CHAPTER I
INTRODUCTION

I.1 Background of the study

Mobile internet has been continuously developing around the world. Nowadays, mobile phones are not only used for communication purposes but also for mobile payment (MP) systems, which use mobile devices to enable users to initiate, authorize and complete financial transactions through mobile networks or wireless communication technologies (Lisana, 2021). The quick growth of mobile technology has made it easier for people to do daily activities, even in conducting financial activities. The development of technology has led to the development of financial services application for mobile like mobile payment (MP) to fulfil peoples' need for reliable and easily accessible financial services. Mobile payment is expected to gradually replace traditional individual monetary activity including in Indonesia.

Mobile payment means that users employ their mobile devices to conduct payment, check balances and transfer money which freed users from temporal and spatial constraints and provided great convenience to users that may promote their usage (Zhou, 2014). However, the use of mobile payment also comes with risks the users need to take account, for example, hackers and identity thieves would attack the transaction process in various ways such as phishing (the practice of sending fraudulent communications that appear to come from a reputable source) or viruses. In Indonesia, there is no regulatory framework specifically for fintech, this means that there is a legal vacuum surrounding the Indonesian fintech industry, leading to legal uncertainty and inadequate consumer protection measures (Kharisma, 2021; Zhou, 2014). These risks associated with mobile payment may make mobile payment users to decrease their usage or stop using mobile payment completely. The purpose of this study is to identify the factor that promote and decrease the continuance usage of mobile payment which include trust, perceived risk, perceived usefulness, and perceived ease of use, that is used as the determining factor.

1

I.2 Problem statements

Mobile payment goal is to freed users from traditional physical payment method constraints and provided great convenience to users in conducting financial activities. Mobile payment allows users to perform payment transactions at anytime from anywhere with the assistance of mobile networks and terminals (Cao et al., 2018). But mobile payment also has its risk. For example, mobile networks could be hacked and personal information have the potential to be stolen. These advantages and disadvantages may promote or decrease the continuance usage of mobile payment. There is a need to study what really affect the continuance usage of mobile payment as it is beneficial for mobile payment users and mobile payment service provider. From the perspective of mobile payment service providers, it helps to acquire factors that encourage customers to keep using the mobile payment service, while from the users perspective, if mobile services offer many benefits and keeps improving, it could positively affect their customers (Handarkho et al., 2021).

Payment method using mobile device are easy to use and more efficient to get transactions done compared to using cash. Recently, these mobile services have slowly become a substitute for the standard existing payment method used in bricks and mortar stores such as credit cards, debit cards and cash (Handarkho et al., 2021). Use of cash in transactions of large amounts will make it difficult for someone to carry them and it has the risk of being stolen. Cash also expensive to have as it requires a lot of money to manage and print it. In this modern era, the average person uses a mobile device called smartphone that is connected to the internet. (Rolfe, 2019) reported that in 2019 there were 2.07 billion mobile payment consumers worldwide, an increase of 30% from 2017. Mobile Payment Global Market size valued roughly at USD 668.12 billion in 2022 and is expected to increase and reach the value of USD 2410.75 billion by 2028 (MarketWatch, 2022). Internet act as a connecting system that connect people worldwide without being hampered by range and distance. Smartphone that are connected to the internet can

help someone to get information, communicate remotely, and now it's been used to access services for transactions with non-cash payment systems.

(Lisana, 2021) reported that in 2019, there were 355.5 million mobile subscriptions in Indonesia, and the number of mobile internet connections was higher than the total population, by 2025, the number of Indonesian smartphone users is predicted to be 410 million, with Indonesia having the third-largest number of smartphone users in the world. However, the development of mobile payment industry in Indonesia is still in its early years, understanding mobile payment users' intention to use mobile payment is of considerable interest, the use of mobile payment help the implementation of a cashless society that can encourage the efficiency of the country's economy, because using non-cash transactions will lead to savings in printing and cash distribution costs, cash handling, to administrative management cost. Strategically speaking, a number of stakeholders, including the government, financial institutions, digital payment service providers, software developers, managers of retail firms, among others, could immensely benefit from an improved understanding on the topic (Widyanto et al., 2021).

An issue related to mobile payment that is worth looking into in Indonesia is the existence of users' gap in similar electronic payment method. In Indonesia, there are two popular mobile application, which is Gojek and Grab, that apply mobile payment in their service. Gojek and Grab are a company engaged in the transportation sector that have been offering a non-cash payment feature. Go-pay is one of the financial technology products brought by Gojek to facilitate the financial system of the company. On the other hand, Grab came in with its payment feature using an electronic wallet called GrabPay. these payment-feature aimed to increase the amount of order for their service. In spite of Gojek and Grab providing an equal method of payment and services, there is a significant gap of user do exist (Susilo et al., 2019). This means that there is specific factor that may affect the customer usage of mobile payment that need to be studied.

I.3 Research Objective and Questions

The purpose of this paper is to identify factors that has significant effect to understand the intention of mobile payment continuance usage in Palembang, Indonesia based on trust, perceived risk, perceived usefulness, and perceived ease of use perspective.

Specifically, the research is conducted to examine the following:

RO1. To determine the effect of trust on continuance usage of mobile payment.

RO2. To determine the effect of perceived risk on continuance usage of mobile payment.

RO3. To determine the effect of perceived usefulness on continuance usage of mobile payment.

RO4. To determine the effect of perceived ease of use on continuance usage of mobile payment.

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

RQ1. Does trust affect the continuance usage of mobile payment?

RQ2. Does perceived risk affect the continuance usage of mobile payment?

RQ3. Does perceived usefulness affect the continuance usage of mobile payment?

RQ4. Does perceived ease of use affect the continuance usage of mobile payment?

I.4 Significance of the study

As the respondent of previous research studies related to Mobile Payment are limited to specific areas only, study in other areas need to be conducted. Previous study also need to be repeated in order to enhance the validity of the findings, especially in relation to the new findings. Other variables that may affect the continuance usage and the addition of more sample (Ex.: other age groups) also

need to be conducted as it may lead to a different result. This study aims to help contribute filling this gap by previous studies to prove and enhance the validity of the findings from previous studies.

I.5 Thesis Organisation

The remainder of this paper is organised as follows: Chapter 2 presents the related theoretical and empirical literature that explains about the topic that are used in this research. Chapter 3 presents the study methodology, which is how the study is conducted including data collection, data measurement and data analysis. Chapter 4 presents the findings, which is the result and discussion of the data analysis. Lastly, chapter 5 presents the conclusion, consisting of the summary of the findings, limitations and recommendation for future research.