# CHAPTER I

# INTRODUCTION

## 1.1 Background

In an era characterized by rapid advancements in technology and a growing emphasis on digital transformation within the finance sector, the adoption of electronic payment (e-payment) systems has become increasingly prevalent. As traditional financial institutions and emerging fintech companies continue to invest in digitalization efforts, understanding the factors influencing customer intention for using e-payment services has become a critical concern. Digital finance services not only promises accelerated economic growth in Indonesia, but also will yield significant changes in business practices and replace traditional methods of financing. The significant increase in digital financial services in Indonesia, including cashless payments, investment, digital insurance, and money transfers. Financial technology gives unbanked and underbanked people access to formal services through the use of digital technology, such as smartphones.

Yogyakarta is a region with a blend of urban and rural areas, a significant population of students and young people, and a thriving tourism industry. This diverse demographic mix offers a valuable opportunity to study how different segments of the population perceive and adopt new financial technologies. Additionally, as a region with a growing interest in digital transformation, Yogyakarta provides a suitable environment to explore the factors influencing the acceptance and use of e-payment systems. The finding from this study can offer insights that are potentially applicable to other similar regions undergoing digital and technological advancements.

In the future, this payment system in Indonesia will help to integrate money into circulation, monetary policy, financial system stability, and digital-based financial inclusion. It is a method that might be implemented in Indonesia to boost digital financial inclusion and economic growth by giving the public access to digital-based financial goods and transactions with existing technology. According to Khera et al. (2021), access to infrastructure, financial and digital literacy, and quality institutions all contribute to digital financial inclusion, which can aid in economic growth. (Ozturk & Ullah, 2022) discovered that digital financial inclusion promotes economic growth in 42 countries, including Indonesia.

The COVID-19 pandemic has encouraged Indonesian customers to prefer digital payments, expanding the possibilities for MSMEs to implement cashless payment systems based on the Quick Response Code Indonesia Standard (QRIS). Because of the global epidemic, Indonesia is rapidly shifting away from cash in favor of various digital payment methods such as credit cards, debit cards, e-wallets, and QR codes. To ensure interoperability across all banks and electronic wallets, Bank Indonesia has mandated that digital payment providers utilize standardized QR codes. This allows customers to pay by just scanning a merchant's QR code with their cellphones. In 2022, the transaction value of electronic payments in Indonesia climbed by 33.4% year on year to IDR 407.53 trillion.

**Table 1.1**

Transaction Value of Purchases Using Electronic Money in Indonesia

**Transaction Value of Purchases Using Electronic Money in Indonesia (IDR billion):**

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 (Jan-Apr) |
|---|---|---|---|---|---|
| 47,109 | 145,159 | 204,905 | 305,432 | 407,534 | 140,399 |

**Source: Bank Indonesia**

Source from : Bank Indonesia (2023)

Digital finance is a new business model that employs digital technology to alter the trading process and funding structure of established financial markets. The traditional financial market, influenced by technology, cost, and other factors, is unable to efficiently absorb the market's long-tail groupings, resulting in inefficient financial resource allocation. On the one hand, digital finance has the potential to lower the cost of financial services, broaden the audience, and improve the efficiency with which financial resources are allocated, facilitating the flow of funds to enterprises facing digital transformation demands and promoting their digitization process.

However, as digital finance expands, new funding sources and channels develop, allowing us to improve the financing flexibility of financial market enterprises, remove financing limitations, and hence raise their willingness to adopt digital transformation. Furthermore, digital finance has the potential to reduce geographical barriers, improve communication between financial institutions, support the development of small and medium-sized banks, and increase banking industry competition, lowering enterprise financing costs and allowing businesses to have more resources. Digital finance has the potential to increase funding sources, improve financial institution data collection capabilities, and reduce information asymmetry in financial markets.

As a result, of information asymmetry, businesses' information and transaction expenses may grow, while their investment in creative activities decreases. Advances in digital finance have the potential to accelerate enterprise innovation initiatives, hence promoting digital transformation. Furthermore, digital finance allows financial institutions to quickly recognize and respond to possible creative initiatives from firms.

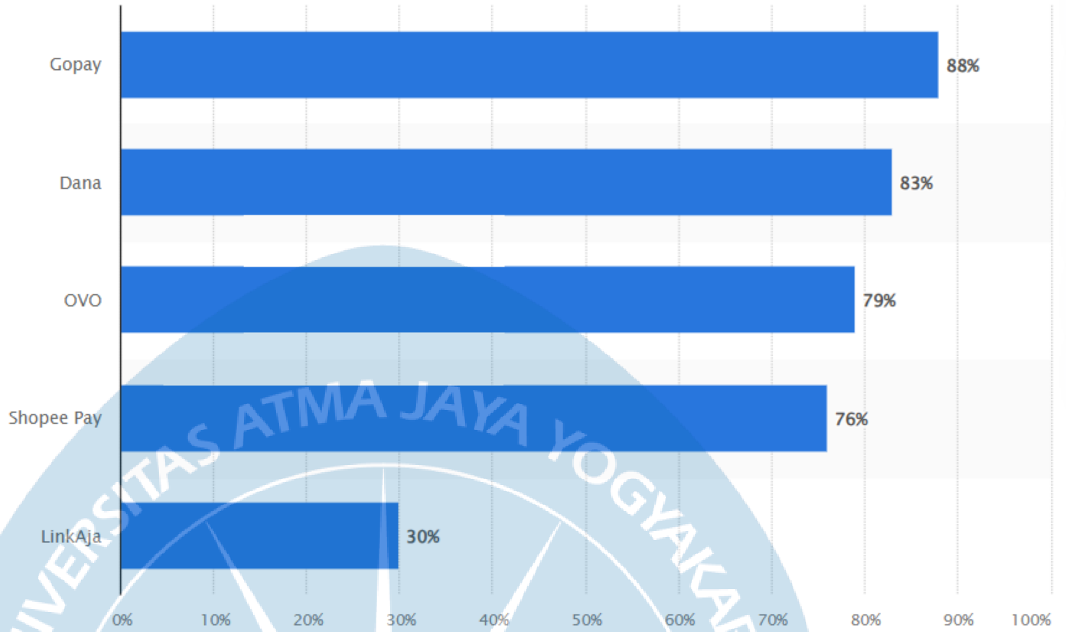
Furthermore, increased enterprise innovation activities will assist them in improving their technological capabilities and sensitivity to cutting-edge technologies, making it easier to explore internal and external available information, improving information collection, integration, processing, and other capabilities, and capitalizing on opportunities in the digital economy era.

Furthermore, enhancing an organization's capabilities increases its technological competence, as well as the hardware and other requirements for digital transformation, hence driving enterprise digital transformation.

Financial services, such as internet and mobile banking, should make it easier for clients to complete financial transactions while also increasing service quality. Furthermore, the community now has improved access to banking services, such as credit submission via mobile money, which can raise productivity by increasing efficiency, cutting transaction costs, and serving as a platform for other enterprises (Donovan, 2012).

Indonesia's financial technology industry is overseen by two government agencies: Bank Indonesia and the Financial Services Authority. Bank Indonesia is in charge of monetary policy and the payment ecosystem, whereas OJK oversees peer-to-peer lending, crowdfunding, digital banking, financial data security, insurance technology, and financial consumer protection.

As payment aims, digital payment is generally categorized as E-wallet or electronic wallet (Saputra et al., 2019). Payment is the transfer of money, wealth, or value from one person or entity to another (Fonté, 2013). E-payment (BUMN Indonesia) is simply a payment technique that uses online capabilities as intermediary instruments. Mobile payments were made without the usage of a bank account (Bank Indonesia). Electronic payment providers in Indonesia frequently interact with a varied range of merchants, including small and large businesses, as well as banks that offer a variety of online transactions (Ni Luh et al., 2020).




Graph 1.1 List of most used E-wallet in Indonesia

Source : Statista Research Department (2022)

In 2022, digital wallets were the most used of e-commerce payment in Indonesia, accounted for over 40% of all e-commerce payments. According to a poll done in October 2022, approximately 90% of e-payment users reported using e-payment transactions to pay for online purchases. E-payment transactions were popular among Indonesians due to its convenience and practicality. It is not surprising that the volume of e-payment transactions has increased in Indonesia, given the growing number of e-commerce markets. Indonesian e-commerce customers may conduct many e-payment transactions per week.

GoPay (by Gojek) was the most used digital payment platform in Indonesia as of October 2022, followed by OVO and DANA. The platform's security and customer service were the primary reasons why consumers selected one platform over the other. While GoPay is affiliated with Gojek and is only used for transactions within the app, OVO worked with Gojek's main competitor, Grab, and one of Indonesia's leading e-commerce platforms, Tokopedia, to help secure the country's most-used mobile payment service or app.

According to the search results, the writer use an example of China that has been in the forefront of the digital financial revolution due to the rapid rise of digital money. China's economy has long been regarded as one of the most advanced. Digital technology is well-established in financial services, and the Chinese people have widely adopted it. In terms of adopting technology that is revolutionizing the financial system and the lives of millions of people. For the first time, China has taken a proactive approach to fostering financial inclusion, making financial services available to everyone, regardless of location, employment status, or income.

There are around 1 billion active users of digital financial inclusion in China. DFI services include digital payments, internet finance, credit information, online wealth management, and digital insurance. The lack of use of digital finance by Chinese households is due to a lack of financial sophistication. Furthermore, financial literacy has a stronger favorable impact on digital finance for wealthy, high-income, and young households, women, and urban and coastal households.

China has led the digital financial revolution, with digital technology deeply integrated into financial services and widely used by Chinese citizens. With around 1 billion active users of digital financial inclusion, the country has promoted financial inclusion. The digital yuan has the potential to boost the nation's financial inclusion and stability. However, Chinese households' low usage of digital finance stems from a lack of financial sophistication.

Despite the rapid growth of digital banking in China, there is still a substantial gap between the degree of digital finance in some areas and the national average, particularly in remote areas. The influence of digital money on the environment differs by district and county, so it is critical to improve national digital finance development efforts. The government must coordinate financial services and implement relevant measures. For example, the local government should provide basic financial services and disseminate financial information to residents of low-income and under-served areas in order to increase their awareness and acceptance of digital money and advise them in its use.

This study tries to address this issue by analyzing the numerous factors that influence customer intentions to use e-payment systems in the context of financial digital transformation. The shift to digital finance solutions has not only transformed the way financial transactions are conducted, but it has also created a highly competitive environment in which acquiring and retaining customers is vital for the survival and growth of financial service providers.

Despite the increased availability of e-payment options, there is still a lack of understanding of the underlying factors that drive or constrain client readiness to utilize these systems. Local Indonesian views and knowledge of other economies' digital finance service paradigms aid in establishing a better understanding of the essential success criteria required to execute digital finance services in Indonesia. Financial institutions and telecoms companies, for example, can play a direct role in increasing digital financial services adoption and encouraging financial literacy among the unbanked. Meanwhile, the public sector may help to build the infrastructure needed to support the digital financial services ecosystem. Policymakers must also assess the risks posed by digital financial services, such as how to foster digital financial service competition, how to regulate dominant platforms that participate in digital financial services, and how to regulate non-traditional financial service providers.

To evaluate causal links between variables, this study will use survey methods and data analysis. The correlational descriptive analysis method will be used to elucidate the linkages or influences between variables. The study of data collected from respondents, as well as the interpretation of the results, will be part of the analysis. This research aims to provide useful insights to financial institutions, legislators, and industry stakeholders, allowing for more informed decision-making and strategic planning in the ever-changing landscape of digital finance. Finally, the purpose of this research is to provide insight into the factors that influence customers' propensity to utilize e-payment systems, so contributing in the development of more effective promotional methods to encourage their wider adoption and usage in the digital era.

### 1.2 Problem Statement

Based on the background, the problems that the writer wants to solve in this research are :

1. Does the perceived usefulness have a positive impact on consumers' behavioral intentions to use e-payment in Special Region of Yogyakarta?
2. Does the ease of use have a positive impact on consumers' behavioral intention to use e-payment in Special Region of Yogyakarta?
3. Does user acceptance of innovative technologies as a moderating variable have a positive impact on perceived usefulness and consumers' behavioral intentions to use e-payment in Special Region of Yogyakarta?
4. Does user acceptance of innovative technologies as a moderating variable have a positive impact on perceived ease of use and consumers' behavioral intentions to use e-payment in Special Region of Yogyakarta?

### 1.3 Benefits Of The Study

This study contributes to the Technology Acceptance Model (TAM) literature by empirically validating how perceived usefulness and perceived ease of use influence e-payment adoption. It enhances the understanding of user behavior towards financial technology, providing a nuanced view of technology acceptance in a regional context.

Applicable benefits of this study include providing insights for financial technology developers and policy makers in Special Region of Yogyakarta on improving e-payment systems to enhance user adoption. Thus financial institutions, industry players and business owners should offer electronic payment options to consumers, especially given the increasing prevalence of cashless payments. They also have to understanding that people perceive e-payment methods effective and efficient suggests that offering these options can enhance the overall customer experience. Financial institutions and businesses can capitalize on this perception to attract and retain customers who prefer convenient payment methods. Understanding these factors can lead to more user-friendly and efficient e-payment solutions, boosting financial inclusion and economic growth in the region.

**1.4 Objective Study**

The aim of this research is to examine the influence of customers' inclination toward using e-payment in the context of financial digital transformation. This study employed a quantitative approach, emphasizing cause and effect relationships between variables. Based on the context of this article, the primary goals of this research are as follows:

1. To examine the perceived usefulness of e-payment for consumers' behavioral intentions in Special Region of Yogyakarta.
2. To examine the ease of use of e-payment for consumers' behavioral intentions in Special Region of Yogyakarta.
3. To examine the user acceptance of innovative technologies as a moderating variable have a positive impact on perceived usefulness and consumers' behavioral intentions to use e-payment in Special Region of Yogyakarta.
4. To examine the user acceptance of innovative technologies as a moderating variable have a positive impact on perceived ease of use and consumers' behavioral intentions to use e-payment in Special Region of Yogyakarta.

### 1.5 Scope Of The Study

This research has limitations for research in order to narrow the research area and make the research more focused.

1. In this study, e-payment will be used as one of the methods for digital transformation in finance.
2. This research respondents are limited to people living in Special Region of Yogyakarta who utilize e-payment as a medium for financial transactions.

### 1.6 Writing Structure

This research will be divided into 5 chapters :

**Chapter I : Introduction**

This chapter consist of background of the research, problem statement, benefits of the study, objective of the study, scope of the study, and writing structure of this research.

**Chapter II : Theoretical background**

This chapter consist of the theory and concepts that is relevant from the problem statement of this research. This chapter divided into three (3) parts, the first one is literature review, the second part is the previous study that have been done by the other researchers or other related journal study with the topic that become some references for this research, and the third part is hypothesis development that test the specific relationships or make predictions about this research.

**Chapter III : Research methodology**

This chapter consist of the data collection method, research variable, and also the data analysis methods that going to be use in this research.

**Chapter IV : Data analysis**

This chapter consist of the analysis of the collected data from the respondent and the interpretation of the result from data analysis.

**Chapter V : Conclusion**

This chapter consist of the conclusion from this research, managerial implication, limitation of the research, and the suggestions for the future research.