CHAPTER 1

INTRODUCTION

1.1 Background

The rapid advancement in mobile technologies have stimulated higher penetration of mobile devices and the growth of its use in various areas of our lives; and the number of mobile phone subscriber is well above the number of fixed line internet users (Dai, Palvia, 2009; cited in Liebana-Cabanillas, Marinkovic, & Kalinic, 2017). In 2014, based on Nielsen (cited in Liebana-Cabanillas, *et al.,* 2017) shows that in developing countries, mobile phones are often the first access device to the internet. Mobile technology and composter networks have sped up many of work processes to increase productivity more than ever before (Frost & Sullivan,2011; cited in Saleh & Mashhour, 2014)). The leading business and financial institutions use the internet to exchange financial data to facilitate domestic and international business (Saleh, *et al.,* 2014). Which this phenomenon leads into the born of mobile applications (or mobile apps). One of the emerging mobile apps industries that is happening in Indonesia is fintech / financial technology.

Based on fintechweekly.com, fintech can be defined as business that aims at providing financial services by making use of software and modern technology (https://www.fintechweekly.com/fintech-definition). According to kontan.co.id, fintech has disturb in payment system in Indonesia almost at 84%, in money transfer at 68%, and in personal finance at 60% (Rahmawati, 2018). Research conducted by fintechnews.sg, 70% of the fintech system in Indonesia are using mobile apps, while the rest are using desktop and its transaction value expected to grow 16.3% annually (Fintech Indonesia Report 2018 – The State of Play for Fintech Indonesia, 2018). Based on CNN, 17% of all fintech industry are in funding system. Funding Fintech currently is growing, according to the report of kontan.co.id (Sari,2018) in April 2018 the total amout that is channeled is 5 Billion Rupiah, while in the end of 2018

Q2 it reach 7 Billion, increasing from the first quarter in 2018 which is 4.7 Billion (Sari, 2018), and earlier in the end of 2017 is 2.56 Billion (Kulsum, 2018) and 1.4 Billion in 2017 Q3 (Kulsum, 2017). Based on this trend, we can later conclude that the growth of funding fintech is increasing from time to time.
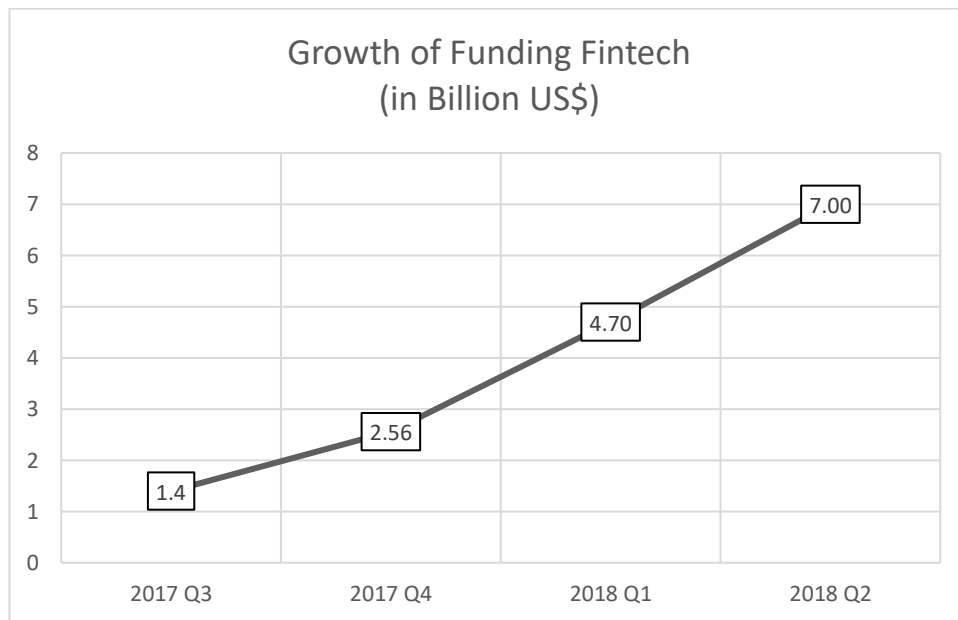

Figure 1. 1

Growth of total money that is channeled from Funding FinTech in Indonesia
(Billion U.S Dollar)
Source: Kulsum(2017), Kulsum (2018), Sari (2018), processed

As of September 2018, based on the report of kontan.co.id there are already 67 funding fintech that is registered in OJK (Otoritas Jasa Keuangan) that use P2P / Peer to Peer system (Sari, 2018), including Cicil co id. Cicil co id was registered in OJK in October, 2017 (OJK, 2018). P2P funding fintech is defined as a method of debt financing that enables individuals to borrow and lend money without the use of an official financial institution as an intermediary; peer-to-peer lending removes the middleman from the process, but it also involves more time, effort and risk than the general brick-and-mortar lending scenarios (investopedia.com, 2018). Cicil co id helps out college students to purchase goods in e-commerce without credit card. Hitsss.com stated that the idea to create cicil co id was founded in 2016 and has already help more than 15.000 college students in Indonesia (Cicil.Co.Id Hadirkan

Layanan Pinjaman Untuk Membayar Biaya Kuliah, 2018). Based on selular.id, target market of Cicil co id is in Semarang, Malang, Jogjakarta, Jakarta, Bandung, Bali, and Surabaya; and in Surabaya is currently have a partnership program with ITS (Institut Teknologi Sepuluh November Surabaya) and Airlangga University (Khairuddin, 20118).

Cicil uses down payment system as commitment from the student to purchase products within the range of period that can be adjusted (from 1 month until 24 month), matching the student's financial capability. Cicil co id comes in mobile platform and was released on Google Store on August 2017, with more than 100.000 times downloader. This research would study about how this new services applied in the society, especially college students who want to purchase products in credit without credit card; and focusing on their behavioral attention to accept Cicil Mobile Application.

Behavioral intention is often found as the best predictor of behavior, i.e. actual use of new technology (Zhang, 2012; cited in Liebana-Cabanillas, *et al.,* 2017), and represents a central concept of TAM (Davis, 1989; cited in Liebana-Cabanillas, *et al.,* 2017). It is the intention to adopt the mobile application that can be used as m-commerce in the smartphone. Behavioral intention is defined as the degree of a person's willingness to use a new technology (Davis, 1989; cited in (Chuang, Liu, & Kao, 2016). There are several factors that could affect behavioral Intention. According to Liebana-Cabanillas, *et al.,* (2017), factors that could affect behavioral intentions are perceived usefulness, perceived ease of use, trust, mobility, customization, and customer involvement. Another research that was conducted by Aslam, *et al.,*(2017), attitude has a direct effect on behavioral intention, while perceived security, perceived compatibility, perceived usefulness, perceived ease of use, and subjective norm has an effect indirectly to behavioral intention through attitude. There are also a conclusion from a research in Malaysia, that behavioral intentions are directly affected by attitude, while Perceived Ease of Use, Perceived Usefulness, Competitive Advantage, Perceived Risk, and Perceived Cost have an indirect effect to behavioral intention through attitude (Huei, Cheng, Seong, Khin,

& Bin, 2018). According to TAM theory in journal of Surendran (2012), behavioral intention later also could affect the actual use of the particular system. Behavioral intention play a vital role in order to know whether customer are able to peform the system.

Attitude, according to TAM can be defined as the positive or negative feelings generated when an individual uses new technology (Davis, 1989; cited in (Chuang, *et al.,* 2016). Based on the context of online consumer business, this study was conducted on Davis (1989) theory, Theory Acceptance Model (TAM). TAM is one of the most common models. It was proposed by Davis (1989) and is an adaptation of the theory of reasoned action, which was derived by Fishbein and Ajzen (1975). Stated by recent study (Kalinic & Marinkovic, 2016), TAM has recently been applied in various areas such as online banking (Chong, 2010; Lin, 2014), wireless technology (Yen, 2010), mobile services (Zarmpou, 2012), Internet banking (Lee 2009), mobile payment (Kim 2010; Liebana-Cabanillas 2014; Schiertz 2010), and m-commerce (Chong 2013).

Perceived usefulness, as one of the original TAM variables, could be defined as the extent to which a consumer believes that while using a particular system, his/her job performance and daily activities will be improved. (Wei, Marthandan, Chong, Ooi, & Arumugam, 2009)Although an individual may believe that an application is useful, he or she might also find that the system is difficult to use (Wei, *et al.,* 2009). While the other original TAM variable, perceived ease of use, can be defined as the extent to which a consumer believes that online shopping/purchasing is free of effort (Vijayasarathy, 2004). The perceived usefulness and perceived ease of use would affect the behavior of using new technologies, and would be affected by the external variables included individual characteristics, system characteristics, and organizational support (Igbaria, Guimaraes, & Davis, 1995; cited in (Chuang, *et al.,* 2016).

Asides from perceived ease of use and perceived usefulness, another factor that would affect consumer's attitude is trust, which is strongly related to the brand's reputation. Consumer trust is one of the most important factor in commerce (Min,

Ji, & Qu, 2008). Trust can be defined as a set of beliefs dealing primarily with intergrity, benevolence, competence, and predictability (Min *et al.,* 2008). Moreover, another study (Lee & Turban, 2001) assumed that trust is an especially important factor under conditions of uncertainty and risk; and is a belief, expectancy, or feeling about certain items. A person will not take any unexpected action that would result in negative outcomes or risks for the trading partners (Anderson and Narus, 1990; cited in Chuang, *et al.,* 2016). When the brand and service trust of consumers is higher, the attitude toward purchasing is more positive (Chuang, *et al.,* 2016).

While communcation with customer, is also an important factor in the successful development of a new product and services (Liebana-Cabanillas, *et al.,* 2017). Consumer involvement is needed, so that the company could receive great idea or useful information for consumer that would later improve the quality of the product/services (Brown & Eisenhardt, 1996; cited in Liebana-Cabanillas, *et al.,* 2017).

Based on the phenomenon given and the result of previous research, this research will study factors that would affect on behavioral intention to adopt Cicil co id with the research titled The Effects of Perceived Usefulness, Perceived Ease of Use, Brand & Service Trust, Attitude, and Customer Involvement to Behavioral Intention in Cicil Mobile Application

1.2 Research Questions

1. Does perceived usefulness have positive effect on consumer's attitude in Cicil Mobile Application?
2. Does perceived ease of use have positive effect on consumer's attitude in Cicil Mobile Application?
3. Does Brand and service trust have a positive effect on consumer's attitude in Cicil Mobile Application?
4. Does consumer's attitude have a positive effect on behavioral intention in Cicil Mobile Application?

5. Does customer involvement have a positive effect on behavioral intention in Cicil Mobile Application?

1.3 Objectives of the Study

1. To analyze whether perceived usefulness has a positive impact on consumer's attitude in Cicil Mobile Application.
2. To analyze whether perceived ease of use has a positive impact on consumer's attitude in Cicil Mobile Application.
3. To analyze whether brand and service trust has a positive impact on consumer's attitude in Cicil Mobile Application.
4. To analyze whether consumer's attitude has a positive impact on behavioral intention in Cicil Mobile Application.
5. To analyze whether customer involvement has a positive impact on behavioral intention in Cicil Application.

1.4 Significance of the Study

1. Theoretical Significance

   The result of this research can be useful and impactful for other research in the future which may be similar or continued and additional, especially research that would affect customer behavior towards fintech

2. Practical Significance - Funding Fintech similar to Cicil Mobile Application

   The result of this research can be useful for funding fintech that is still emerging in Indonesia to know what factors that would affect the user's behavior towards a new service

3. Practical Significance - For Society/Users of Cicil Mobile Application

   The result of this research will provide useful information for society about Cicil Mobile Applications and funding fintech.

1.5 Writing Systematic

CHAPTER I: This chapter will explain about the background and the purpose of this research, the research question, significance and also scope of study.

CHAPTER II: This chapter will explain about the previous study and literature review including perceived usefulness, perceived ease of use, brand and service trust, attitude, and customer involvement and behavioral intention on Cicil Mobile Application

CHAPTER III: This chapter will explain about research methodology include research design

CHAPTER IV: This chapter will show the result of the research and discussion of the result

CHAPTER V: This chapter will explain about the conclusions and suggestions of the result of this research.