Chapter II

Literature Review

2.1 E-payment

E-payment can be simply defined as a payment system using the internet facilities as the intermediary tools when using the E-payment (BUMN Indonesia),(Securion pay) defined E-payment is a tools to pay for goods or services on the internet , Trihasta and Fajaryanti (2008) stated that Payment that has been done in a manner of electronic device. (Tan 2004) stated any types payment that are not paper-based is considered as an electronic payment transaction.

2.1.1 Financial Innovation

James Chen (2019) Stated Financial innovation is the process of creating new financial products services of process. financial innovations refers to the process of creating new financial or investment products, services of process .these change can included update technology, risk management, risk transfer credit and equity generation. Recent financial innovations have included crowdfunding, mobile banking technology and remittance technology. Source from OJK (accessed on 15 July 2021) stated there are four major clusters of digital finance innovation in Indonesia are digital payments, digital banking, peer-to-peer (P2P)

lending, and crowdfunding. Gopay is one of digital payment in Indonesia and become the biggest and number one digital wallet or e-wallet in Indonesia.

2.1.2 Gopay as Digital Money

Definition of digital money from Mitchell Grant (2019) refers to any means of payment that exists in the form of electronics, it is accounted for and transferred using electronic system. Digital money is not tangible assets like cash or commodities like gold and oil, most of the digital using online payment provider, for example in Indonesia using Gopay. Digital money makes possible to bank online or via smartphones.

Most of digital money owned by banking institutions. in additions online providers in Indonesia like Gopay can be considered as digital money. The most common example of digital money is money issued by banking institution that they hold electronically, either to trade or invest, banks have liquidity requirement that they mean they have to have certain amount of money on site, but there are no requirement for digital money, so it moves around much more.

2.1.3 Types of E-payment

According to Turban et al (2002), E-Payment can be divided into 5 types, there are :

1. Payment card: An electronic card issued by banks as a facility for savings or checking account holders that can be used for various banking transaction at ATM

machine and shopping at stores that have friction machine electronic data capture (OJK Indonesia)

2. E-wallet: According from rules of Bank Indonesia (PBI/08/2016) stated electronic wallet is an electronic service to store payment instrument data among others payment instruments using cards or electronic money , which can hold funds to make a payment (Bank Indonesia) on the other hand, Lai (2016) stated E-wallet is separately a payment instrument and its different from credit card and debit cards

3. E-cash: An electronic currency used for payment of goods and services, most are done by through online transaction (Broneck 2003), While Senft and Gallegos (2009) stated and (Bank Indonesia) defined that the value of money is stored electronically in a media such as server or chip.

4. Smart card/ Chip card: A payment card that has planted microchip. The Chip computation means smart card that offers choices and new payment service, additional security level, and many offered conveniences (Visa)

5. E-check: a version of check that has been implemented into digital version and can be exchange for money to banks (Turban et al 2002)

Based on the study by *Asia Pacific Accreditation Cooperation* ,approximately two in five consumers have issues using and withdrawing cash, including not

having enough cash on hand (40%), long queues at banks/ATMs (39%), faulty

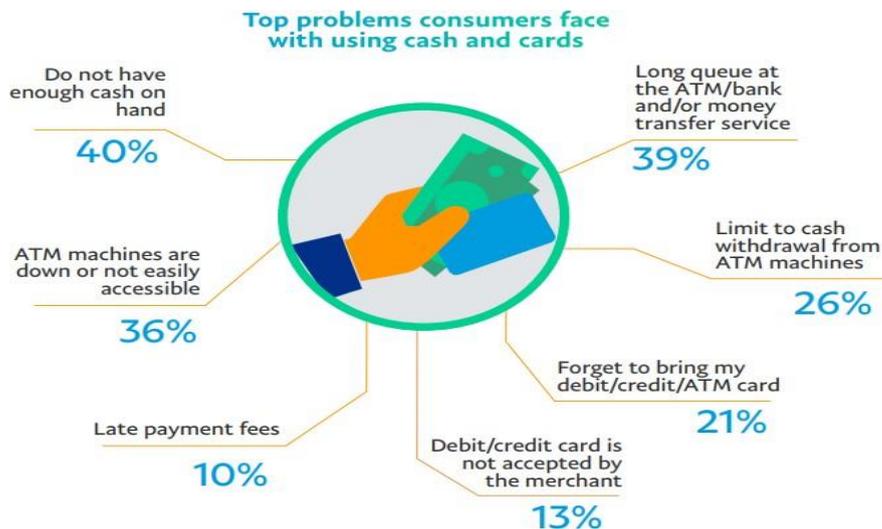ATMs and inadequate number of ATMs nearby (36%) (Table 1.1)

Figure 2.1 Number of Problems consumers face with using cash and cards
Source: PayPal Asia Research Report

Based on APAC 2018, *Asia Pacific Accreditation Cooperation,* there has been a

problem from the customer, that has been shown in Table 1.1, that makes the E-

wallet become developing even more further. Gojek or Gopay made the digital

wallet (E-wallet) for the solution of the problem in table 1.1

2.2 Cashback

Cashback can be defined as a system in which bank or business to encourage

people to purchase something by giving them money after the purchase is

successfully paid (Cambridge dictionary), Cashback is sum of money that is

returned in a certain amount both in cash or virtual money, Nowadays, many e-

wallets provide cashback to attract the new users and to Maintain customers and

will continue to grow (Chad Ho et al., 2013),Cashback usually has its own regulation for cash and virtual refunds. one of the biggest success marketing strategies in the market is cashback (Ballestar et al., 2016).

Go-Pay offered cashback 30% and 40% for Go-Pay users in some of their merchants, like Alfamart and Chatime, to attract the user of Gopay to use Gopay as their E-payment ,but it has a limitation amount of cashback for example Discount 30% in tems of amount minimal purchase is Rp 40,000 and it has limited amount of cashback that is maximum is Rp 10,000 (Gojek, accessed on 8 oct 2020) , There is a possibility result that has positive experience and results of positive hedonism benefits (Astari, 2019). This may increase their intention to use and financial decision to use Go-Pay with all benefits that they can recieved.

2.2.1 Pricing Strategy

Definition of pricing strategy from (Bonnici & Channon) is the policy which firms usually adopts for determining what it will charge for its products and services. Pricing strategy is a key variable in financial modeling, and it can determine the revenues of the company achieved, the company profits earned and the reinvested in the firms growth. Gopay use pricing strategy *competition-based pricing* and *penetration pricing*. Definition of competition based pricing from (Nagel & Hogan) in this form of pricing, the prices are decided relevant to those competitors, such a methods can be apply to medium share companies competing with high share

company. Such as Gopay competing against Shopeepay and OVO for example. By giving cashback to the customer who use gopay so the customer have their interest for keep using gopay. Definition of *penetration pricing* (Nagel & Hogan) also known as promotional pricing that involves temporary setting price below the market price or lower that the cost price, for example Gopay used to gives cashback for their customer, back then Gopay have an event called " Gopay pay day" and gives the customer 50% off from their purchase using Gopay , even tough the merchant that cooperated with Gopay does not have any promo, but gopay give them promo through cashback.

2.3 Customer Satisfaction

Customer satisfaction defined as an overall evaluation based on the total purchase and consumption experience with the good or service over time (Fornell, Johnson, Anderson, Cha & Bryant 1996), (Oliver, 1997) stated customer satisfaction general meaning is customer reaction to the state of fulfilment, and customer judgment of the product or services, Customer satisfaction also comes along with ascertains expectation of the customer on how the goods and services are being facilitated by the companies. Actionable information on how to make customers further satisfied is therefore, a crucial outcome (Oliver 1999.) from the result of customer satisfaction, (Khadka & Maharjan 2017) stated satisfied customers are more likely to recommend their friends and families which will help to grow the business. Nowadays the company has to pay attention to Customer

Satisfaction level, with the presence of Internet helps customer to good emotion and their bad emotion (Kotler and Keller 2016).

Customer satisfaction has an important impact on customers behaviors and purchase intentions (Mehmood et al 2015) ,Zeithal & Bitner (2003, 87-89.) Stated the customer satisfaction is basically influenced by a specific product or service features and perceptions of quality. Satisfaction is also influenced by customer's emotional responses, their attributions neither perception of equity Providing the quality of goods and services in the 20th century is not only to highly satisfy the customers but also to have a safe position in the market. Indeed, this method gives the customers benefits on consuming and purchasing products (Bennett & Thiele 2004.) Customer satisfaction is influenced by specific product or services and many perception of quality. Satisfaction is also influenced by customer's emotional responses, their attributions neither the perception of equity (Zeithal & Bitner. 2003, 87-89.)
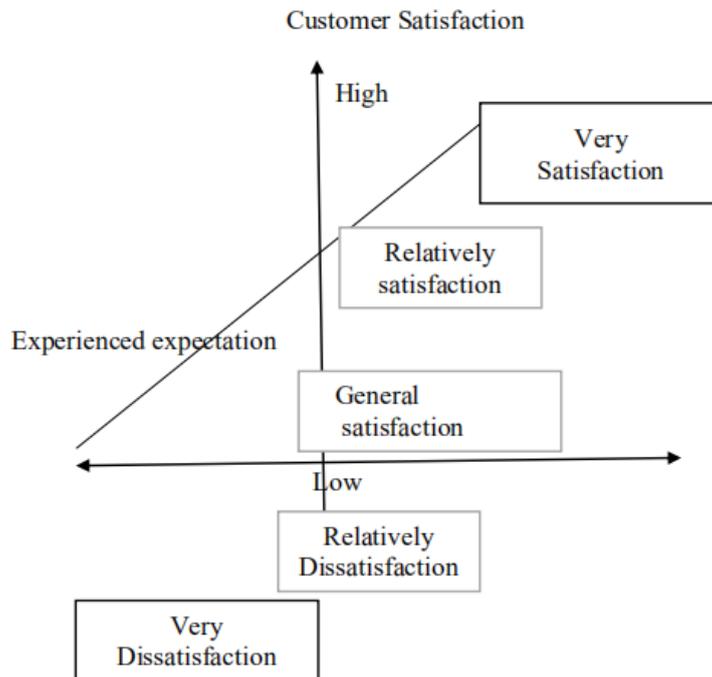
Figure 2.2 Customer satisfaction analysis model (Tao 2014)

The customer relationship management triangle law explained that Customer satisfaction equals to customer expectations-customer satisfaction. In the Customer satisfaction model figure, customer satisfaction has a negative correlation with customer expectations.in the figure 1.1, it can be seen the difference between customer experience and customer expectation. Therefore, it divided into five intervals scale (very dissatisfied, relatively dissatisfied, general satisfaction, relatively satisfied and very satisfied). When the customer meet their expectation, the customer satisfaction become highly increases . On the other hand, compared with customer expectations, the worse customer experience will decreases the customer satisfaction.

There are two ways to improve customer satisfaction for companies, First service improvement, to enhance the customer experience and second try to effectively manage customer expectations by reducing the desired level. moreover, the first approach is widely used by the organization and achieved many great success. In near future, many companies need to make some adjustment for their future innovations product (Tao 2014.)

2.4 Customer Loyalty

Customer's loyalty is attracting many researcher attention due to its significance. Realizing the antecedent factors of customer's loyalty and the relationships among these factors are considered as an important research directions (El-Adly and Eid, 2016). Many marketing researchers are giving their advice to keep the company eyes always on customers in the marketplace by analysing their needs, wants, and some factors that could affect their evaluations, attitudes, choices, and various purchasing behaviour. From Puriwat and Tripopsakul (2017) stated the loyal user like a stable longterm relationship.

Loyalty definition (Saputra et al 2018) Customer commitment stands deeply for re-subscribe or re-purchase repeatedly and consistent in the near future, even the offered price is higher or other factor. Customer loyalty are constructed through the sourcing and design decisions. Designing for customer loyalty requires customer-centered approaches that recognize customer want and interest of service receiver.

Customer loyalty is built over time across multiple transactions and trust (Khadka and Maharjan 2017)

Customer's loyalty is considered a significant intangible asset for many companies (Jiang and Zhang, 2016) Customer loyalty and satisfaction is the most important point for modern nowadays business there are two main reasons from Customer loyalty and satisfaction. First, customers are scarce resources, it is far easier to obtain from an old customer than from a new one. Second, previous study founded the customer loyalty and satisfaction has a positive effect on the profitability revenues of the company (Rosenberg & Czepiel 2017.)

Figure 2.3 Model of Customer Loyalty (Loyalty model 2012)

Figure 2.2 Explains how much customer loyalty have many process for the company to become profitable . According to the model of customer loyalty factors (Figure 2.2) ,in order to form a tight bond between the customer, the company have to grow the customer loyalty, such as understanding the actual customer's needs and wants. The company have to pay attention to 3 main vital point : price, promotion, service and products in order to gain the customer loyalty. At the same time, it creates comforting environment between the customer and the company is

the main key role to achieve success. Moreover investment to loyal customers will bring advantages to the business such as growing effectiveness and profit for business.

2.5 Intensity usage of Mobile Payment Services

Intensity usage of mobile payment, pushing someone often to use E-payment transaction can make user more easier while doing the transaction using E-payment and it can encourage people to purchase some goods or services using their money in E-Payment services. The previous research shows that Mobile Payment services have a significant effect towards student Purchasing behaviour (Cobla & Osei Assibey, 2018).

2.6 Customer Intention

An intention can be defined as a person's commitment or decision to carry out an action or achieve some goals (Eagly and Chaiken, 1993). Ajzen (1991, p. 181) explains intentions as indicators of how hard people are willing to try, of how much their effort for planning to exert. This definition seems too broad , to make a simple definition (i) motivation, can defined of better construed as an antecedent of intention and (ii) planning, which can be defined a mental activity or process that often happened after one forms an intention to perform an action.

2.7 Previous Research

Table 2.1

Previous Research

No	Topic, Researcher, Year of Publicity	Research Variable	Research Method	Research Result
1	The effect of Sales Promotion against Customer Loyalty of Dana Mobile Payment application user (Adizka 2019)	1. Cash reduction (X1) 2. Coupon/ voucher (X2) 3. Cashback (X3) 4. Premium (X4) 5. Customer Loyalty (Y)	Empirical research	1. Price reduction does not have a significant effect towards Customer Loyalty of Dana user 2. Voucher has a significant effect towards Customer Loyalty of Dana User 3. Cashback does not have significant effect towards Customer Loyalty 4. Premium has a significant effect towards Customer Loyalty of Dana user.
2	Gopay Cashback promotion against buying intention to buy Bubble drink (Study case : YU CHA Indonesia, Pluit) (Kusumaningrum, Dewi Ayu 2020)	1. Promotion Program (Cashback) (X) 2. Buying Intention (Y)	Quantitative	Market segment from Yu Cha segmen pasar dari Yu is the Millennial generation or young generation who like everything is practical dan innovative like E-payment in this research, Gopay. The research result gives theoretical implication from the effect of E-payment Promotion (Gopay) against Consumer Buying intention .
3	The Relationship of Cashback, Discount, and Voucher toward Decision to Use Digital Payment in Indonesia (Robetmi et al 2020)	1. Cashback (X1) 2. Discount (X2) 3. Voucher (X3) 4 Decision to use E-payment (Y)	Structural equation modeling (SEM) and Moments Structure (AMOS).	1. cashback, discounts, and vouchers are effective marketing strategies that can use to attract customers to decide to use or buy the product. 2. This study proved that three variable under marketing strategy has a significant positive relationship on the decision to use e-wallets among Gen Z. 3. this study founded the user of e-wallet among females is higher than males.

4	Cashless in Indonesia (Azali 2016)	1. Non cash transaction 2. Infrastructure 3. Regulation 4. Standard Security	Empirical Research	1.Indonesia has not seen the same level of uptake. 2.The problems plaguing Indonesia's banking and logistic 3.lack of information services in home language and arbitrary filtering.
5	A Model of Factors Influencing Consumer's Intention To Use E-Payment System in Indonesia (Junadi and Sferianto 2015)	1. Intention to use E-payment 2. Culture 3. Perceived security 4. Performance Expectancy 5. Effort Expectancy Social Influence	Questionnaire method	1.proposed measures which can be used to support a model of factors influencing consumer's intention to use e-payment system, and provide an overview of the future study.
6	Customer Loyalty and Customer Satisfaction Case Trivsel (Kabu and Soniya 2017)	1. Customer Loyalty (X1) 2. Customer Satisfaction (X2) 3. Trivsel (Y)	Empirical Study	1. Customers are satisfied with the service of the Trivsel and they looking forward to get more quality service than previous one. 2.service level seems very satisfactory to meet customer needs and demands the organization still needs some modification and improvement for company strategies to keep high standard in matter of services . 3.this study highlighted that satisfaction and loyalty are the core element of a business.
7	Corelation of Cashback promo against the Muslim Customer Loyalty in Surabaya in OVO Digital Wallet Services (Amelia et al 2020)	1. Cashback (X1) 2. Customer Loyalty (X2) 3. Digital wallet OVO (Y)	Questionnaire method	Promo Cashback has a significant correlation but with low customer loyalty correlation of muslim in Surabaya who uses ovo as their wallet , OVO gives cashback as they expected to be , but the muslim customer who uses ovo still had the intention to moved from another ewallet if they have the bigger cashback.
8	The Effect of Service Quality Towards Customer Satisfaction, Brand Reputation and Telkomsel Prepaid Card Customer Loyalty (Santosa et al 2016)	1. Tangible (X1) 2. Reliability (X2)	SEM (Structural Equation Modeling)	1. Service Quality has a significant effect against Customer Satisfaction 2. Service Quality has a a significant effect towards Customer Loyalty

		3. Responsiveness (X3) 4. Assurance (X4) 5. Empathy (X5) 6. Customer Satisfaction (Y1) 7. Brand satisfaction (Y2) Customer Loyalty (X3)		3. Customer loyalty has a significant effect towards Brand reputation 4. Customer Satisfaction has a significant effect towards Brand reputation 5. Customer Satisfaction has a significant effect against Customer Loyalty 6. Brand reputation has a significant effect Towards Customer Loyalty .
9	Pengaruh E-service quality terhadap customer satisfaction dan loyalty pada pengguna Gopay di indonesia (Berliana et al 2020)	1. E-service (X) 2. Customer Loyalty (Y1) 3. Customer Satisfaction (Y2)	Non-probability sampling and purposive sampling	1. E-service has a significant effect towards customer satisfaction 2. E-service does not have a significant effect towards customer Loyalty 3. Customer satisfaction has an impact towards Customer Loyalty

2.8 Hypothesis Development

1. The effect of Cashback towards Customer Intention for using Gopay

From the findings of Prasad et al (2015) stated aside from the predictable positive impact of a cashback offer on initial demand The cashback payment surprisingly increases the consumer intention and size of a further virtual transaction two related effects or can be said in term the "repurchase effect" of cashback shopping. The fact that purchase behavior is not only affected from customer point of view "saving some money" after purchasing, but also the future

payment of the saving is in many ways of people think and also people are essentially rewarding a company for holding on to money in the term of the cashback as "saving ", based on the previous research result researcher proposed the hypothesis as follows :

H1 : Cashback has a positive impact towards Consumer intention for using Gopay

2. The effect of Customer Satisfaction towards Customer Intention for using Gopay

Previous researchers have proposed that customer satisfaction can directly affect and lead to purchase intention (Hsu et al 2011), another findings from Rust and Williams (1994) founded that high customer satisfaction can leads to a high intention of purchasing, based on the previous research result researcher proposed the hypothesis as follows :

H2 : Customer Satisfaction has a Positive Impact towards Customer Intention for using Gopay

3. The effect of Customer Loyalty Towards Customer Intention for using Gopay

Thomas and Tobe (2013) emphasize that "loyalty is more profitable.",Loyal customers will encourage others to buy from you and think more than twice before changing their mind to buy other product or services. based on the previous research result researcher proposed the hypothesis as follows :

H3 : Customer Loyalty has a positive Impact towards Customer intention for using Gopay

2.9 Theoretical Framework

Based on the hypothesis that has been developed by the researcher in this research, this Theoretical Framework will represent the Hypothesis that has been developed by the Researcher.