CHAPTER II
LITERATURE REVIEW

2.1. E-Wallet

Bank Indonesia defines an electronic wallet as a digital service that stores data related to payment instruments, such as cards and electronic money. It allows users to maintain monies for the purpose of making payments. E-wallet is a product in the digital payment sector servers which are part of financial technology (Ginantra et al., 2020). Le et al. (2019) E-wallet is a type of payment electronic, which can be used for online transactions via computer or Smartphone. E-Wallet provides a very convenient solution for businesses anything, and allows its customers to buy their products online. E-wallets in digital form are available on mobile devices. You don't have to carry around your cards when you shop with digital wallets because you can pay with your phone. By enter and save the information for your bank account, credit card, or debit card, then you can use your device to pay for things. According to Kagan (2020) an electronic wallet, also called a digital wallet, is a payment app that can be used on any device that is linked to the internet. It keeps your passwords and payment information safe in the cloud. Digital wallets can be used on a computer, while mobile wallets, which are a subset, are mostly used on phones.

E-wallet is an electronic payment medium in the form of Application features created and developed to make things easier someone who is carrying out a transaction (Ni'mah & Yuliana, 2020). In the e-wallet application feature, users can make transactions with merchants who have registered with e-wallet services. E-wallets have several advantages that make activities easier Users, especially when making transactions, among other things, do not need to carry it card or cash, many users and many merchants accept non-cash payments (cashless), minimizing losses as a result of loss, and avoiding crime (Sendari, 2019). Indeed, e-wallets do come with a number of drawbacks. These include the availability of limited or non-existent e-wallet services

for certain purposes, the absence of profit or reciprocal benefits, and the inability to release funds (Trisnawati, 2021).

From these theories it can be concluded that an electronic wallet (e-wallet) is a non-cash transaction tool that utilizes the internet to carry out online payment activities via computer or smartphone, making it easier for sellers and buyers to process business transactions. E-wallet can minimize losses and avoiding crime, but in the other side it has a disadvantage like, the absence of profit or reciprocal benefits, and the inability to release funds.

2.2. Theory of Planned Behavior

An expert in Social Psychology Ajzen (1991) has developing a theory that is very important for see the relationship between attitudes and behavior. Theory of Planned Behavior is the possibility of an attitude being realized as behavior. Theory of Planned Behavior is based on various attitude theories such as learning theory, expectancy-value theory, consistency theories and attribution theory. Theory of Planned Behavior is further development of the Theory of Reasoned Action (TRA). In psychology, behavioral theory planned is a theory about relationships between beliefs and behavior. Theory of Planned Behavior (TPB) is a theory that explain the causes of the intention behave.
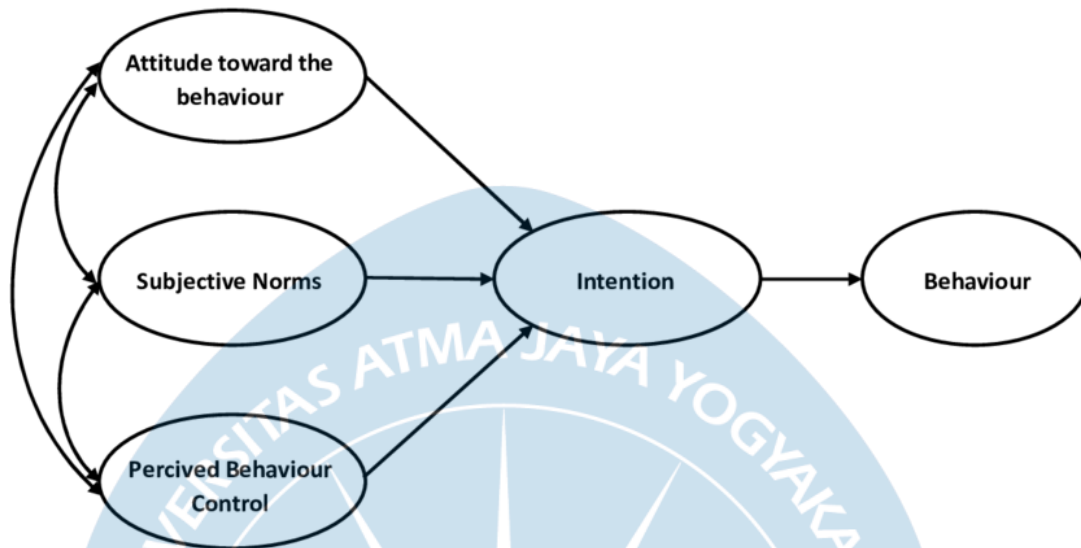
Figure 2.1

Theory of Planned Behavior

Source: Ajzen 1991

According to the Alimbudiono (2020) behavioral intentions determined by three main determinants, namely attitude, subjective norms, and perceived behavioral control. Until now, this theory is widely used in various scientific disciplines that discuss behavior and environmental issues.

a. Attitude

Attitude is defined as "the degree to which person has a favorable or unfavorable evaluation or appraisal of the behavior in questions" Individuals have an attitude of love environment if the individual believes that environmentally friendly behavior has consequences positive for him. Therefore, the attitude will be formed after individuals evaluate and willing to accept the benefits and costs that will occur occurs due to certain actions. Theory of Planned Behavior was initiated by Ajzen is a theory based on human hedonistic model, namely assuming that humans are motivated to

avoid risks and seeking rewards. Hence, attitude which will be manifested in the form of behavior is an attitude that has undergone rational evaluation.

b. Subjective Norms.

Subjective norms are pressure social experience to do or not do a behavior. On the other hand, subjective norms are close people's opinions, important person who influences decisions in behavior and motivation individual in meeting the expectations of others. Subjective norms are based on the opinion that every individual wants to be evaluated as good and wants to accepted by the surrounding community. Norm subjective is often referred to as social norms. This norm shows that social can influence thinking, a person's feelings and behavior. Through interaction, observations and information received, individual form opinions and beliefs about what they should do and what it is accepted by the community. Individual become a loyal follower in order to get social recognition and/or avoiding sanctions social or to be more accepted by his community.

c. Perceived Behavioral Control

In Theory of Planned Behavior, perceived behavioral control is something that describes the lowest level of control. This arises because of individuals often influenced by the level of confidence himself about his ability to carry it out this behavior. Feeling of self-confidence influenced by individual abilities in analyze resource availability and opportunities that support behavior. Each behavior has characteristics of occasional resource

2.3. Service Quality

Service quality is an assessment given by consumers as a whole a service (Anetoh et al., 2022). Then according to Budianto (2019) the quality of service is a multidimensional conception formed through the assessment of several service items is not only looking at expectations or results. According to Lai et al. (2021) service quality is something that is more directed to consumers thoughts on actual services or

provided as well as the previous service process rather than looking between expectations and results. Based on these definitions, service quality is an assessment carried out by consumers regarding a service and the assessment carried out is of a nature comprehensive service from the start of experiencing a service to completion.

Service quality refers to the physical expression that can be observed or utilized by employees and customers, with the aim of enhancing the services provided to persons requiring service (Sila et al., 2021). According to Akhmadi & Martini (2020) service quality is broadly the extent to which a website or app can facilitate efficient and effective shopping or transaction activities. Augustien (2020) explains service quality is the overall assessment that customers feel when using or transacting through an online buying and selling site.

The quality of services is the key measure of customer satisfaction. If the performance of a service provider fails meets expectations for consumers, consumers will most likely feel dissatisfied and turn to other competitors (Nawangasari et al., 2020). Service quality can be interpreted as that the service received by customers matches or even exceeds the service expected by the customer. Good and impressive service is expected to influence customer satisfaction (Uzir et al., 2021). Service quality is an incentive for customers to buy products or services as desired. If the company has good service quality, many customers will feel satisfied. According to Linardi (2019) service quality is a performance that a person can offer to another person. This performance can be interpreted as a form of company service to consumers in the form of services provided starting from product selection and transaction processes. In this study using the model by Medberg & Grönroos (2020) service quality is expressed in terms of Technical Quality (TQ) as the "outcome of service", functional Quality (FQ) as "what of the service", and Reputational Quality (RQ) as the "customers' perception of company attributes"

2.3.1. Technical quality

Technical quality refers to the measurable components of service that customers experience while interacting with a service business (Khaleel & Sayah, 2020). The given output serves as an indicator of the quality and effectiveness of many services, such as diagnostics and medical operations in a hospital, automobile repair services, room cleanliness in a hotel, and others. Technical quality also works to achieve customer satisfaction and create and maintain their loyalty. Technical quality is one of the fundamental dimensions of quality of service, which represents the basic service or "what is delivered". It relates to actual results and basic service as seen by the customer. It is the cornerstone of organizations' success which indicates increased customer confidence and communication with them, which is the first and most important criterion for creating a positive image about the service provided as it is evaluated by the customer (Sharma & Patterson, 1999). Meanwhile, according to Gronroos technical quality is related components quality of service output received customers (Grönroos, 1984). According to Gi-Du Kang (2006) technical quality relates to the result of the service; nevertheless, additional research has adjusted the dimension depending on the service context, such as comparative quality in cell phone services and transformative quality in education services. Liana et al. (2023) defines the technical quality as the outcome of the service where a customer evaluates technical quality as technical solutions provided in smothering service completion. In their research, in the m-payment context the variables used are technical solution, technical support, performance, interaction with employees, and speed.

2.3.2. Functional Quality

Grönroos (1984) confirmed that functional quality is associated with interactions between providers and recipient of the service and assessed in subjective terms. This can be seen as critical to customer perception and service quality overall especially when many service companies find it difficult to differentiates itself only on core services then becomes commodities as competition increases in today's industry. Then dimensions functional quality will become increasingly important as a means of

creating competitive advantage. According to Hutt & Speh (2004) functional quality is a component related to the quality of the delivery of a service. Functional quality is more likely to be responsive behavior, attention, politeness and professionalism shown to customers, directs understanding, shows empathy, provides service promptly, responds to questions and complaints, responsible and precise time.

According to McDonald & Heydenrych (2022) functional quality, in the context of expert assessment, refers to the way services are delivered and experienced by the customer. It encompasses aspects such as responsiveness, empathy, ease of access, and surroundings in healthcare, as well as communication time, intimacy of communication, and richness of information exchanged. In this research the functional quality is adapted using Gi-Du Kang (2006) on Liana et al., (2023) it is included communication, credibility, responsiveness, access, understanding customers, continuous improvement, reliability, courtesy, and competence.

2.3.3. Reputational Quality

According to Liana et al. (2023) reputational quality is similar with corporate image. Corporate image and reputation are considered to be a critical factor in the overall evaluation of any organization because of the strength that lies in the customers' perception and mind when hearing the name of the organization (Grönroos, 1984). Corporate image refers to the overall impression that customers have of an organization. It is formed by a combination of feelings, ideas, attitudes, and experiences that customers have with the organization. These impressions are stored in memory and can be transformed into positive or negative meanings. When the name of the organization is mentioned or brought to mind, these impressions are retrieved and used to reconstruct the image of the organization. Corporate image is formed through a communication process where firms develop and disseminate a targeted message that represents their strategic intent, including their mission, vision, goals, and identity. This message reflects their fundamental values that they consider valuable (Bravo et al., 2009). Kang & James (2004) on Liana et al. (2023) is simply stated that reputational

quality refers to a company's reputation as an influencing factor of customer loyalty. The adapted items are contribution to society, reputation, superior technology, honesty to customers and excellent service.

2.4. Customer Loyalty

Customer Loyalty does not come suddenly but requires a long process to make it happen, requiring a lot of resources and time to manage it (Khan et al., 2022). Organizations need a strategy to retain old customers to attract new customers. Customer Loyalty is the tendency of customers to buy or use products or services to convey and recommend to others the products or services they have received. In the end, customers will be loyal to this product or service and reject similar products or services offered by different companies (Handayani et al., 2021). Rita & Trimulyani (2022) in their research stated that customer loyalty refers to a customer's positive attitude towards a company or brand which results in repeated repurchase behavior and lower customer sensitivity to competitors' prices and offers. Then in measuring consumer loyalty the researcher using attitudinal customer loyalty and behavioral customer loyalty

2.4.1. Attitudinal Customer Loyalty

Attitudinal loyalty is an attitude that arises from feelings of satisfaction about what the company provides to customers and will make repeat purchases of the products offered. It can also mean the consumer's feelings resulting from a product or service specifically Kumar et al. (2006). Dick & Basu (1994) reveal attitudinal loyalty as a psychological tendency consumer to buy again from the same company or seller and recommend it. According to Hawkins & Vel (2013) attitudinal loyalty can be defined as a deeply held commitment to repurchase or patronize a preferred product/ service consistently in the future, thereby causing repetitive same brand-set purchases despite situational influences and marketing efforts having the potential to cause switching behavior. Attitudinal loyalty means customers are willing to recommend the brand to others (Cachero-Martínez & Vázquez-Casielles, 2021)

2.4.2. Behavioral Customer Loyalty

Behavioral loyalty is an ongoing propensity to buy the brand, usually as one of several options (Hawkins & Vel, 2013). Customers' intentions for repeat patronage, repeat purchase, and actual purchase behavior (Kumar et al., 2006). Behavioral loyalty is the consumer's tendency to buy repeatedly over a period of time certain time (Cachero-Martínez & Vázquez-Casielles, 2021). Sunarsono (2019) researched the relationship between two types of customer loyalty, namely attitudinal and behavioral, found that attitudinal loyalty is a driving factor for behavioral loyalty.

2.4. Previous Research

Table 2.1

Summary of Previous Research

No	Title, Researcher, Year of Publicity	Research Variable	Research Method	Research Result
1	Service quality dimensions as predictors of customer loyalty in mobile payment services: moderating effect of gender	1. Technical Quality (X1) 2. Functional Quality (X2) 3. Reputational Quality (X3) 4. Gender (Mediator) 5. Customer Loyalty (Y)	They employed PLS-SEM, multivariate techniques, which is useful for estimating and testing complex and multifaceted models.	1. Female customers had a bigger impact on attitudinal customer loyalty compared to male customers. In contrast, female respondents demonstrated a greater influence on behavioral

				loyalty compared to male customers. 2. Technical quality negatively influences attitudinal customer loyalty, while functional quality affects behavioral loyalty
2	The effect of mobile-wallet service dimensions on customer satisfaction and loyalty: An empirical study (Ajina et al., 2023)	1. Service Quality (X1) 2. Ease of Use (X2) 3. Usefulness (X3) 4. Cost (X4) 5. Security (X5) 6. Customer Satisfaction (Mediator) 7. Customer Loyalty (Y)	SPSS and AMOS were used to analyze the collected data. The descriptive data were analyzed with SPSS	1. M-wallet service and customer satisfaction influence customer loyalty. 2.M-wallet service influences customer loyalty through customer satisfaction as a mediator
3	Effect of hotel overall service quality on customers' attitudinal and	1. Service Quality (X1) 2. Customer Loyalty (X2)	Method data collection use instruments in the form of	1. Service quality influenced customer loyalty

	behavioural loyalty: perspectives from Zimbabwe (Nyagadza et al., 2022)		questionnaire. Device that used for analyze data namely SmartPLS and SPSS	
4	The influence of sellers' ethical behaviour on customer's loyalty, satisfaction and trust (Mansouri et al., 2022)	1. Ethical Behavior (X1) 2. Customer Loyalty (Y) 3. Satisfaction (Mediator) 4. Trust (Mediator)	Data collection performed with use questionnaire and analyzed use Structural Equation Model (SEM)	1. Ethical Behavior influential to Customer Loyalty. 2. Satisfaction and believe as variable mediation influential to Customer Loyalty
5	Antecedents of Customer Loyalty in Islamic Banking: Evidence from Tanzania (Tegambwage & Kasoga, 2022)	1. Customer Satisfaction (X1) 2. Relationship Quality (X2) 3. Service Quality (X3) 4. Switching Barriers (X4) 5. Customer Loyalty (Y)	To test Research Model use research design correlational. Factor analysis used for test reliability and validity.	1. Relationships Quality, Service Quality and Customers Satisfaction influential positive and significant to Customers Loyalty.

			Theoretical models and hypothesis tested with Structural Equation Modelling (SEM)	2. Switching Barriers don't influential significant to Customers Loyalty
6	The 20ndonet of e-service quality on e-loyalty mediated by e-trust and brand image variables: A study on OVO E-Wallet application users in Malang City (Pratiwi et al., 2021)	1. E-Service Quality (X) 2. E-Trust (Mediator) 3. Brand Image (Mediator) 4. E-Loyalty (Y)	The method of data analysis uses SEM (Structural Equation Modeling) based on Partial Least Square (PLS) that using SmartPLS 3.0 software application.	1. E-service quality cannot affect e-loyalty directly, it must be through the mediating variable of e-trust or brand image
7	The impact of e-brand experience on e-brand loyalty	1. E-Brand Experience (X1) 2. E-Brand Trust (Mediator)	The method of data analysis uses SEM (Structural	1. To improve e-brand loyalty must be accompanied by a

				component about the user's emotional, not only functional maximization.
	mediated ebrand love and e-brand trust: A study on Go-Pay users in Go-Jek application in Malang City (Ridhwan et al., 2021)	3. E- Brand Love (Mediator) 4. E- Brand Loyalty (Y)	Equation Modeling) based on Partial Least Square (PLS) that using SmartPLS 3.0 software application.	Emotional functions such as maintaining trust and a sense of belonging to a brand.
8	Pengaruh E-service quality terhadap customer satisfaction dan loyalty pada pengguna Gopay di 21ndonesia (Berliana & Zulestiana, 2020)	1. E-service (X) 2.Customer Loyalty (Y1) 3. Customer Satisfaction (Y2)	Nonprobability 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
9	Customer Loyalty: Quality of Service	1. Quality of Service (X) 2. Customer Loyalty (Y)	Data were collected through data collection	1. Quality of service is positive and significant to customer loyalty.

			techniques in the field using explanatory survey method And the calculation using SPSS version 17 program	It means the better and the right quality of service will be more loyal consumers
10	The Effect of Service Quality, Banking Digitalization, and Customer Relationship Management (CRM) on Customer Loyalty (Sampurna & Miranti, 2022)	1. Service Quality (X1) 2.Banking Digitalization (X2) 3. Customer Relationship Management (X3) 4. Customer Loyalty (Y)	Analysis method deep data this research use Structural Equation Modeling (SEM) with software assistance SMART-PLS	1. Service Quality, Banking Digitalization and Customers Relationships Management (CRM) influential significant to Customers Loyalty

2.5. Hypothesis Development
2.5.1. Theory of Planned Behavior

In this research, the research is based on the theory of planned behavior. Theory of Planned Behavior (TPB) is a theory that explain the causes of the intention behave. According to the TPB, behavioral intentions determined by three main determinants, namely attitude, subjective norms, and perceived behavioral control. Until now, this theory is widely used in various scientific disciplines that discuss behavior and environmental issues. In the theory of planned behavior, there are attitude and behavior variables that are used and related in this research. The construct of attitude, or consumer attitude, is the initial component of the theory of planned behavior. Attitude refers to the extent to which an individual has a positive or negative assessment of behavior (Ajzen, 1991). Perceived behavioural control, in the idea of planned behaviour, refers to the perceived simplicity or difficulty of doing a certain behaviour. It is believed to be a reflection of one's past experiences. Perceived behavioral control is influenced indirectly by attitude and subjective norm. However, a more positive attitude and subjective norm will result in a higher level of perceived behavioral control (Ajzen, 1991). In this research, TPB is linked to attitudinal and behavioral customer loyalty which ultimately determines whether someone can be loyal to the company based on technical quality, functional quality and reputational quality provided by a company.

2.5.2. The effect of service quality towards customer loyalty

Service quality is an assessment given by consumers as a whole a service (Anetoh et al., 2022). Then according to Budianto (2019) the quality of service is a multidimensional conception formed through the assessment of several service items is not only looking at expectations or results. According to Lai et al., (2021) service quality is something that is more directed to consumers thoughts on actual services or provided as well as the previous service process rather than looking between expectations and results. Based on the research conducted by Silviana et al. (2022) it is known that service quality affects customer loyalty because some consumers feel that

they get special treatment when they shop on Tokopedia. Mittal & Kaur (2023) on their research found that e-service quality of online food delivery apps has a positive significant impact on customer e-loyalty. Each research is conducted in e-commerce not on e-wallet, also the measurement that they use is SERVQUAL method. Meanwhile the research conducted by Indradewa & Hadi (2019) stated that service quality didn't have an effect to the customer loyalty using attitudinal and behavioral measurement. The research is in telecom service not e-wallet service. In addition, Pratiwi et al. (2021) found that service quality has no significant effect to customer loyalty in m-wallet service. This means that the constructs for this study are useful for the context of m-payment studies.

2.5.3. The effect of technical quality towards customer loyalty

Liana et al. (2023) defines the technical quality as the outcome of the service where a customer evaluates technical quality as technical solutions provided in smothering service completion. In their research, in the m-payment context the variables used are technical solution, technical support, performance, interaction with employees, and speed. In a literature, numerous studies supported that technical quality has a positive relation towards attitudinal and behavioral customer loyalty. For instance, according to (Henao Colorado & Tavera Mesías, 2022a) technical quality negatively influences customer loyalty in mobile phone services using measurement attitudinal and behavioral customer loyalty. It was carried out in Pakistan involving other determinants such as customer satisfaction and switching costs. Liana et al. (2023) stated that technical quality has no significant effect on the attitudinal customer loyalty but has a significant effect on the behavioral customer loyalty. On the other hand, research by Dhasan & Kowathanakul (2021) demonstrates that technical quality, one aspect of service quality, is a crucial factor in determining whether a subscription will be renewed, encouraging customer engagement and loyalty among Thai mobile network users. Haryanto et al. (2022) on their research also the results indicate a significant and positive relationship between technical quality and customer loyalty.

H1: Technical quality will have a positive impact towards attitudinal customer loyalty.

H4: Technical quality will have a positive impact towards behavioral customer loyalty.

2.5.4. The effect of functional quality towards customer loyalty

According tom McDonald & Heydenrych (2022) functional quality refers to the way services are delivered and experienced by the customer. It encompasses aspects such as responsiveness, empathy, ease of access, as well as communication time, intimacy of communication, and richness of information exchanged. According to previous research conducted by Liana et al. (2023) functional quality has a positive impact to the attitudinal customer loyalty and functional quality also has a negatively impact to the behavioral customer loyalty. Another scholar Zarei et al. (2019) in their research stated that functional quality has a significant effect on the internet purchase attitude and Internet purchase behavior. According to Henao Colorado & Tavera Mesías (2022) functional quality negatively influences customer loyalty, which implies that it is useful to understand this relationship in this study.

H2: Functional quality will have a positive impact towards attitudinal customer loyalty.

H5: Functional quality will have a positive impact towards behavioral customer loyalty.

### 2.5.5. The effect of reputational quality towards customer loyalty.

According to Liana et al. (2023) reputational quality is similar with corporate image. Kang & James (2004) on Liana et al. (2023) is simply stated that reputational quality refers to a company's reputation as an influencing factor of customer loyalty. According to Cheng and El-Manstrly and Harrison on Liana et al. (2023) reputational quality has no significant impact to the customer loyalty. Indradewa & Hadi (2019) in

their research also found that reputational quality has no impact to the customer loyalty. Meanwhile (Medberg & Grönroos, 2020) have suggested a positive influence on customer loyalty. According to Liana et al. (2023) on their research stated that reputational quality has a significant influence to the attitudinal and behavioral customer loyalty.

The following hypothesis is developed from this discussion:

H3: Reputational quality will have a positive impact towards attitudinal customer loyalty

H6: Reputational quality will have a positive impact towards behavioral customer loyalty
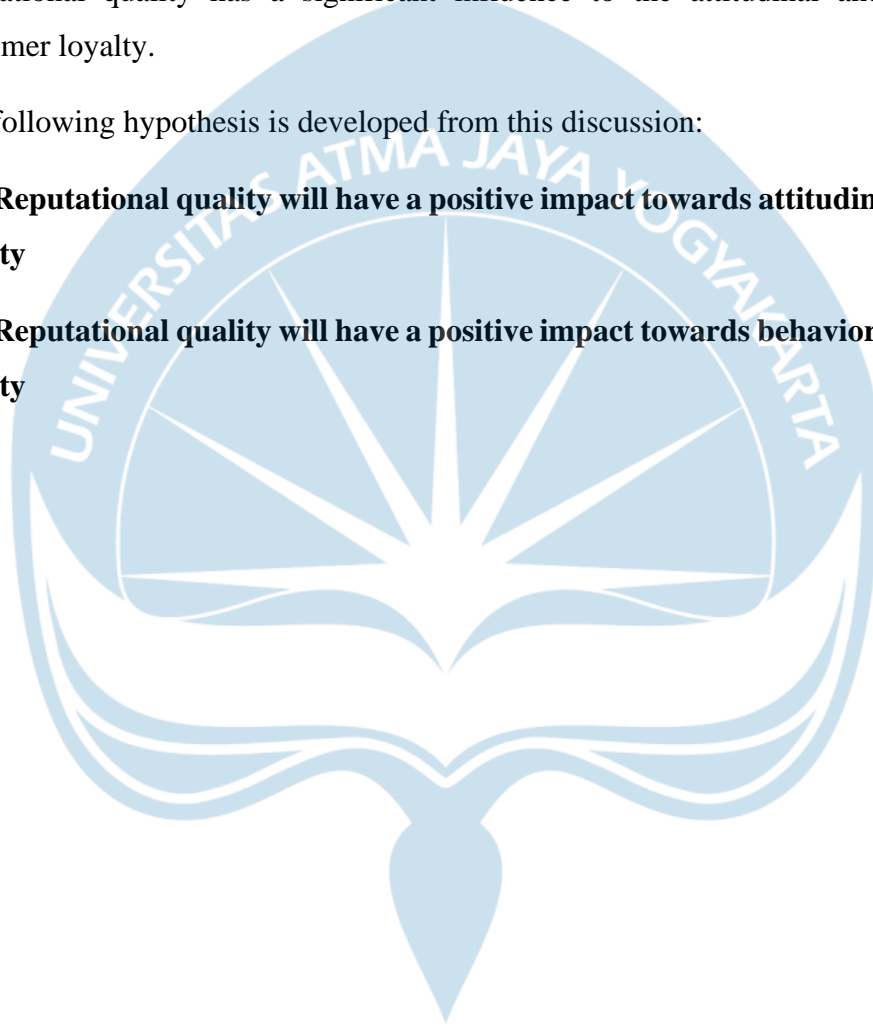
2.6. Theoretical Framework

The theoretical framework of this research will outline the hypothesis established by the researcher, which is based on the conducted research.
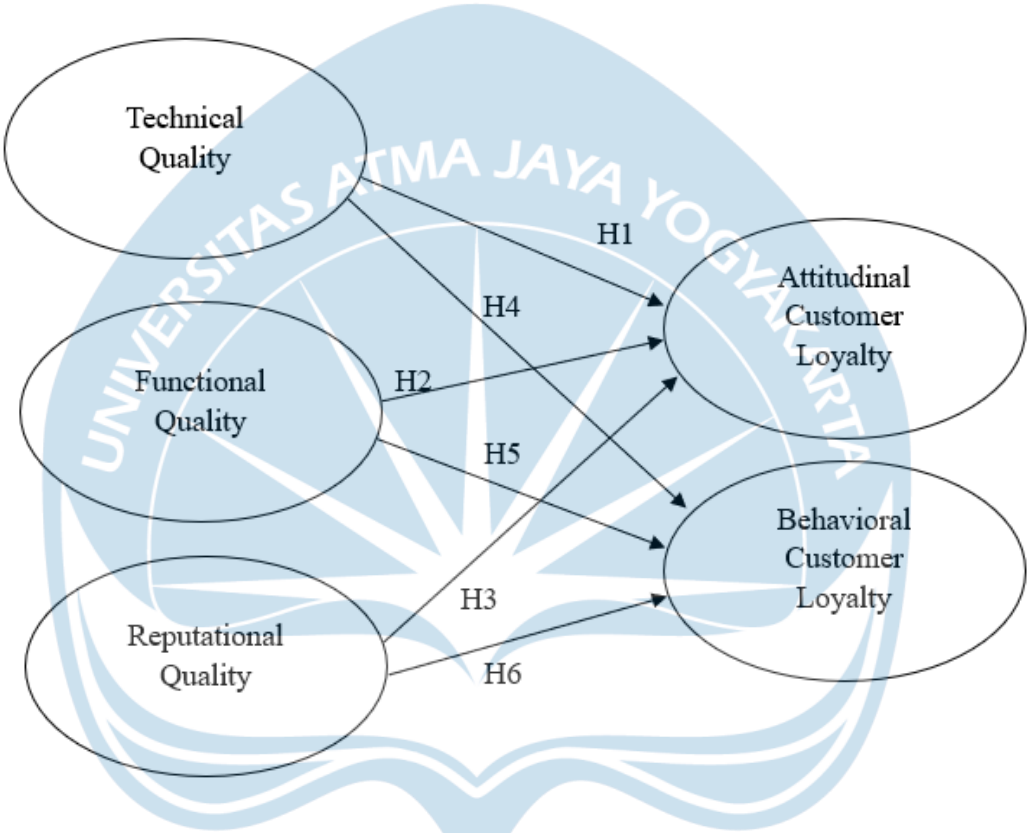

Figure 2.2

Theoretical Framework

Source: Liana et al. (2023)