

# CHAPTER I

## INTRODUCTION

### 1.1 Introduction

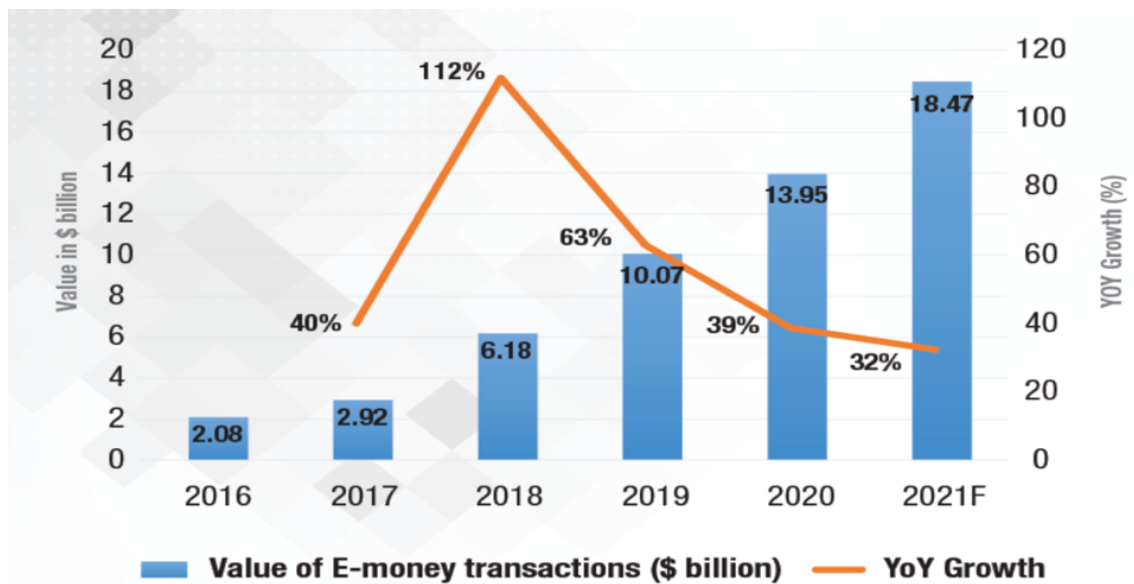
This Chapter gives information about the Background of The Study, Problem Statement, Research Questions, Research Objectives, Significance of the Study, Limitations of the Study, Key Terms, and Summary. These will assist the reader in understanding the topic of the research.

### 1.2 Background of Study

The use of Non-Cash (Cashless) transactions is a place where purchases and transactions are made primarily electronically and rarely in cash (Ejiofor and Rasaki, 2022). One of the pillars of the cashless is the use of Non-Cash (Cashless) transactions through electronic money transfers, bank transfers, or payment by cheque. Accordingly, goods and services are traded effectively without cash. In the era of globalization, human life cannot be separated from the increasing use of technology amid global competition. The existence of the Internet is helping to accelerate globalization and the borderless dissemination of information without limits throughout the world. Financial technology is currently experiencing rapid development in all areas of life (Pollari, I.2016).

Suryono, Budi, and Purwandari (2020) highlight financial technology is one of the most widely used types of fintech, one of which includes digital wallets. A payment system is a system consisting of methods of transferring funds from sellers to buyers to fulfill obligations arising from economic activity. The concept of 'money' as a medium of exchange or intermediary in commodities, services, and financial transactions was born together with the Payment System. (Altman, S.H., 2012) The payment system is a system that includes the mechanism used to carry out the transfer of funds from the seller to the buyer which aims to fulfill an obligation arising from economic activity. The Payment System was born at the same time as the concept of 'money' as a medium of change or intermediary in goods, services, and financial transactions. Money has a very big function in everyday life. Like the function of money as a means of payment in economic transactions, money cannot be separated from the process of economic transactions in each country.

**Figure 1.1 Electronic Money (E-Money) Transaction Value (Billion Rp)**



Source: Bank of Indonesia, Asian Banker Research

Based on Figure 1. It is known that the number of electronic money transactions has increased every year. A sharp increase occurred in 2021, this cannot be separated from the rapid development of fintech in Indonesia. fintech began to develop rapidly in Indonesia, growing at a rate of more than 1.464% (Crisanto, 2023). This has an impact on the growth rate of electronic money in Indonesia. As is well known, electronic money (e-money) or electronic money is a product of fintech.

Wilkins (2014) says many people benefit from electronic money, where people can transact directly without using the physical form of money itself. Especially during a pandemic, many daily activities must be carried out at home. By using non-cash payments, consumers can shop more easily and safely.

### 1.3 Problem Statement

Over the past decade, the usage of digital solutions for business activities has increased. This owes to the recent technological advancements in the internet, social media networks, mobile phone advancements, etc. The number of people making purchases with mobile phones each day is also on the rise. Advances in technology have paved the way for a broad range of new functionalities to be included in mobile devices. This provides support for several mobile financial services, such as bill payments, proximity payments at the point of sale, account transfers, person-to-person transfers, and other features including location-based coupons, mobile marketing, ticketing, and discounts (Liébana-Cabanillas, Garcia-Maroto, Muñoz-Leiva & Ramos-de-Luna, 2020).

The development of technology and information is currently making significant changes in several sectors, including the banking sector. This sector is required to follow the development of business activities and the world economy. Money is one of the most important elements in this sector, changes in cash from time to time are also influenced by the technology that existed at that time. Several decades ago, the level of use of banknotes and coins was considered relatively high, because of this there were frequent cases of counterfeiting money, and this was a crime that was difficult to avoid. Because apart from the many individuals involved in money counterfeiting cases, many ordinary people do not know the characteristics of counterfeit money in circulation (Chen et.al., 2015).

The high amount of money in circulation, the printing of new money, and cases of counterfeiting money are why many Indonesians use non-cash transactions (cashless) to carry out economic activities. The existence of electronic money is expected to reduce the risk of money counterfeiting which is rife. In addition to being easy to counterfeit, banknotes and coins are considered less effective and efficient, such as being easily lost or damaged, saving paper raw materials, and facilitating transactions.

Based on the results of research conducted by Zandi & Tshukudu (2016), in 56 countries which are 93% of the world's largest contributors to Gross Domestic Product, it was found that this electronic money lost around USD 938 billion in the global economy. In addition, this new variation can create 1.9 million jobs. From year to year, debit and credit card transactions continue to increase in developing, transitional and developed countries. In Indonesia itself, electronic money has been issued by banks starting in 2009 and has been directly supervised by Bank Indonesia and the Financial Services Authority. Below is a graph of the development of the number of electronic money transactions for the period 2016 – 2021.

**Table 1.1 Developments in The Volume of Electronic Money Transactions, Credit Cards and The Indonesian Bank Rate in 2014 – 2022**

<b>Year</b>	<b>The Volume of E-Money Transactions</b>	<b>Credit Card Transaction Volume</b>	<b>Indonesia Bank Rate %</b>
2014	239.166	254.32	7,50
2015	590.736	281.326	7,50
2016	758.778	305.052	6,10
2017	1.162.277	327.378	4,60

2018	3.429.015	338.348	5,00
2019	7.053.583	349.212	5,70
2020	15.043.475	274.682	4,30
2021	16.420.168	281.901	3,50

*Source: Bank Indonesia (BI)*

From the table above, you can see the development of the volume of electronic money, credit card, and Bank Indonesia Rate transactions over the past seven years. The volume of electronic money transactions continues to increase from 2014 to 2021 when people start to use electronic money as a means of payment actively. Meanwhile, the volume of credit card transactions decreased in 2020.

This can be seen if the most significant increase occurs in the volume of electronic money transactions from 2019 to 2021. This occurs because there is a factor that it is easy for people to use electronic money. In table 1. above it can be seen that there was a drastic increase in 2019 where this year the Covid-19 pandemic began to enter Indonesia and is continuing today.

The payment system using electronic money can minimize the spread of Covid-19 because during the Covid-19 pandemic, people had to practice physical distancing to minimize the spread of the Covid-19 virus, so when shopping offline and online, people make it easy to pay using electronic money (Ratu et al., 2022).

As seen in Table 1. above, the volume of credit card transactions has increased from 2014 to 2019. In 2020 the importance of credit card transactions decreased because, during the Covid-19 pandemic, people's activities were limited by the government. During the Covid-19 pandemic, people greatly reduced outdoor activities, for example, such as shopping where people who usually use credit cards to shop ended up not using their credit cards to shop and prefer to shop online.

Based on the explanation above, the researchers conducted a study entitled "Analyze of The Use of Non-Cash (Cashless) Transaction Electronic Money in The Daily Life of Indonesian Students in MSU Shah Alam".

#### **1.4 Research Questions**

The research question can help the researcher supply the most accurate answers during the investigation. The Research question might also act as a guideline for the investigation, establishing the hypothesis and directing all stages of an investigation, analysis, and report writing.

These are the questions in this research:

RQ1: What risk has a significant relationship on the Use of Non-Cash (Cashless) Electronic Money Transactions in the Daily Life of Indonesian Students at MSU Shah Alam?

RQ2: What benefit has a significant relationship on the Use of Non-Cash (Cashless) Electronic Money Transactions in the Daily Life of Indonesian Students at MSU Shah Alam?

RQ3: What trust has a significant relationship on the Use of Non-Cash (Cashless) Electronic Money Transactions in the Daily Life of Indonesian Students at MSU Shah Alam?

## **1.5 Research Objectives**

The general objective of this research is to analyze the use of non-cash (cashless) transactions and Electronic Money in the daily life of Indonesian students as a means of payment. These are the specific objective of this research:

RO1: To Investigate the Relationship Between Risk and Non-Cash (Cashless) Transaction Electronic Money

RO2: To Investigate the Relationship Between Benefit and Non-Cash (Cashless) Transaction Electronic Money

RO3: To Investigate the Relationship Between Trust and Non-Cash (Cashless) Transaction Electronic Money

## **1.6 Significance of the Study**

### **1.6.1 Theoretical Contribution**

(Widjaja, E. P. O., 2016) Based on rapid technological developments, non-cash payment instruments have been created in forms that are more practical and most suitable for use, namely electronic payment systems or commonly referred to as electronic money (e-money). Electronic money (e-money) is very important for the life of future transactions. Where we will discuss and understand what the benefits and purposes are of using Electronic money (E-Money), the advantages and disadvantages of Electronic money (E-Money), and what are the factors that influence payments using Electronic money (E-Money).

### **1.6.2 Practical Contribution**

#### **1. For Public**

The findings of this study will provide new insights for students and the public who use electronic money. In electronic payment instruments where the value of money is stored in certain electronic media, usually, the transaction requires an internet network because it uses a device such as a smartphone or a computer. This research also provides information

about the risks, benefits, and trust in using electronic money. Through this research, students and the public will be increasingly aware of the importance of using electronic money (cashless) in everyday life.

## 2. Other researchers

This study can help other researchers to further study in this field. It can also be used to provide additional information for other researchers who wish to conduct further research in this field.

### **1.7 Limitations of the Study**

Many issues exist when determining what will affect the Use of the Non-Cash (Cashless) Transactions Electronic Money. In this case, researchers will focus more on how Risk, Benefit, and Trust affect the Use of the Non-Cash (Cashless) Transactions Electronic Money. Therefore, the research in this study cannot assemble and explain how the discussion described does not go beyond the boundaries of the study's title.

### **1.8 Definition of the Key Terms**

#### **1.8.1 Risk**

Risk is a situation where there is a lack of security in the use of cashless transactions, including errors or transactions without the approval of one and/or both parties (seller and buyer). In transacting using cashless transactions, the risk becomes a concern in paying for cashless transactions. Users will question whether using cashless transactions tends to be safe or not. This causes the risk to become one of the obstacles in using cashless transactions. The risk also includes the situation of having important financial information breached by irresponsible hackers. Thus, the lower the risk of using cashless transactions, the higher the user's intention to transact cashless (Sitompul et al., 2022).

#### **1.8.2 Benefit**

Benefits are customers' feelings about the ability of a new service that can provide many benefits to them. In addition, according to a study on the factors that influence the use of Mobile Payment Services in Vietnam, the benefits of using cashless transactions are a determining factor for the use of this type of payment. Perception of usefulness according to (Davis, 2020) can be measured through work more quickly, and usefully, increase productivity, enhance effectiveness, and improve job performance.

#### **1.8.3 Trust**

The trust factor is an indication of the use of cashless transactions. User trust in using cashless transactions is a condition where users feel comfortable, and secure, and are not afraid to take risks when transacting. According to a study conducted by (Siau and

Shen, 2018), the sense of trust that grows in users is divided into two, namely, trust in technology systems and trust in company services. User confidence in the use of high cashless transaction payment systems will encourage users to increase the use of cashless transactions. In addition, when making transactions, users hope that their personal information is guaranteed to be safe (Zhou, 2019).

## **1.9 Summary**

For the community, Electronic Money (E-Money) can help the community in terms of making transactions easier, more efficient, and safer, as well as assisting the government and Bank Indonesia in implementing a non-cash (cashless) society policy (transaction activities without cash) which aims to expedite and provide certainty for society to transact which can then stimulate the passion of economic activity. So it is hoped that with several factors such as income, benefits, convenience, and security, Electronic Money (E-Money) will still be one of people's choices in making transactions.