

CHAPTER 1

INTRODUCTION

1.1. Background of The Study

Nowadays, digital technology becomes an important part of nearly everyone's life. Almost everyone, both the old and young people use digital technology to ease their daily activities. Most people prefer something that is fast, easy, and convenience. The presence of internet, also the easiness to get mobile gadget are used by business players as they try to adapt with the current situation in order to fulfill people's needs of efficiency and effectiveness.

According to APJII (Asosiasi Penyelenggara Jasa Internet Indonesia), in 2018 there are 171 million people who use internet out of 264.16 million people of the total population of Indonesia. This is an increase, compared to the statistics in 2017, where only 143 million people use internet. The number of internet users has been increased by 28 million people or roughly 10% in a year. APJII also found that the highest usage of internet every day is through the smartphone, instead of PC, notebook, and tablet. And out of those 171 million people, 62.8% of them said that doing transaction through internet connection is safe.

This phenomenon is seen as a chance by many business players to develop online business or using the internet technology, including in the financial services industry. Fintech –the abbreviation of financial technology, is gradually gaining much of market attention these days. The technology-driven solution that's offered by fintech companies is seen as the preferable alternative to the service that's offered by banks, as it is more effective and efficient.

Bank is the most known financial institution in the world. It offers numerous types of financial services including saving, lending, currency exchanges, money transfer, and all payment. Global Findex database of World Bank 2017 reports that 1.2 billion adults have a bank account since 2011 and 515 million have had bank accounts since 2014. From 2014 to 2017, the share of adults who have bank accounts with a financial institution or a mobile money service has increased

globally from 62% to 69%. In Indonesia, according to Indonesia Financial System Statistics by Bank Indonesia, per July 2019, the number of ATM card distributed is 175 million, while the number of credit card distributed is 17 million and the number of e-money card distributed is 232 million. But even though there is a large number of customers and the fact that the world's major retail banks still dominate the financial services landscape, they are no longer the only player in the financial world.

According to Bank Indonesia, financial technology is the combination of financial services with the technology which then changes the business model from conventional to moderate. Initially when doing payments, it has to be done in face to face and bring some cash. But now, people can make long-distance transactions by making payments that can be done in seconds. According to Arjunwadkar (2018:40-89), there are several types of financial technology services. Their services cover payment, lending, wealth management, and insurance services. Fintech has changed the payment system in the society and has helped start-up companies reduce initial capital costs and high operational costs. This development is known as cashless society, where every payment is not conducted via physical money, as in cash or coins, but by using an electronic money or e-money.

The electronic money, according to Bank Indonesia, is defined as an electronic payment system where the value of the money is stored in certain electronic media, which can then also be described as an electronic wallet. Indonesia is also shifting to a cashless society as Indonesian people are beginning to show interest in using e-money. In results of that phenomenon, many companies begin to launch their e-money. As per May 24th 2019, Bank Indonesia licensed 38 electronic money operators, which consist both bank and non-bank institutions. Some of those companies are listed in table 1.1 bellow, while the complete list is available in the appendix.

Table 1.1.
List of Bank Indonesia's Licensed E-Money Operators

No.	E-Money Operator	Product Name (Server Based)	Product Name (Chip Based)
1.	PT Bank Central Asia Tbk	Sakuku	Flazz
2.	PT Bank Mandiri (Persero) Tbk	Mandiri E-Cash	Mandiri E-Money
3.	PT Bank Mega Tbk	Mega Virtual	Mega Cash
4.	PT Bank Negara Indonesia (Persero Tbk)	UnikQu	TapCash
5.	PT Bank Rakyat Indonesia (Persero) Tbk	T bank	Brizzi
6.	PT Telekomunikasi Selular	T-Cash	Tap Izy
7.	PT XL Axiata, Tbk	XL Tunai	-
8.	PT Smartfren Telecom Tbk	Uangku	-
9.	PT Dompot Anak Bangsa (d/h PT MV Commerce Indonesia)	GoPay	-
10.	PT Visionet Internasional	OVO Cash	-
11.	PT Airpay International Indonesia	SHOPEEPAY	-
12.	PT Fintek Karya Nusantara	LinkAja	-

(Bank Indonesia, 2019)

One of the biggest players in the online payment industry in Indonesia is OVO. It is indicated by OVO's position in Google Play Store which stays as the 1st place in Top Free Finance category and have downloaded by more than 10 million people by July 2019. This is a fascinating development, considering the fact that OVO started its operation in 2017. Also, it is said that looking from Bank Indonesia data, Indonesia's top digital payment system based on transaction values is OVO (Muskita, 2019). The company processed 56.1 trillion rupiah (about US\$4 billion) worth of transactions for the first half of 2019. And OVO finally has confirmed their unicorn status in October 2019, which made Indonesia's unicorn becomes five. OVO is a digital payment platform under Lippo Group. OVO gives its customers various interesting offers, an easy way to conduct payment (by mobile payment), and also a smart financial service. By using OVO, transaction process becomes much faster since OVO strives to offer efficiency and effectiveness.

In 2019, after OVO acquired Taralite through acquisition, they launched their newest feature which is OVO PayLater (Freischlad, 2019). This new feature enables OVO to expand credit access for millions of Indonesians in order to support Indonesia's growing trend in retail sales. OVO PayLater is a lending service without a credit card (similar to a digital credit card) that can be used by OVO users to do shopping transactions at their chosen merchants. With OVO PayLater, the users can:

1. Buy now, pay later in the end of the month (every 27th).
2. Have spare money that can be used for payment transaction without top up the OVO Cash.
3. Pay bills easier with minimum payment schemes.

OVO PayLater comes in the form of a credit limit which we can use to make transactions use in 200,000 modern retail merchants that are affiliated with OVO and also in Tokopedia. How OVO PayLater works?

1. Transactions on the 27th through the 26th of the following month will be invoiced on the 27th of the following month.
2. The bill will be due on the 1st so the user has a few days to pay the bill.
3. After the due date, all unpaid bills will incur an interest of 0.1% each day and will be invoiced on the next bill.
4. OVO Paylater accounts will be suspended if the user does not pay off the bill or make a minimum payment and passed the due date for 4 days.

Online lending service, whether one that offers small consumer loan or one that offers bigger loans for business, is one of the important features for digital wallet. Abraham Viktor, the founder of Taralite said owning and operating the lending feature is important because it's a potential profit-generator which can help offset losses from other expensive businesses segments (Freischlad, 2019). Peer-to-peer (P2P) lending fintech companies are supervised by OJK (Otoritas Jasa Keuangan). As per June 2019, there are 113 P2P lending fintech companies that registered in OJK. Some of those companies are listed in table 1.2 below, while the complete list will be on the attachment.

Table 1.2.
List of Registered Financial Technology Companies by OJK

No.	Platform Name	Company Name	Operation System
1.	Danamas	PT Pasar Dana Pinjaman	Android
2.	Investree	PT Investree Radhika Jaya	Android dan IOS
3.	Amartha	PT Amartha Mikro Fintek	Android
4.	UangTeman	PT Digital Alpha Indonesia	Android
5.	Koinworks	PT Lunaria Annua Teknologi	Android
6.	Taralite	PT Indonusa Bara Sejahtera	-
7.	ShopeePayLater	PT Lentera Dana Nusantara	-

(Otoritas Jasa Keuangan, 2019)

With the increasing popularity and the use of fintech, especially on payment and peer-to-peer lending, fintech players need to know what factors that make customers choose to use their services. This is called perceived value. Perceived value is the perception of customer regarding the net profit obtained based on the trade-off between the applicable benefits and the sacrifices resulting from the process. When speaking about perceived value, benefits and sacrifices are the two important elements. In previous study of value-based adoption model (VAM) by Kim et al. (2007), perceived fee and technicality are categorized as sacrifice element. In that study, the two have greater impact than usefulness and enjoyment, which are categorized as benefit elements on perceived value. But in the contrary, a study by Roostika (2012) found that in the benefits' element, usefulness and enjoyment had positive influence on perceived value while in the sacrifices' element, technicality was negatively influencing the perceived value. Yet perceived fee was not proved as significant dimension of perceived value.

This perceived value will then lead to adoption intention. In the previous studies, researchers found that perceived value was influencing adoption intention significantly (Kim et al., 2007), which is in line with a previous research by Chang et al. (1994). The latter study verified that perceived value is an antecedent of

adoption intention. Roostika (2012) also found the same result as them, that perceived value was influencing adoption intentions positively.

Since OVO PayLater is considered as a fairly new feature of OVO and considered as the competitor of credit card, it is important to find out whether the current users of OVO will want to use this feature or not. The assumption is, when the users of OVO know about the usefulness, enjoyment, technicality, and perceived fee of OVO PayLater, it will make them to create a perception whether it's worthy or not to be used (adopted). The study will consider the influences of the benefits they will get and the sacrifices that they will make, which are assumed to give effect to their perceived value on OVO PayLater. The perceived value of OVO PayLater then will affect the customers' decision to use the loan service or not.

1.2. Research Questions

According to the background of the study that has shown above, the following research questions can be formulated:

1. Does usefulness of OVO PayLater have positive influence to customers' perceived value?
2. Does enjoyment of OVO PayLater have positive influence to customers' perceived value?
3. Does technicality of OVO PayLater have negative influence to customers' perceived value?
4. Does perceived fee of OVO PayLater have negative influence to customers' perceived value?
5. Does customers' perceived value of OVO PayLater have positive influence to customers' adoption intention?
6. Does customers' perceived value mediate the influence of usefulness to adoption intention?
7. Does customers' perceived value mediate the influence of enjoyment to adoption intention?

8. Does customers' perceived value mediate the influence of technicality to adoption intention?
9. Does customers' perceived value mediate the influence of perceived fee to adoption intention?

1.3. Research Objectives

According on the research questions stated, the following objectives can be concluded:

1. To analyze the influence of OVO PayLater's usefulness to customers' perceived value.
2. To analyze the influence of OVO PayLater's enjoyment to customers' perceived value.
3. To analyze the influence of OVO PayLater's technicality to customers' perceived value.
4. To analyze the influence of OVO PayLater's perceived fee to customers' perceived value.
5. To analyze the influence of customers' perceived value of OVO PayLater to customers' adoption intention.
6. To analyze the mediating effect of customers' perceived value toward OVO PayLater's usefulness on customers' adoption intention.
7. To analyze the mediating effect of customers' perceived value toward OVO PayLater's enjoyment on customers' adoption intention.
8. To analyze the mediating effect of customers' perceived value toward OVO PayLater's technicality on customers' adoption intention.
9. To analyze the mediating effect of customers' perceived value toward OVO PayLater's perceived fee on customers' adoption intention.

1.4. Significance of The Study

From the objectives stated above, this study is expected to provide significant benefits within theoretical and practical aspects.

1.4.1. Academic Benefit

This research study is expected to bring:

More evidence on the relationship between benefits and sacrifices toward customers' adoption intention through the mediation of customers' perceived value.

1.4.2. Practical Benefit

This research study hopefully can:

The results of this study is expected to provide a basis for OVO PayLater's improvement in a form of more developed & better service and feature that can satisfy the needs and solve the problems of the customers.

1.5. Systematic of Writing

This study's systematic of writing is consisted of five chapters that were systematically arranged as follows:

CHAPTER 1: INTRODUCTION

In this chapter, the background of the study, research questions, research objectives, significance of the study, and the systematic of writing will be discussed.

CHAPTER 2: LITERATURE REVIEW

In this chapter, the explanation of grand theory (Value-based Adoption Model); the theoretical foundation of benefits (usefulness and enjoyment), sacrifices (technicality and perceived fee), perceived value, and adoption intention; previous researches; relationship between variables; and the research framework will be discussed.

CHAPTER 3: RESEARCH METHODOLOGY

In this chapter, research design; variable identification; operational definition of variables; variable measurement; type and source of data; tools and data collection

method; population, sample and sampling technique; and also data analysis method will be explained.

CHAPTER 4: ANALYSIS AND DISCUSSION

In this chapter, general descriptions of the research object; data description; data analysis; and discussions of the findings will be discussed

CHAPTER 5: CONCLUSION, LIMITATION, AND SUGGESTION

In this chapter, the research results are going to be concluded, and the limitation also the suggestions for future research and for OVO management will be explained.