CHAPTER I

INTRODUCTION

1.1 Background of The Research

Information technology has entered the era of the industrial revolution 4.0, with this development has changed the order of human life, including in the financial sector. Consistent with the rapid development of digital technology, the financial services industry is also participating in experiencing very significant innovations at this time. Using the technology to provide a better solution for financial is refers to the term of financial technology (Arner, Barberis, & Buckley , 2015). This is called FinTech. FinTech reached users who have not been approach by conventional financial products because FinTech offers convenience and easy access, thereby facilitating transactions and increasing financial literacy.

According to Saksonova and Merlino (2017), New technology and traditional institutions of the financial sector who offers by FinTech industry in several area, they are Online payments and money transfers, Neobanks (digital banks), Asset and Investment Management, E-commerce, Personal finance management, Lending, insurance, infrastructure and support services. The evolution of global-wide FinTech started out as early as the 1950s by introducing the card of credit to ease every transactions and ATMs have been initiated the tellers in Bank. As early because the overdue 1970s, digital inventory buying and selling and mainframe computer systems have been utilized by the monetary establishments to hold tune file structures of E-trade and in addition to the net grew hastily within side the 1990s. From years 2000 onward, monetary establishments started out to adapt from conventional clients helps strategies to advance tech services (Rani, 2021).

Therefore, within side the 21st century, current banking and finance strategies have been gradually changed with new cutting-edge monetary strategies, net get entry to related to the adoption and use of cutting-edge virtual gadgets and programs including e-wallets, crowdfunding platforms, Robo advisors for wealth peer to look lending, insurtech (the aggregate insurance and technology), and monetary making plans and brief reaction codes are inflicting diverse sports emigrate from the actual global to the digital global. In addition to coins and test payments, customers are continuing the use of contactless gadgets to buy items and services (Rani, 2021).

Moreover, the world is still facing the COVID-19 Pandemic, Indonesia will face the third wave of increasing cases of COVID-19 at the end of February 2022. To stop the transmission of COVID-19, among other things limiting human interaction to direct transactions. This makes people increasingly switch to FinTech Payment, especially among millennial users.

According to the research by The Ministry of Women's Empowerment and Child Protection (2018), millennials are people who were born in the 1980 to 2000. This generation is in an era related to the development of the Internet, as the first consumer group growing up in an Internet-based world and often an early adopter type happens in Indonesia (Diana & Leon, 2020). The size of the productive-age population is a phenomenon that has increased significantly over the millennium.

The characteristics of millennial as explained by (Rasmussen & J., 2018), is a generation have known for risk taker and optimism. Besides the pandemic reason, one of the behaviors of millennials needs to do things quickly and practically, so that attracts their attention in a cashless lifestyle. In this era, millennials rarely carry a cash. It will be related to their preferences in using FinTech products, especially on Payment.

Financial technology and payment gateways are predicted to experience very significant growth from year to year. In a report by an independent research agency, Statista, it is stated that FinTech Payment will experience a surge in transaction value by an average of 13-15% from year to year (Fauzan, 2020).
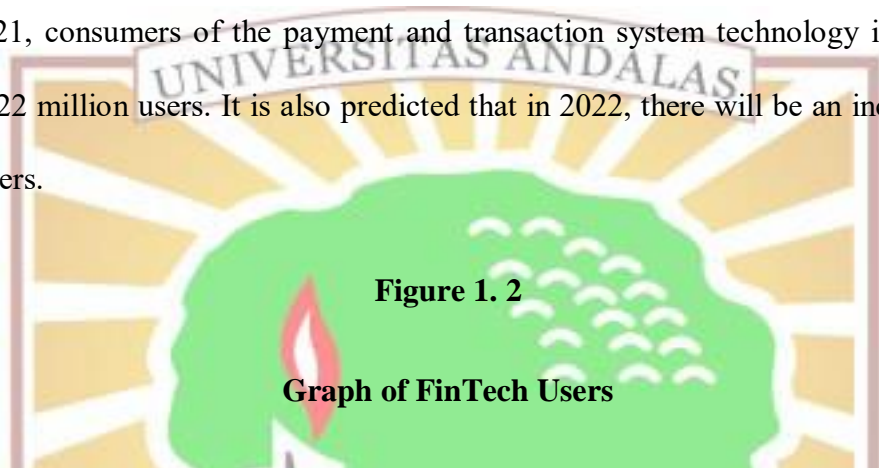
Figure 1. 1

Transaction Value of FinTech
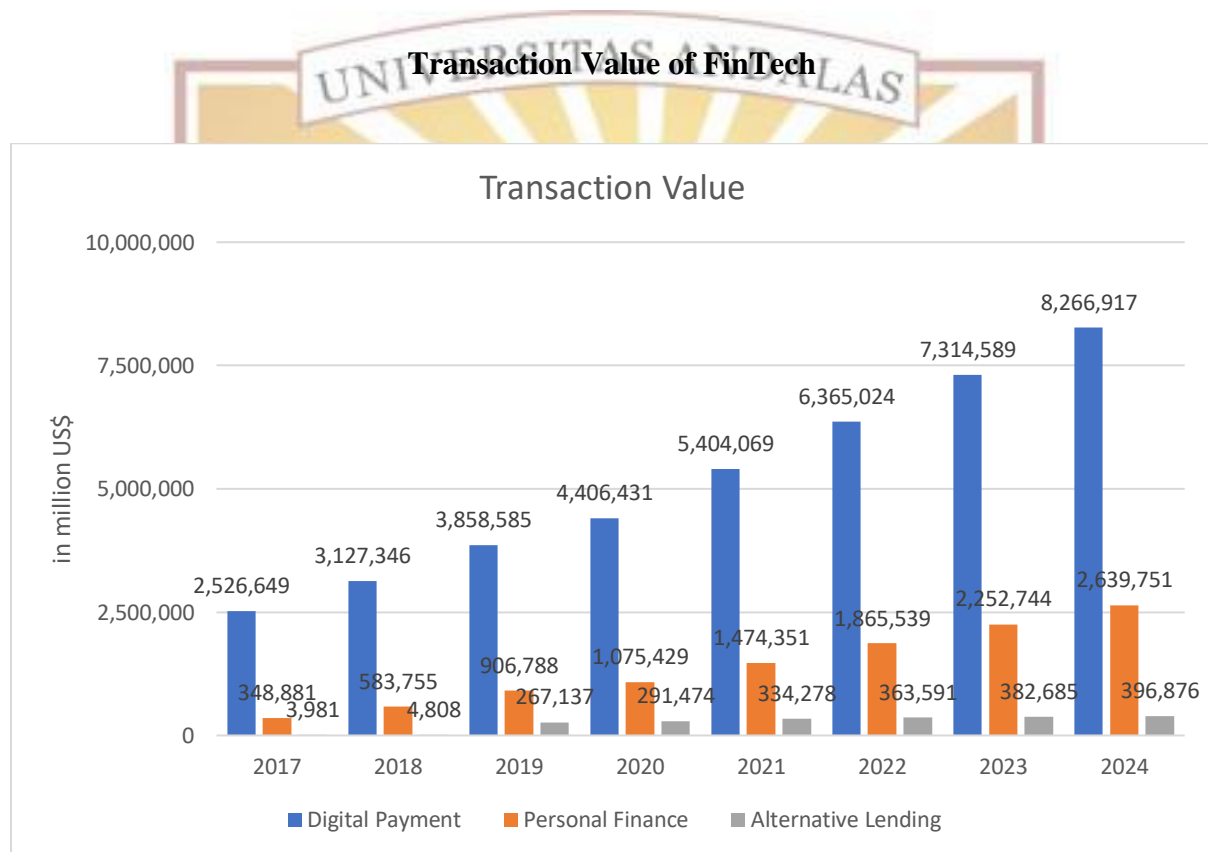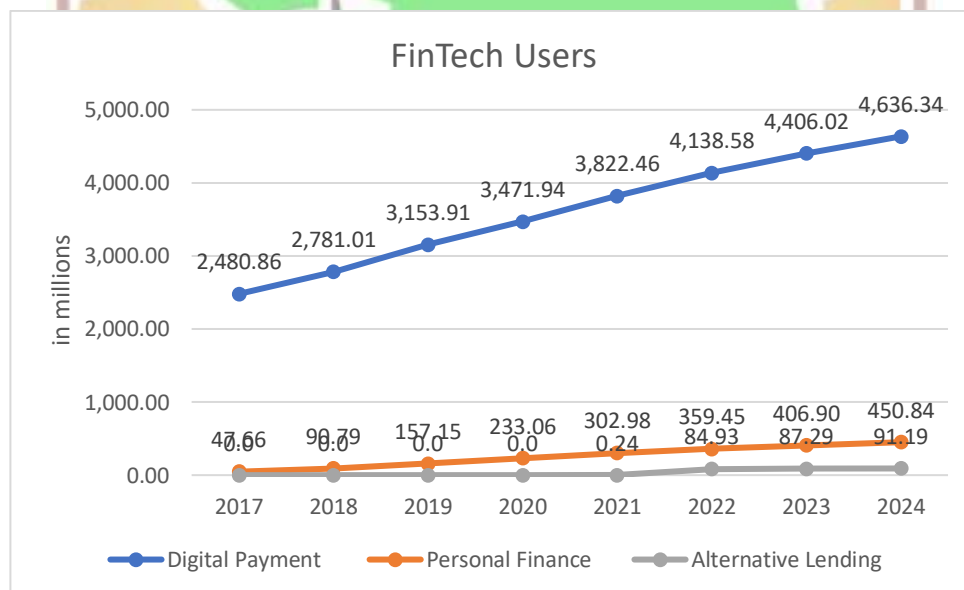
Source: Statista (2020)

As we can see from the graph above, which continues to increase, it shows that digital payments will still be excellent for the next few years. According to Gomber *et al.,* (2017), classification for digital payment, they are Mobile payment, Peer-to-peer payments and e-wallet or digital wallet. In this research will focus to discuss about QRIS. The Indonesian Quick Response Code Standard launched by Bank Indonesia and the Indonesian Payment System Association (ASPI), known as QRIS on 17 August 2019 is a national QR code standard that

facilitates QR code payments in Indonesia. QRIS accepts all payments from various platforms such as e-wallet and mobile payments, so merchants don't need to prepare a different QR code for each payment, so one QRIS can detect all types of digital payments (Bank Indonesia , 2019).

On the other hand, payment fintech also has a prolific increase in users from year to year. In 2021, consumers of the payment and transaction system technology industry have reached 3.822 million users. It is also predicted that in 2022, there will be an increase of 300 thousand users.

Figure 1. 2

Graph of FinTech Users

Source : Statista (2020)

Various literatures have paid so much attention to discussing the adoption of innovations and the adoption of new technologies, and this has resulted in many models and theories that believed to influence innovation. The models that describe the acceptance and adoption of new technologies are TAM and UTAUT. This model used in various types of

research in developed countries, one of which studies innovation is FinTech Payment. The goals of TAM is to study the acceptance of technology by various individuals, who was developed by Davis in 1989. It addresses both the benefits of technology and ease of use (Abdinoor & Mbamba, 2017). While UTAUT, it would be useful to provide a model that could explain around 70% of the variance in user intentions when using a technology (Alkhaldi & Kharma, 2019).

From previous studies or research, there are many factors that encourage individual interest in reusing fintech. Among these factors are financial service characteristics (Kim & Zhang, 2020), perceived risks of using fintech, product knowledge, willingness to use, financial technology, social influence (Susdiani & Yolanda, 2021), mobile phone experience, performance expectancy, perceived cost of use (Alkhaldi & Kharma, 2019), customer experience, benefits offered (Febrian, Hasanah, & Simanjuntak , 2021), ease of use and facility (Lantang , Pangemanan, & Tielung, 2021), level of education, amount of income, gender and age (Alalwan, Dwivedi, Lal, Rana , & Williams , 2015), customer satisfaction (Choi & Sun, 2016) and many other factors.

In this study, the author focus to find out the things that influence the interest in reusing fintech payments especially QRIS among millennial users in the city of Padang. The influencing factors selected in this study are financial service characteristics, education, income and customer satisfaction. It is because looking at the problems that exist nowadays, the researchers see that these four variables are considered suitable to explain this phenomenon.

Previous research that supports the choice of independent variables in this study who conducted by (Kim & Zhang, 2020) about financial service characteristics. The mobile financial services is currently using the mobile phone technology for easy access to financial services (Abdinoor & Mbamba, 2017). This refers to using smart equipment like smartphones

and tablet PCs. The characteristics of financial service are convenience, benefits, security and flexibility.

Convenience refers to perceived ease of use, it means that in using a technology will free from the effort (Lantang , Pangemanan, & Tielung, 2021). Benefits refers to financial benefits such as interest rate and cost of product, and ease of interactions with bank (Febrian, Hasanah, & Simanjuntak , 2021). In this era, people can easily access any information. It was a trigger for users to be careful in using any fintech payment to avoid misuse of data from irresponsible people (Liebana-Cabanillas, Luna, & Rios , 2017; Kim & Zhang, 2020). Flexibility refers to the adaptability of a selected device to environmental changes because it is in line with the growth of the internet and technological developments (Kim & Zhang, 2020).

Furthermore, the next two variables education and income are also supported by previous research Alalwan *et al.,* (2015), where the results of previous studies show that level of education and amount of income has an influence on interest in using fintech. This statement also supported by other variables from Proenca and Rodrigues (2011) show that user of FinTech has better income and high level education than non-users. And the last variables is customer satisfaction. According to previous study by Ladkoom and Thanasopon (2020), The result of the comparison between expectations and perceptions of the performance of goods and services purchased by actual use is an understanding of satisfaction.

Previous research that supports this research conducted by Choi and Sun (2016) show that characteristics of fintech payment and customer satisfaction have give significant influences on reuse intention. Other studies that support this variable were carried out by Alalwan *et al.,* (2015). The major statistical results demonstrate the customer's perceptions on intention on using Mobile Banking are varied due to their demographic differences.

Nevertheless, there is still a lack of literature discussing customer intention in reusing FinTech Payment. Choi and Sun (2016) have found that the characteristics of payment and customer satisfaction where the Sustainable Factors of Alipay on Chinese users. On the other hand, Alalwan *et al.,* (2015) exploring in the Jordanian customer's perception of intention to use Mobile Banking and adoption in such emerging systems.

However, it is still necessary to study the important role of education and income as customer characteristics and in line with the characteristics of the financial services offered with customer satisfaction perceived in the reuse of QRIS as FinTech Payment. Therefore, to fill this gap, this study intends to test and explore empirically whether the perception of Millennial customers in the city of Padang about the intention to reuse QRIS can differ according to their educational background, amount of income, characteristics of financial services offered, and customer satisfaction.

Based on the descriptive above, the researcher intends to examine the characteristics of financial services of QRIS as FinTech Payment characteristics of users based on educational background and income, also to examine how effects customer satisfaction on reuse intention in the research title ***"The Influence of Financial Service Characteristics, Education, Income and Customer Satisfaction on Reuse Intention of QRIS as FinTech Payment in Padang Millennial Users"***
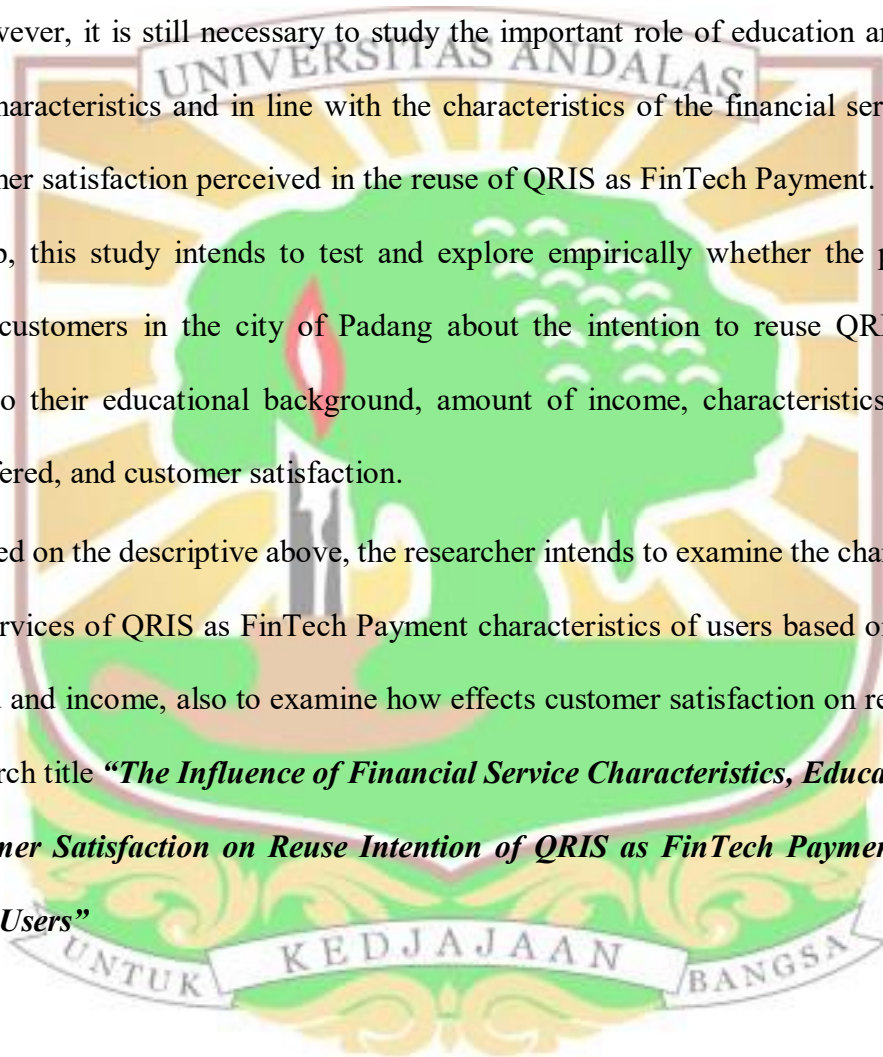
1.2 Research Question

Based on the background of the research above, the problems in this study can be formulated as follows :

1. What is the influence of Financial Service Characteristics on Re-use Intention of QRIS in Padang Millennial Users?

2. What is the influence of Education on Re-use Intention of QRIS in Padang Millennial Users?

3. What is the influence of Income on Re-use Intention of QRIS in Padang Millennial Users?

4. What is the Influence of Customer Satisfaction on Re-use Intention of QRIS in Padang Millennial Users?

1.3 The Objective of The Study

Based on the formulation of the problem above, the research objectives to be achieved in this study are:

1. To find out the influence of Financial Service Characteristics on Re-use Intention of QRIS on Padang Millennial Users.

2. To find out the influence of Education on Re-use Intention of QRIS on Padang Millennial Users.

3. To find out the influence of Income on Re-use Intention of QRIS on Padang Millennial Users.

4. To find out the influence of Customer Satisfaction on Re-use Intention of FinTech Payment in Padang Millennial Users

1.4 The Benefit of The Research

1. Practitioner Benefits

    This research is expected to provide additional knowledge and information, especially regarding financial service characteristics, education, income and customer satisfaction on re-use intention of QRIS.

2. Academic Benefits

    Usefulness for further research is expected with this research which discusses the influence of financial service characteristics, education, income and customer satisfaction on re-use intention of QRIS on Padang millennial users.

1.5 Scope of The Research

In this study, the scope of research is limited to only discussing the influence of financial service characteristics, education, income and customer satisfaction on re-use intention of QRIS on Padang millennial users which aims to limit the sample and prevent expansion or confusion in the discussion of this research.

1.6 Writing Structure

The systematics of writing is divided into 5 chapters, which are arranged systematically as follows :

CHAPTER I : INTRODUCTION

The first chapter is contains the background of the research, the problem statement, the objective of the research, the benefit of the research, the scope of the research, and ended with the structure of writing.

CHAPTER II : LITERATURE REVIEW

The second chapter is contains an explanation of the concepts and theories that form the basis of the research, previous studies related to the subject matter, hypotheses that will be the basis for consideration in proving the research problem, and the research framework which is an illustration of how the research will be carried out.

CHAPTER III : RESEARCH METHOD

The third chapter is contains research design variables, research population and samples, types of sources of data, data collection methods and research instruments, definitions of research operations, and data analysis methods.

CHAPTER IV : ANALYSIS AND DISCUSSION

The fourth chapter is contains an explanation of the general description of the research, characteristics of respondents, descriptive analysis of research, testing of research instruments, classical assumption test, hypothesis testing, and discussion.

CHAPTER V : CLOSING

The fifth chapter is contains the conclusion of the conducted research, the implication of the research, the limitation of the research, and suggestion.