CHAPTER I
INTRODUCTION

1.1 Object Overview

Digital payment is a payment transaction carried out online using digital devices, without involving the exchange of cash (Khaitan, 2022). Currently, digital payments have become a part of the payment method used by Indonesian, which is also one of the options for completing e-commerce transactions. Electronic Money (e-money), Electronic Wallet (e-wallet), Mobile Banking (M-Banking), and Internet Banking are four types of digital payment commonly used in Indonesia (Bank Republic Indonesia, 2022; The Jakarta Post, 2021). The use of digital payments makes sales transactions run efficiently between businesses and their customers. It encourages the emergence of digital payment applications known as e-wallets (Ramli & Hamzah, 2021).

An e-wallet is a digital service that allows you to save money on a payment device (card payment or electronic money), using a mobile device (laptop, tablet, or smartphone), using an application created by authorized banks and licensed electronic money providers, and allows you to store payment information on it (PBI No. 18, 2016; Ramli & Hamzah, 2021). The E-wallet app should be associated with the user's account and the account should have sufficient credit. Users can also receive deposits and transfer funds between accounts (Ramli & Hamzah, 2021). In conclusion, an e-wallet can be defined as an application used by consumers to perform online/offline transactions through mobile devices.

The use of e-wallets in Indonesia is regulated by Bank Indonesia Regulation No. 18/40/PBI/2016 and Bank Indonesia Circular No. 18/41/DKSP regarding the implementation of cash transaction procedures (Bank Indonesia, 2020). According to The International Trade Administration (2020), as many as 41 e-wallet platforms already have Indonesian government-approved licenses.

1.2 Research Background

The digital economy has grown tremendously in Asian countries, including Indonesia. This includes changing business processes through technological innovation. As a result, the traditional economy is slowing down and the digital economy is growing (Li et al., 2020). The population of internet users is increasing rapidly, stimulating Indonesia to become one of the countries with the fastest growing digital economy in Southeast Asia (Tobing, 2021).

As a result of the digital economy affecting digital transformation, new financial technology or FinTech have been introduced to Indonesian. Financial services in digital banking are well-developed because banks are actively developing their financial products and digital payment systems. It aims to increase consumer's financial activity in making payments, transferring funds, and other financial transactions (Nikkel, 2020; Tayibnapis et al., 2018).

Digital payments also known as an electronic payment (e-payment) is the output of FinTech that can be done by installing mobile banking or third-party applications by individual (Khaitan, 2022; Singhal & Gupta, 2021). According to Aldaas (2021), digital payment systems have advantages for the economy, providing efficiency, and simplifying the process of identifying and tracking abuse and fraud.

Bank Indonesia is currently promoting digital transformation and digital integration in Indonesia especially in terms of digital payment systems to develop the digital economy (The Jakarta Post, 2022). As a results, the use of digital payments in Indonesia has grown significantly over the last five years (Crisanto, 2021). According to Bank Indonesia in The Asian Banker (2021), the absorption of digital transactions will grow by 33,2% in 2022. As shown in Figure 1.1., it can be concluded that digital transactions in Indonesia increased significantly during the COVID-19.
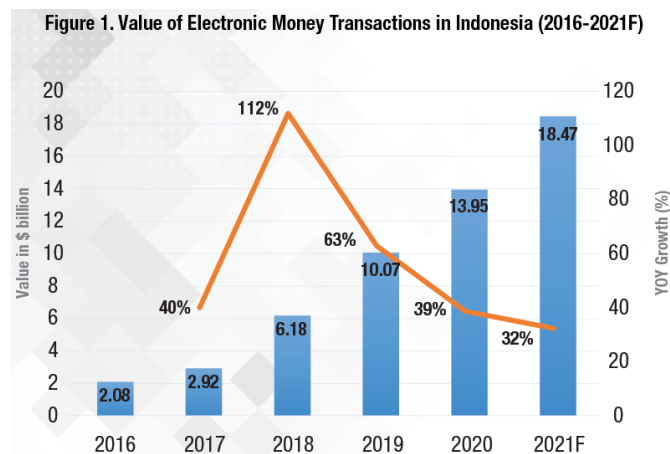
Figure 1. 1 The Total Value of E-money Transactions in Indonesia

Source: The Asian Banker, 2021

Electronic wallet (e-wallet) is one of the key players in the digital payment ecosystem (Ariffin et al., 2021). E-wallet also known as digital wallet or mobile wallet have become one of the most popular payment methods, and have contributed to the development of digital payment services and e-commerce platforms (Daragmeh, Sági, et al., 2021; The Jakarta Post, 2021). Based on the survey conducted by the DailySocial (2021), OVO and GoPay are the most used e-wallet applications in 2021. The 5 most used e-wallet apps in Indonesia are detailed in Figure 1.2.
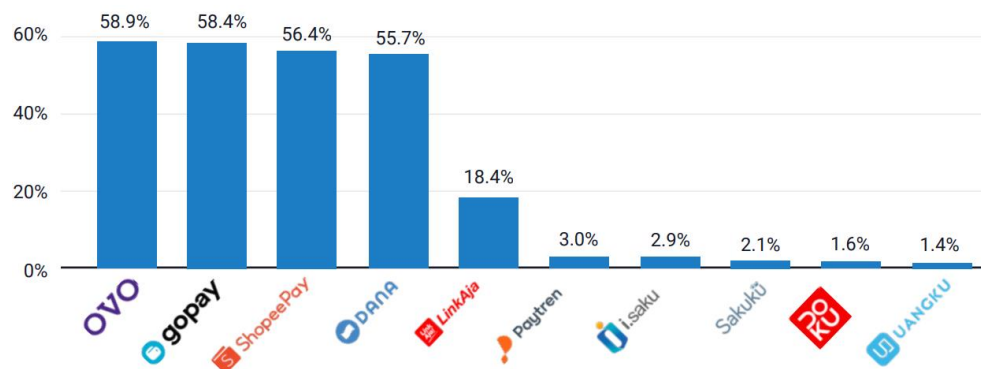

Figure 1. 2 The Most Used E-wallet Applications in Indonesia

Source: DailySocial, 2021

The financial sector is one of the worst hit sectors by the COVID-19 pandemic (Katadata, 2020; Malahayati et al., 2021). The implementation of Pembatasan Sosial Berskala Besar (PSBB) and Pemberlakuan Pembatasan

Kegiatan Masyarakat (PPKM), reduces the number of daily cash transactions, and increases digital transactions (Anggraeni, 2020; Safitri, 2020; Sugandi, 2021). The pandemic has changed consumer behaviour in Indonesia and led to a shift away from in-store payments to online payments (Daragmeh, Sági, et al., 2021; The Jakarta Post, 2021).

In this case, the existence of e-wallet can support this condition and allow changes in Indonesian behaviour regarding financial transactions in the future. The ease of use offered by e-wallet has made the number of consumer transactions increase since the COVID-19 pandemic. The existence of e-wallets also supports the efforts of the Strategi Nasional Keuangan Inklusif (SNKI), which was signed by President Joko Widodo in 2016 (Katadata, 2020). Basically, SNKI was created by the government to increase the number of adults who have formal access to financial services (PwC-Indonesia, 2019). While, based on a survey by Ipsos IPSOS (2020), e-wallet users who top up their e-wallet balance the most are users aged 25-29 years, while older users tend to top up fewer balances.

Figure 1. 3 Indonesian Population by Gender
Source: DataReportal, 2022

As can be seen from Figure 1.3., on February 2022, the total population of Indonesian is 277,7 million. There is an increase in Indonesian population between 2021 and 2022, which is 2,8 million. Figure 1.3., shows that the female population of Indonesia is 49,7% of the total population, while 50,3%

of them are male. In Figure 1.4., it is known that the largest percentage based on population age is at 25-34 years old (14,9%) and 33-44 years old (14,7%).
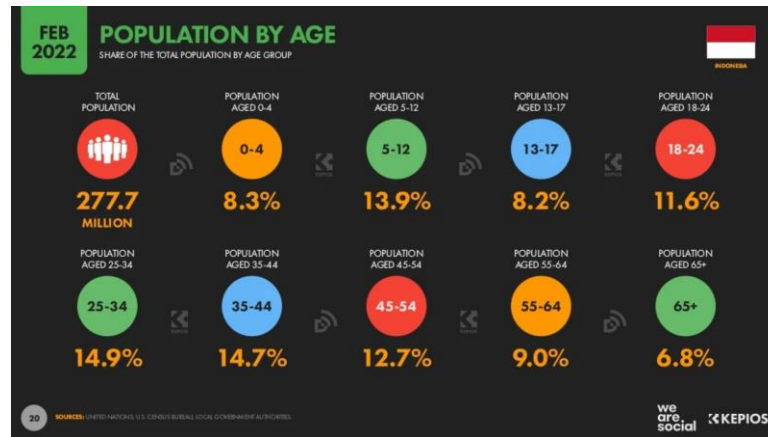

Figure 1. 4 Indonesian Population by Age

Source: DataReportal, 2022

According to Santosa et al. (2021), there are seven categories of generational life, namely the older generation, the silent generation, the baby boomers, generation X, the millennial generation, the Z generation, and the alpha generation. Generation X was born between 1965 and 1980, which in 2021 will be between 41-56 years old and in 2022 expected to be between 42-57 years old (Katz, 2017). Generation X tends to buy high-quality products and superior services and research the products or services they want before deciding to buy a product or use a service. In addition, Generation X prefers to shop in physical stores (Santosa et al., 2021). However, according to the World Health Organization (2020), older adults are more susceptible to infection with the COVID-19 virus. Therefore, this generation segment needs to prevent to avoid infection.

A lot of studies verify that millennials and Generation Z have a high willingness to use technology (Abu Daqar et al., 2020). However, in another study, found that Generation X also adopted technology in their lives (Calvo-Porral & Pesqueira-Sanchez, 2020; Daragmeh, Lentner, et al., 2021). Findings from the OECD Financial Literacy Report (2020), show that respondents with access to digital tools have higher levels of knowledge education and attitudes toward well-being. The same report also shows that

Indonesian Gen Xers are among the most financially literate age group (Anastasia et al., 2019; OECD, 2020). These announcements suggest that Gen X service providers in Indonesia may also be involved in the FinTech solutions being introduced.

If consumers continue to use mobile payments it is said that mobile payments services will be successfully adopted (Mukhsopadhyay & Upadhyay, 2022). Therefore, continuous intention becomes critical to the success of a mobile payment services. Therefore, this study is interested in investigating the factors that influence the behavioural intention of Indonesian Generation X in using e-wallet services during the COVID-19 pandemic.

This study documents the construction of one of the most popular technology adoption models the Technology Acceptance Model (TAM) (Chawla & Joshi, 2020). According to Hu et al. (2019), TAM can determine differences in the willingness to use and improve technology appropriately and precisely defined in problem analysis. TAM is therefore an adopted model in the field of research on technology use intention and behaviour (Cheng, 2019). The TAM model is suitable for this study because it is widely used in FinTech services research and research on e-wallet services is scarce (Ariffin et al., 2021; Hu et al., 2019).

Several studies have addressed factors that influence behavioural intention regarding mobile payment adoption. A study conducted by Daragmeh, Lentner, et al., (2021) investigated the factors influencing the behavioural intention to adopt mobile payments among Hungarian Generation X during the COVID-19 pandemic. The result of this study shows that Behavioural Intention is influenced by Perceived COVID-19 Risk, Subjective Norms, Perceived Usefulness, and Perceived Ease of Use. Another study conducted by Aji et al., (2020) stated that Perceived COVID-19 Risk and Perceived Usefulness influence the intention to use e-wallets during the COVID-19 pandemic. Based on the previous study conducted by Ariffin et

al., (2021) confirm that Perceived Ease of Use and Subjective Norm influence the intention to continuous Use e-wallet services.

This study references a study from Yang et al., (2021). It is said that gender influence how consumers spend their e-money to buy products. Meanwhile, the results of another study conducted by Indrawati & Putri (2018), stated that respondents' perceptions of using e-payments were not differing based on their gender.

Based on the literature review, this study used Perceived COVID-19 Risk (PC19R), Subjective Norms (SN), Perceived Usefulness (PU), and Perceived Ease of Use (PEU) as independent variables then Behavioural Intentions (BI) as dependent variable. Further, this study also used the moderating variable which is gender.

1.3 Problem Statement

The presence of e-wallet has made the number of digital payment transactions increase since the COVID-19 pandemic, which may change the financial behaviour of Indonesian in the future. Its existence supports the Strategi Nasional Keuangan Inklusif (SNKI) was created by the government to increase the number of adults who have formal access to financial services. Therefore, continuous intention becomes critical to the success of mobile payment services. According to a survey by IPSOS (2020), older adults, called Generation X tend to top up their e-wallet balance less. This generation has received less attention from digital payment service providers. Even though there have been studies that state that Generation X also adopts technology in their lives. This generation buys high-quality products and great services. In addition, Generation X prefers to shop in physical stores, but this generation is susceptible to infection with the COVID-19 virus. Therefore, this study is interested in investigating the factors that influence the behavioural intention of Indonesian Generation X in using e-wallet services during the COVID-19 pandemic.

1.4 Research Questions

According to the research background and the problem statement has explained in the previous, the following are the research questions that can be raised in this study.

1) How much is the rate of Perceived COVID-19 Risk, Subjective Norm, Perceived Usefulness, and Perceived Ease of Use of Indonesian Generation X in using e-wallet services?

2) How much is the rate of the Behavioural Intention of Indonesian Generation X toward the e-wallet services?

3) Do Perceived COVID-19 Risk, Subjective Norm, Perceived Usefulness, and Perceived Ease of Use affects the Behavioural Intention of Generation X to use the e-wallet services in Indonesia during the COVID-19 pandemic?

4) Does gender influence the Perceived COVID-19 Risk, Subjective Norm, Perceived Usefulness, and Perceived Ease of Use towards the Behavioural Intention of Indonesian Generation X's to use e-wallet services during the COVID-19 pandemic?

1.5 Research Objectives

According to the stated research questions, the objectives of this study are as follows:

1) Determine the rate of Perceived COVID-19 Risk, Subjective Norm, Perceived Usefulness, and Perceived Ease of Use of Indonesian Generation X in using e-wallet services.

2) Determine the rate of Behavioural Intention of Indonesian Generation X towards e-wallet services.

3) Analyse Perceived COVID-19 Risk, Subjective Norm, Perceived Usefulness, and Perceived Ease of Use in affecting the Behavioural Intention of Generation X to use the e-wallet services in Indonesia during the COVID-19 pandemic.

4) Analyse the gender influence of Perceived COVID-19 Risk, Subjective Norm, Perceived Usefulness, and Perceived Ease of Use towards the

Behavioural intention of Indonesian Generation X's to use e-wallet services during the COVID-19 pandemic.

1.6   Significance of The Study

The findings of this study are expected to benefit e-wallet service providers, academics, or parties in need. The advantages of this study are:

1.6.1 Theoretical Benefits

The results of this study are expected to improve theories related to technology acceptance and serve as a reference for further researchers to address issues related to technology acceptance and consumer behaviour.

1.6.2 Practical Benefits

It is hoped that the findings of this study can be used as reference material to improve the quality of the FinTech industry and as suggestions for e-wallets service providers to continue to improve their service by always providing convenience for consumers including concern to what factors can influence the intention of Indonesian Gen X to use e-wallet services.

1.7   Systematics of Mini Thesis Writing

The writing of the final project report is written systematically which consists of chapters one to five with an explanation below.

1)   CHAPTER I INTRODUCTION

Chapter I includes an overview of the research object, the research background, the problem statement, several research questions are formed that will serve as the final goal of this study, an explanation of the benefits of research, and the systematics of writing.

2)   CHAPTER II LITERATURE REVIEW

Chapter II discusses the theories used, the previous study summary used as a reference, the research framework along with the formulation of hypotheses.

3)   CHAPTER III RESEARCH METHODOLOGY

Chapter III describes the characteristics and types of research used, the description of operationalization of the variable along with the

questionnaire items and the measurement scale, the explanation of the research process, the population and sample used along with the respondent's criteria needed in this study, and an explanation of the data collection method and the techniques used to analyse the data from distributing questionnaires to respondents.

4) **CHAPTER IV RESULT, ANALYSIS, AND DISCUSSION**

Chapter IV presents the results of data processing, research analysis and discussion, and the summary of the hypothesis testing results.

5) **CHAPTER V CONCLUSION AND SUGGESTION**

Chapter V presents the final findings and conclusions of the research conducted and suggestions for further research and e-wallet service provider.