CHAPTER 1

INTRODUCTION

1.1 Background of the study

Coronaviruses are a type of virus that causes mild illness, and specific types of viruses can be identified. Infection of the airways and the development of serious illnesses like pneumonia and bronchitis as a result of the infection. It is possible for those who have been infected with this virus to spread it in both a dangerous and a less dangerous manner. World Health Organizations (WHO, 2019), that was a historical pandemic that changed people's lives. COVID 19 began on the 12th of December in Wuhan, China, and it was discovered that people are infected with pneumonia via a fictitious link to a store that sells fresh seafood. Within a week, millions of Chinese citizens were infected with the virus. Furthermore, the virus has infected most of the countries in the world and their economies. This is a global issue that has an impact on e-commerce trends. (Qian, 2020).

Covid-19 can spread in a variety of ways. One of them is through the money we use as a medium to buy daily necessities when an infected person touches the money. As a result, WHO has advocated for digital money (cashless) as much as possible. In addition, OVO and DANA are also the examples of electronic wallets. Electronic payment systems include, but are not limited to, digital check payment systems, electronic wallets, electronic cash, online value storage systems, digital credit recording systems, payment methods that use wireless technology as well as online payment methods that accept credit card transactions online. (Kee et al., 2021).

Cashless businesses and technological advancement are becoming increasingly well-known on a global scale. The term "cashless payment" refers to transactions where customers use cards or electronic methods to conduct their financial transactions in the absence of cash. The Global Payments Report (2020) and the Global Trade Report both say that, the volume of global non-cash transactions increased by 14.1 percent within 2018 until 2019, rising from 620.8 billion to 708.5 billion. This represents the quickest growth in the past ten years (2020). Because Indonesia has a large number of young people with a lot of money to spend. One of the most popular modes of transaction in Indonesia is cashless payment, particularly e-payment. Nonetheless, it should be noted that, for example, Indonesia is not too interested in e-payment transactions right now. This is because many people don't understand how online payments work or how the internet works, and they also don't trust e-payment platforms (Ahmad, 2021).

A significant amount of knowledge in regard to the COVID-19 virus's potential to spread throughout society was present at the present time (Chan et al., 2020). At first, some Indonesians had a propensity to prefer making cash payments over cashless ones when it came to transactions (Azali, 2016), on the other hand, ever since the COVID-19 pandemic, the government has been advising people to conduct their business without using cash. This was one of the best things that people could have done during the pandemic. As a result of the COVID-19 pandemic, more Indonesians are choosing to pay with their credit cards electronically. The Quick Response Code Indonesia Standard opens up new avenues for small and medium-sized businesses (SMBs) to use cashless payment systems (QRIS), which Bank Indonesia introduced earlier this year. This study examines the social impact of using cashless payment during an outbreak in Indonesia by examining the relationships between perceived risk, perceived

usefulness, government support, and intention to use cashless payment. (SUNARJO et al., 2021)

1.2 Problem statements

The pandemic caused by Covid-19 has had a wide-ranging impact on various fields, including cashless service payment companies, in recent months, including the increased use of contactless payments and the adoption of e-wallets. In order to help small and medium-sized businesses continue normal operations while a movement control order is in place, the percentage of total global retail sales made through e-share commerce also increases as the number of users of cashless payment methods increases (MCO). During this time, the platform for electronic payments can serve as an extremely effective method of payment. In addition, the use of electronic payments as an alternative payment system may be of assistance to the government in mitigating the risk of the COVID-19 virus spreading. A society without cash could have repercussions and advantages that extend far into the future. It will help us save money on security when withdrawing cash from the bank, transporting it, and counting it. If we use e-payment in our daily lives, everything will become easier. (Kee et al., 2021).

In 2019, the number of mobile internet connections in Indonesia surpassed the country's total population for the first time. Indonesia had 355.5 million mobile subscriptions, making it the first country in the world to reach this milestone. By 2025, it is expected that there will be 410 million smartphone users in Indonesia. This would make Indonesia the third-largest country in the world in terms of the number of smartphone users (Lisana, 2020). Furthermore, The Central Bank of Indonesia also officially registered about 38 e-wallet mobile applications in 2019. This is because the

country has a lot of people and smartphones and mobile internet technologies are growing quickly (The Jakarta Post, 2019). It's possible that the government's support for the development of electronic wallets in the midst of this deadly outbreak could also influence the likelihood of people adopting electronic wallets. The World Health Organization has recommended that governments should encourage their citizens to use electronic wallets as a method of payment. "Flattening the curve" is something that should be done (Aji et al., 2020). When you look at the curves of outbreaks, you'll notice that they reach large peaks and then begin to decline. That is something that needs to be levelled out first. The curve could be made flatter, which would result in fewer people being infected. That would ultimately result in fewer people dying. And now we can begin the process of adjusting to our new normal life. In the beginning, some Indonesians preferred to use cash over cashless payments (Azali, 2016).

There has been an increase in the use of cashless transactions since COVID-19, which was one of the correct actions taken during that pandemic. On the other hand, there are some issues with cashless payment that are preventing people from using it during this outbreak. The issues may be caused by the drawbacks of the cashless system itself. First, people still have concerns about how the payment system works and the perceived security risks, such as the possibility of a data breach exposing their personal information. Second, people in rural and suburban areas who lack of knowledge, do not have a bank account, it will be difficult for your mobile phone to keep up with the evolving technology of cashless payments.. Due to the issues that mentioned above, that means there are specific impacts caused by using the cashless payment that need to be studied whether it will affect the relationship towards the independent variables in my research project.

1.3 Research Objective and Questions

The following are the objectives of the research presented in this paper:

1. To identify the relationship between perceived risk on an individual's intention to use cashless payment during the Covid-19 pandemic.

2. To identify the relationship between usefulness on an individual's intention to use cashless payment during the Covid-19 pandemic.

3. To identify the relationship between government support on an individual's intention to use cashless payment during the Covid-19 pandemic.

The research conducted within this paper aims to solve the following research questions:

RQ1. Do perceived risk has significant relationship on an individual's intention to use cashless payment during the Covid-19 pandemic?

RQ2. Do usefulness has significant relationship on an individual's intention to use cashless payment during the Covid-19 pandemic?

RQ3. Do government support has significant relationship on an individual's intention to use cashless payment during the Covid-19 pandemic?

1.4   Significance of the study

As the respondent of previous research studies related to Cashless Payment are limited to specific areas only, cross-cultural study need to be conducted. It is necessary to conduct the same studies that were done in the past intending to strengthen the validity of the findings, particularly in light of the recent discoveries. Other variables that may affect the intention of cashless payment and the addition of more sample (Ex.: other age groups, other regions or countries) also need to be conducted as it may lead to a different result. The purpose of this study is to help contribute to filling this gap left by previous studies, as well as to prove and enhance the validity of the findings that were found in previous studies.

1.5   Scope of Study

This research was conducted to evaluate the impact of perceived risk, perceived usefulness and government support on the intention to use cashless payments among Indonesian students, especially students in the city of Palembang, South Sumatra. Researcher carried out research in Palembang because there was no similar research carried out there. In addition, researcher want to know whether many students in Palembang have used cashless payments or not, because as we know that during the outbreak, to prevent the spread of the virus, we have started to actively use cashless payments. Moreover, as students in the digital era, we must be aware of technological developments in the current era. The scope chosen by the researcher in this study were students studying at Sriwijaya University, Sriwijaya State Polytechnic, and Raden Fatah State Islamic University Palembang. The reason the researcher chose these three universities was because the researcher felt it was enough that students at the

universities could be representative of other universities in Palembang and also because of the time constraint factor so that the researcher only chose a few universities.

1.6 Proposed Chapter Organization

The remaining chapters of this document are structured as follows: The related theoretical and empirical literature is presented in Chapter 2, which focuses on perceived risk, perceived usefulness, government support, and intention of using cashless payment. Chapter 3 presents the study methodology. Chapter 4 presents the data analysis and findings by using SPSS. Chapter 5 presents the summary of the findings, recommendation and limitations of the study.