

CHAPTER 1

INTRODUCTION

1.1 Background

Currently e-commerce business is growing rapidly in accordance with the development of internet users in Indonesia (Suharjo et al., 2017). According to the most recent report of the Indonesian Internet Service Providers Association (APJII, 2017) Indonesia's population currently reaches 262 million people. More than 50 percent or around 143 million people have connected to the internet network in 2017. The majority of internet users as much as 72.41 percent are still from the urban community. The utilization is further, not only to communicate but also to buy goods, order transportation, to do business and work.

Kasali (2017, in Sari, 2018) states that internet technology has made all products into services, digital services, and formed new markets, new platforms, with completely different communities. This happened also for the sale of Mutual Funds in Indonesia, the emergence of a new platform to make it easier for people to buy Mutual Funds. The first digital mutual fund in Indonesia was at BukaLapak. PT. Bareksa Investment Portal is in collaboration with BukaLapak in launching an online mutual fund feature, BukaReksa. This feature provide mutual fund product for BukaLapak user. The emergence of BukaReksa is a new breakthrough in the Indonesian financial industry, which is a combination of e-commerce companies (BukaLapak) and financial technology companies and financial markets (PT. Bareksa Investment Portal) (Sari, 2018). In China this breakthrough was already successfully between Alibaba and Yue Bao. Hopefully, this collaboration can accelerate education and public inclusion to invest in mutual funds.

Mutual fund transactions through e-commerce are increasingly prevalent in Indonesia. In the beginning 2018 PT. Bareksa Investment Portal is back in collaboration with another online store, Tokopedia, to provide a platform for

buying and selling Mutual Funds online. Unlike BukaReksa that provides ten mutual fund products, Tokopedia Mutual Fund only provide just one product that is Syailendra Dana Kas which is managed by Syailendra Capital. Consumers who want to buy mutual fund products in Tokopedia simply activate the TokoCash account on the site and start the transaction process according to the directions. Or it can be through other payment systems that Tokopedia provides.

Mutual fund itself are a place to raise funds from the investor community which are then reinvested in the securities portfolio by the Investment Management (MI). Securities portfolio is the diversification of several types of securities / securities (stocks and bonds) simultaneously, which also reduces the risk of loss. Then, the Investment Manager who manages the mutual fund must be a company that has obtained permission from the OJK.

Mutual Funds in Indonesia have been around since 1976, where PT. Danareksa was established by the government and mutual funds was first issued as Danareksa certificates. Now, mutual funds in Indonesia have become products that accommodate hundreds of trillions of rupiah of public funds. Based on statistical data issued by the Investment Coordinating Board (BKPM), in the first quarter, from January to March 2018, investment in Indonesia reached Rp. 185.3 trillion. From these data it can be concluded that the development of investment in Indonesia goes in a positive direction and is in line with the investment target in Indonesia 2018, which is Rp. 765 trillion. According to data from the Financial Services Authority (OJK), the performance of conventional mutual funds continues to increase every year. In 2013 the number of mutual funds in Indonesia was 794 and in March 2018 the number of mutual funds increased by 232.5% to 1,849. For Net Asset Value (NAV) increased 257.80% for 5 years, in 2013 NAV was Rp. 192,545,000,000 while March 2018 NAB was Rp. 496,503,900,000.

Table 1.1 Growth of Mutual Fund in Indonesia

| Year | Number of Mutual Funds | Net Asset Value | The number of Participation Units circulated |
|------|---------------------------|-----------------|--|
| | | Rp (Billion) | |
| 2013 | 794 | 192.545,00 | 120.886.854.956,50 |
| 2014 | 894 | 241.571,00 | 142.728.464.114,04 |
| 2015 | 1091 | 271.969,00 | 182.980.302.630,53 |
| 2016 | 1425 | 338.749,81 | 240.237.854.788,62 |
| 2017 | 1.777 | 457.506,57 | 324.223.922.190,67 |
| 2018 | 1.849 | 496.503,90 | 352.609.314.415,53 |

Source: Capital Market Statistics 2018

From the data above that mutual fund in Indonesia is growing rapidly from years to years. With the increasingly sophisticated technology, mutual fund are now goes online through e-commerce. In Indonesia it is still categorized new especially in financial technology. This research purpose is to make people in Indonesia aware with this new financial technology that mutual fund can be bought trough Tokopedia and BukaReksa from Bukalapak. To bring up the customer purchase intentions of mutual fund product at Tokopedia this research will use two factors that is e-service quality and trust.

The SERVQUAL model, first developed by Parasuraman et. al and it contains five dimensions, namely tangibles, reliability, responsiveness, assurance, and empathy. Based on Lee and Lin (2005) during the past decade, SERVQUAL model has been tested for measuring service quality in e-commerce settings (Devaraj et al., 2002; Kim & Lee, 2002; (Li et al., 2002; Kuo, 2003; Negash et al., 2003). Previous studies on the activity of e-service quality targeted solely on the applying of the SERVQUAL model by rewriting the initial scale things. In the service quality field, service researches need to pay more attention to customer evaluation of e-services, beacuse methods for measuring service qualiyy differ between e-commerce and physical marketplace service (Grewal & Parasuraman, 2000). This study using a modified version of the SERVQUAL model and based on previous study

which are website design, reliability, responsiveness, and personalization. This study not included tangibles, assurance, and empathy in e-service quality dimensions. Tangibles are changed by website design because when it comes to online shopping, customer more attract first with the design of their website. Then, assurance and empathy not includes in e-service quality dimensions because in online business when in communication, customer service need to provide information according to services for each individual.

According to Yang (2001) and Zeithaml (2002, in Lee & Lin, 2005), businesses with the most experience and success in using e-commerce are beginning to realize that the key determinants of success or failure don't seem to be simply data processor presence and low worth however additionally embrace the electronic service quality (e-service quality). Developed from Internet marketing and the traditional service-quality literature, the concept of service quality in e-commerce ('e-service quality) can be defined as the consumer' overall evaluation and judgement of the excellence and quality of e-service offerings within the virtual marketplace (Santos, 2003). In the other hand, Parasuraman et. al. (1998, in Lee & Lin, 2005), conceptualize service quality as the relative perceptual distance between customer expectations and evaluations of service experiences and service quality using a multi-item scale called the SERVQUAL model. The SERVQUAL model includes the five dimensions of tangibles, reliability, responsiveness, assurance, and empathy. Moreover, this research will using e-service quality as benchmark on purchase intentions through trust towards people who have experience in buying the mutual fund product at Tokopedia. This study will use e-service quality dimensions that already modified following the reference from Lee and Lin's e-service quality dimensions. The e-service quality dimensions that will be use in this study are website design, reliability, responsiveness, and personalization.

In the other hand trust is the second factors when it comes in purchase intentions. Trust are the important variable while doing this research to see the customer purchase intentions whether they trusted in Tokopedia and will to

buy the product especially for mutual fund. Trust is defined as customer willingness to accept vulnerability in an online transaction based on their positive expectations regarding future online store behaviours (Kimery & Mccord, 2002). Means that, trust encourages online customer purchasing activity and affects customer attitudes toward purchasing from an online store (Gefen 2000; Gefen et al., 2003). Therefore, trust is a major issue in E-commerce even if Tokopedia has already succeeded in sales product outside mutual fund still trust is matter when buying the product of mutual fund at Tokopedia. Generally trust is an important factor when it comes uncertainty especially for financial technology just like mutual fund online at Tokopedia and BukaReksa from Bukalapak.

Purchase intention is defined as the consumer's possibility of purchasing in the future (Kim & Ko, 2012). Since Tokopedia is now trying into the realm of financial technology that is mutual fund through e-commerce the fact that people want to buy their product can be much expected yet. According to the theory of reasoned action, consumer behavior could be predicted from its corresponding intentions (Ajzen & Fishbein, 1980). Other researcher, observed online purchase intention to be a more appropriate measure of intention to use a web site when assessing online consumer behavior (Pavlou, 2003; in Thamizhvanan & Xavier, 2015). Therefore the more attractive and interesting web site design may affect customer intent to purchase online the mutual fund from Tokopedia. Researchers can even use purchase intention as a very important indicator for estimating shopper behavior.

When shoppers have a positive purchase intention, this forms a positive complete commitment that propels shoppers to require associate actual purchase action (Fishbein & Ajzen, 1975; Schiffman & Kanuk, 2007; in Wu et al, 2011).

Current situation the mutual fund through e-commerce in Indonesia bring positive effect to the society especially for the milenial generation. It was seen as in BukaReksa that Bukalapak claimed to have achieved quite a number of investors, which are around 100,000 people in less than a year since the initial

launch of BukReksa feature. Although investors in Tokopedia increase not as many as Bukalapak but Tokopedia is sure increase due to its affordable prices which minimum amount of purchase mutual fund is Rp 10.000, that has become a major of public interest additionally to the factors of convenience and speed. Since Tokopedia's goal is that the low price that will be realizing financial inclusiveness for society.

In relation to this matter, the purpose of this research is to analyse the effect of e-service quality dimensions on purchase intentions through trust, and analyse the effect of trust on purchase intentions in Mutual Fund at Tokopedia.

1.2 Research Questions

The questions of this research are as follows:

1. Does website design effect on purchase intentions through trust in Mutual Fund at Tokopedia?
2. Does realibility effectt on purchase intentions through trust in Mutual Fund at Tokopedia?
3. Does responsiveness effect on purchase intentions through trust in Mutual Fund at Tokopedia?
4. Does personalization effect on purchase intentions through trust in Mutual Fund at Tokopedia?
5. Does trust effect on purchase intentions in Mutual Fund at Tokopedia?

1.3 Objectives of the Study

The objectives of the study are as follow:

1. Analyse the effect of website design on purchase intentions through trust in Mutual Fund at Tokopedia.
2. Analyse the effect of reliability on purchase intentions through trust in Mutual Fund at Tokopedia.
3. Analyse the effect of responsiveness on purchase intentions through trust in Mutual Fund at Tokopedia.

4. Analyse the effect of personalization on purchase intentions through trust in Mutual Fund at Tokopedia.
5. Analyse the effect of trust on purchase intentions in Mutual Fund at Tokopedia.

1.4 Significance of the Study

The significance of the study are as follows:

1. Theoretical

This research can give the information about the connection between e-service quality dimensions (website design, reliability, responsiveness, and personalisation) through trust that will lead to positive effect on purchase intentions in Mutual Fund at Tokopedia.

2. Practical:

This study can contribute to the development of research literature about the effect of e-service quality dimensions (website design, reliability, responsiveness, and personalisation) on purchase intentions through trust in Mutual Fund at Tokopedia.

1.5 Writing Systematic

This study was written in five chapters, which were arranged systematically as follows:

1. CHAPTER 1 INTRODUCTION

This chapter will discuss about background, research question, objective study, research purpose and thesis systematic.

2. CHAPTER 2 LITERATURE REVIEW

This chapter describe about previous research, theoretical basis: E-service quality, Purchase Intentions and Trust development of hypothesis, research models, and hypothesis.

3. CHAPTER 3 RESEARCH METHOD

This chapter explained about ways to conduct research activities: research design, identification of variables, optimal definitions, operational

definitions, variable measurement, types of and source of data, tools and data collection methods, population, samples, sampling techniques, data analysis techniques, and hypothesis testing procedures.

4. CHAPTER 4 ANALYSIS AND DISCUSSION

This chapter describe about: respondents profile, description of research variables, validity test, reliability test, research data analysis, research hypothesis testing, and discussion.

5. CHAPTER 5 CONCLUSION

The final chapter contains general conclusions from the analysis and discussion that have been carried out in the previous chapters. In addition, suggestions were also made that could be used an input and basis for further research.