and preventing an adverse impact on the country's economy (in particular, the potential systemic risks that the fintech sector may pose to the broader economy) while still encouraging innovation and ensuring that the businesses continue to be agile on the other hand.

Based on data from the Financial Services Authority (OJK), the number of registered or licensed status for Indonesia's FinTech Lending Platforms has decreased compared to 2020. In Table 1.1, FinTech Lending has reached 116 platforms supervised by the OJK (Indonesia Financial Service Authority), currently registered or licensed, until August 2021. It is due to some factors such as, the platforms not fulfilling the requirements from OJK, or still building and improving their business models & infrastructure. It can be seen from the data below from the number of growth Indonesia Fintech Lending Platform growth in 2021.

Table 1. 1
Number of Registered and Licensed of Indonesia FinTech Lending Platform

Year - 2021	January	March	April	May	June	July	August
<i>Registered</i>	108	101	90	74	57	53	39
<i>Licensed</i>	41	46	56	57	67	68	77
Total	149	147	146	131	124	121	116

Source: Otoritas Jasa Keuangan (OJK) (Processed) (2021)

The development of the Peer-to-Peer Lending platform in Indonesia is followed by the increasing number of lender users. According to the Financial Services Authority (OJK), Peer-to-Peer Lending shows significant trends of growth; until March 2020, total disbursement of Peer-to-Peer Lending platform reached 102,53 Trillion, with the following demographics:

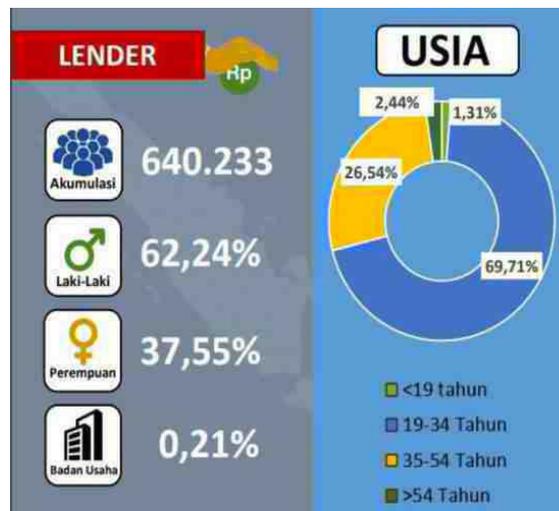


Figure 1.1. Characteristics Lender Users
Source: Otoritas Jasa Keuangan (2020)

Figure 1.1 shows that 69.71% of lenders in the Peer to Peer Lending platforms are aged 19-34 years old. This goes along with (Stephanie, 2017) statement, which states that Investing in Peer-to-Peer Lending has several advantages for Millennials, namely: the ease of access in financing, interest rate offered, and the moderate profile risk. Peer-to-peer lending platforms facilitate users to diversify their investment, more flexible transactions, and more funding project options. P2P Lending is a short-term investment, where investments are made based on which project that lenders want to purchase, with a period of time according to the project that they choose. The average interest rates that P2P platform offered is around 16%-30% per annum. Through the P2P platform, Lenders can easily diversify their investments for any available projects with different return time options and the amount of interest rates.

The mechanism of the peer-to-peer lending business model is to bridge between a lender with potential borrowers through technology-based systems. A lender is an individual or institution who seeks funding or investment with attractive interest rates of return. According to the agreement, the lenders will get interest on their funding after repayment (Astuti & Darma, 2019). In these terms, lenders are

customers who decide to purchase for certain available projects in the P2P Lending platform. The potential borrowers are individuals or institutions who seek loans for specific needs. The example of a technology-based system is a website or Application. By investing in productive P2P Lending, Investors or lenders have contributed to the development of the Indonesian economy through financing Micro-small enterprises.

The role of P2P Lending towards the development of Medium, Small & Micro Enterprises (MSMEs) raises a better industrial passion in regions. P2P Platform will be a symbiotic relationship of mutualism in the economic field due to its contributions. Borrowers and lenders (Investors) will get profit calculations through an application/website that they accessed online. There are several factors why P2P Lending has a significant role in improving the economy in Indonesia, namely: Providing convenience to people who do not have access to credit at banks; providing unsecured credit; become a promising investment alternative for capital owners with moderate profile risk; Can be accessed by individuals or companies; It can reach across Indonesia because its operations can be accessed online.

PT XYZ is a financial technology-based company that provides a productive peer-to-peer (P2P) lending platform in Indonesia which is headquartered in Surabaya, East Java. PT XYZ focuses on productive sector funding, connecting thousands of potential Micro-Small Enterprises (borrowers) who need business loans for their business, with individuals or institutions investors (called lenders) who seek to do funding with expectation to get return of investment within interest rates. The interest rates offered through PT XYZ is up to 20% per-annum. As of mid-2021, types of funding projects available on PT XYZ are invoice financing and project financing. As a P2P Lending platform, PT XYZ has been licensed and supervised by Financial Services Authority (OJK) as of June 10, 2021.

According to Gitman & Joehnk (2005), investment is how invested money or capital will generate positive income and maintain or increase value. Abdul Halim (2015:13) stated that investment is a placement of the current amount of money or capital expected to obtain profits in the future. Nowadays, society, especially the Millennial generation, dares to make investments to increase income sustainably.

According to the Chairman of the OJK Board of Commissioners, Wimboh Santoso (2019), OJK, in collaboration with the Financial Services Industry, is trying to achieve the target of financial literacy and inclusion among young people and society or community by increasing savings and investment awareness. It is crucial to driving the Indonesian economy.

According to Janor et al., (2016), investment decision-making is recognized as one of the essential factors affecting financial ability and well-being. Identifying factors related to relevant investment decisions is one of the critical issues for individuals personally and development as a whole. Changes in the investment environment are very dynamic. It makes the consideration not only to focus on investment decision making but also on the level of financial literacy and on how the impact of the level of financial literacy on investment decision making.

Purchase decisions often represent how consumers think in identifying their needs, generating options, and choosing products or services from a specific brand. The more purchasing decisions that a company expects of its business to generate conversion, the more effort the company usually puts into the process. In this research, purchase decisions are the decisions taken by customers or lenders to purchase or invest in PT XYZ' projects. Thus, the intensive competition in the FinTech industry will require a company to be agile, either in doing innovation and improvement, maintaining customer loyalty, or even attracting new potential consumers to make purchases of their services. Of course, this is closely related to marketing activities that companies usually conduct. There are many kinds of marketing activities that companies typically use to optimize their branding & sales, including using Brand Ambassadors and doing promotion activities massively.

The role of brand ambassadors as company brand representatives is valuable to help companies deliver the messages of the products or services of the brand to the end-users. Not only that, but the role of the Brand Ambassador is also to educate people around them through their influence, either from the aspect of products or services offered by the company or general knowledge related to the value proposition of the company, which is expected through their influence, people could gain insight towards the brand. Brand ambassadors will act as spokespeople that

represent the brand. They tend to come with their influence and form a more personal connection to attract potential customers. Since customers tend to buy through people's influence rather than faceless brands, people usually listen to other people's experiences about the benefits of the product and services of the brand before they are convinced. According to the previous research, Brand Ambassador significantly affects Consumer Purchasing Decision and Brand Awareness (Kuncoro & Windyasari, 2021). Thus, the more credible the brand ambassador is, the more people are aware of the brand and purchase.

It goes a long way towards developing the belief and trust of potential customers toward the brand, then deciding to purchase. Promotion is considered a valuable investment for the company in the long-term to build awareness and corporate image in the mind of customers and trigger awareness in the targeted market for conversion. So, the promotion intensity needs to be done often enough & consistently, to give some memories in the mind of customers that might fulfill their particular needs. By outlining the features and benefits through Promotion, it can also attract customer attention to be more aware of the brand and keep customer loyalty. However, based on the previous research, Promotion has the lowest influence on Brand Awareness, but Promotion has the most significant effect on purchasing decisions (Apriyani et al., 2018). Because it is not necessary if the consumer decides to buy due to the brand awareness they are concerned about. Conversely, someone who has brand awareness does not necessarily stimulate customers to make a purchasing decision. According to previous research, brand awareness significantly affects consumer purchasing decisions (Kuncoro & Windyasari, 2021).

Based on the definition, a brand ambassador can be described as a missionary sales representative for the company. Brand ambassadors, who are also recognized as opinion leaders, can use a new product or idea and create a statement that consumers will believe (Rehmet & Dinnie, 2017). Promotion is considered a vital element of the marketing mix that aims to inform, encourage, and enhance the target market about the product or service offering to influence consumers' feelings, perceptions, or purchasing decisions (Hanaysha, 2018). Brand awareness is the

consumer's ability to identify the brand in a different condition, reflected by brand recognition or recall performance (Noorlitaria et al., 2020). A purchase decision is also defined as a decision in which a consumer feels interested in a product and wants to buy, own, try and use that product (Marlius, 2017).

The author is interested in making PT XYZ as an object for this research since there is a massive usage of Brand Ambassador & Promotion activities as the primary marketing strategy of PT XYZ to increase brand awareness, then stimulate potential customers (lenders) to do activation and funding at PT XYZ Platform. As of May 2021, PT XYZ launched a marketing program, which is PT XYZ Ambassador Program. PT XYZ brand ambassador is a university student from some reputable university around Indonesia. They have a different background of significance and their credibility & influence for their surroundings (also called nano influencers). The roles of PT XYZ brand ambassadors are to introduce and share PT XYZ Platform to the potential users in their platform

However, PT XYZ brand ambassadors also have responsibilities to educate society to increase public awareness to be well-financially literate about managing finances wisely, smart savings, the importance of making investments, choosing suitable investment instruments, and legal Fintech platforms in this era. That is important to support the government's program of enhancing financial literacy and inclusion.

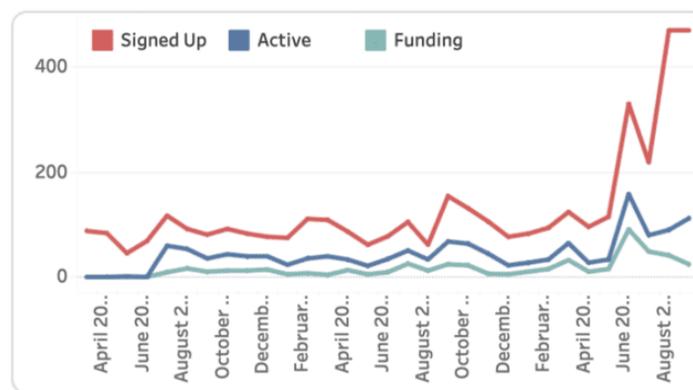


Figure 1. 2. Lender Growth in PT XYZ April– July 2021
Source : Internal Data Company (Processed) (2021)

Refers to the previous research, that purchasing decision is significantly influenced by the role of brand ambassador (Kuncoro & Windyasari, 2021). Based on the data Figure 1.2, the growth number of new registered lenders who didn't make a purchase (shown in Red and Blue lines) is higher rather than the growth number of new registered lenders who did make a purchase eventually. So, when customers have already signed up, they begin to be aware of the PT XYZ brand. If they have completed their registration until active account, they are in the level of purchasing intention towards PT XYZ Platform. This must be taken into consideration and complete attention to increasing the total new funding lenders (new lenders who decide to buy after activation).

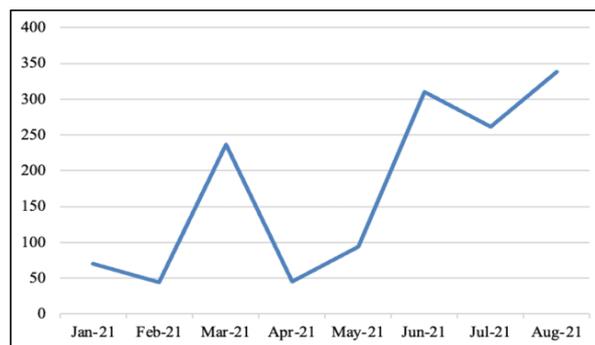


Figure 1.3. Number of Promo Used of PT XYZ Retail Lenders
Source: Internal Data Company (Processed) (2021)

In addition, PT XYZ has also carried out massive promotional activities to generate awareness and conversion for potential new users and maintain customer loyalty for existing users. PT XYZ usually carries out types of promotion: Content Marketing, Video Marketing, door prize, online advertising, funding promos, and much more. Based on the previous research, the promotion has the most significant influence on purchasing decisions (Apriyani et al., 2018). The data above Figure 1.2 shows that the number of promos used from promotional activities of PT XYZ shows significant trends, due to funding promo being key factors to drive transactions lenders at PT XYZ Platform.

According to the data above, which are also supported by previous research, the authors want to analyze and identify whether these variables will significantly

affect customer purchasing decisions or vice versa, especially in the FinTech Peer-to-Peer Lending sector. This research is conducted in Surabaya because the headquarter of PT XYZ is located in Surabaya. Most of PT XYZ s target market is in East Java, Surabaya, and its surroundings. So it will make it easier for a researcher to reach the object and targeted respondents to support this research. Based on the background described above, the researchers are interested in conducting research that goes along with that. The title is the effect of brand ambassador and promotion intensity towards lender purchase decision through brand awareness at Fintech P2P lending platform PT XYZ in Surabaya.

1.2 Research Questions

Based on the background above, this research can be formulated as the following questions:

1. Does Brand Ambassador affect Lender Purchase Decision towards fintech P2P Lending Platform PT XYZ in Surabaya?
2. Does Brand Ambassador affect Brand Awareness towards fintech P2P Lending Platform PT XYZ in Surabaya?
3. Does Promotion Intensity affect Brand Awareness towards fintech P2P Lending Platform PT XYZ in Surabaya?
4. Does Promotion Intensity affect Lender Purchase Decision towards fintech P2P Lending Platform PT XYZ in Surabaya?
5. Does Brand Awareness affect Lender Purchase Decision towards fintech P2P Lending Platform PT XYZ in Surabaya?
6. Does Brand Awareness mediate the effect of Brand ambassador to Lender Purchase Decision towards fintech P2P Lending Platform PT XYZ in Surabaya?
7. Does Brand Awareness mediate the effect of Promotion intensity to Lender Purchase Decision towards fintech P2P Lending Platform PT XYZ in Surabaya?

1.3 Research Objectives

Based on the research questions above, the objective of this research is to elaborate on the effects of:

1. Brand Ambassador and Lender Purchase Decision towards fintech P2P Lending Platform PT XYZ in Surabaya.
2. Brand Ambassador and Brand Awareness towards fintech P2P Lending Platform PT XYZ in Surabaya.
3. Promotion Intensity and Brand Awareness towards fintech P2P Lending Platform PT XYZ in Surabaya.
4. Promotion Intensity and Lender Purchase Decision towards fintech P2P Lending Platform PT XYZ in Surabaya.
5. Brand Awareness and Lender Purchase Decision towards fintech P2P Lending Platform PT XYZ in Surabaya.
6. Brand Awareness, Brand ambassador and Lender Purchase Decision towards fintech P2P Lending Platform PT XYZ in Surabaya.
7. Brand Awareness, Promotion intensity and Lender Purchase Decision towards fintech P2P Lending Platform PT XYZ in Surabaya.

1.4 Significance of The Research

The significance of this research are:

1. Theoretical Significance

Hopefully, This research can be helpful for academics especially for students and other researchers as additional information to enrich the insight, knowledge, and reference about the integrated marketing communication, including brand ambassadors, promotion aspect, brand awareness, and purchasing decisions. That can give an overview and understanding of how those variables will affect the FinTech Industry, as well as the roles of Financial technology in the increasing financial literacy and inclusion today.

2. Practical Significance

- a. For Lenders

This research could be used for lenders as a base of consideration for funding decisions on PT XYZ projects. Through this research, the author wants to give a more comprehensive understanding of how PT XYZ al works; how the role of brand ambassador, and what kind of promotional activities are usually conducted in PT XYZ that could be beneficial for the lender to get the insight and overview about the importance of investments, reason to invested on PT XYZ projects, and what's its impact to the community.

b. For PT XYZ Hopefully This research could become additional information and a guide to determine the steps taken further for PT XYZ in improving the PT XYZ Brand Ambassador program and their promotional strategies that will carry out in the future. So it can be conducted optimally to generate brand awareness and the number of targeted conversions.

c. For Students

For students, this research is expected to be useful as a lesson for student's role in emphasizing investment awareness and increasing the level of financial literacy to the society, to help the welfare of the society in terms of managing finances. In addition, this research can be used as a reference, as a way for students to effectively communicate educational messages to the public about the importance of investing and the proper allocation of funds.

1.5 Systematic Thesis Writing

The following is a systematic of the research design, as follow :

CHAPTER 1: INTRODUCTION

This section presented the background of the study, research questions, research objectives, the significance of the research, and the systematic thesis writing.

CHAPTER 2: LITERATURE REVIEW

This section presented the literature review of theories consisting of the overview theory of variables: brand ambassador, promotion intensity, brand awareness, and consumer purchase decision. Furthermore, this chapter also discussed a summary from the previous research, hypothesis, and a conceptual framework that provides answers to research questions and the linkage between variables.

CHAPTER 3: RESEARCH METHOD

This section described how to conduct research, the research design; variable identification, variable operational definitions & variable measurement; types and sources of data; tools & data collection method; population, sample, & sampling techniques; data analysis technique, and; hypothesis testing.

CHAPTER 4: RESULT & ANALYSIS

This section presented the description analysis, research results data, hypothesis testing, and research discussion.

CHAPTER 5. CONCLUSION, LIMITATION, AND SUGGESTION

This section presented the conclusion of the results study conducted by the researcher, the limitation of the research, and suggestions for academics, a company, and lender.