

# CHAPTER I

## Introduction

### 1.1 Background

The current era of technology 4.0 has a great impact on all aspects of life. Almost all of its activities are supported by technology. Technology with the development of information causes changes in the economic, cultural and social order very quickly, especially in the economic field with technological innovations such as financial technology (Ria Manurung, 2019). Economic development with the Financial Technology (Fintech) model has brought the world economy in a more modern, effective and efficient direction (David Kristian Paath, 2019).

Fintech with an increasingly varied variety of innovations has made a very big change to the financial industry in Indonesia and micro-economic changes can be seen in various corners of the archipelago. Fintech has a very large contribution to accelerate the scope of financial service coverage. Fintech has processed financial transactions in a more secure, modern, controlled and practical way (David Kristian Paath, 2019). This is supported by the Government with the regulation stipulated by Bank Indonesia (BI) number 18/40/PB/2016 regarding the implementation of payment transaction processing with the Fintech innovation system to meet the needs of the community as users both in the payment system services and the industrial sector, infrastructure. As well as other instruments (Ria Manurung, 2019).

The financial crisis that occurred in 2008, made various financial institutions start looking for new business development opportunities to maintain their industry (Ng & Kwok, 2017). One of their latest initiatives is to adopt information systems and the internet to improve their financial services. So that currently many financial services providers are implementing technology and digitizing data in their daily operational activities. One of them is P2P mobile payment that is interpersonal transaction through an intermediary application and gadget that is connected with internet network (Daniel Belanche et al, 2022).

In this era, many payments have been shifted from using cash to payments using applications and cards (non-cash). Mobile payments can drive the provision of payment services,

primarily person-to-person transfers, but also government-to-person transfers, online and offline purchases of goods and services (i.e., person-to-business transfers), and payment of bills and fees (Bezhovski, 2016, Faith, 2018). Therefore, mobile payments and mobile wallets are considered useful for the middle to upper and lower class unbanked populations, and tools in the midst of disaster recovery and emergency response (Iman, 2018, Surtikanti & Mustofa, 2019). With the penetration of cellular phone users reaching 124% and the internet reaching 64% encouraging various mobile applications including mobile payment applications. Abdullah et al (2021) argue that the Covid 19 pandemic is increasing the adoption of mobile payments. The development of mobile payment applications poses security risks, namely cyber attack and fraud. Bank Indonesia data shows that in 2019 there were 163,000 cases of electronic money fraud which resulted in a loss of Rp. 93 billion.

Along with the development of P2P mobile payments and increasing use, accounting science plays an increasingly important role in the use of P2P mobile payments, especially after the COVID-19 pandemic. In this context, there are several aspects that fall into the realm of accounting studies, including:

- Record Transactions: Accounting ensures that every transaction using pair to pair mobile payment is recorded correctly. This includes recording the receipt and expenditure of funds accurately.
- Fund Tracking: Accounting knowledge helps in tracking the flow of funds in and out through the mobile payment system. This is important to ensure the company's finances are in a healthy condition.
- Handling Transaction Costs: Accounting helps in analyzing the costs associated with using pair to pair mobile payments. This includes transaction fees, service fees, or other related fees.
- Security Risk Management: Accounting can help in understanding and managing security risks associated with mobile payment transactions, including necessary preventive and protective measures.
- Financial Reporting: Accounting will ensure that all transactions involving P2P mobile payments are properly reflected in the company's financial reports.

- Financial Analysis: Through accounting, companies can analyze the impact of using mobile payments on their overall finances.

Based on research from Rajesh Krishna Balan (2009) said P2P mobile payments use automatic receipts to provide accounting allowing both parties involved in a payment transaction to know more about each other than the related cash transaction. However, no external party knows anything about the transaction. We believe that this is the right trade-off between auditing and anonymity. If desired, the audit feature can be turned off to achieve complete anonymity. For P2P mobile payment providers, by understanding and applying accounting principles correctly, companies can take full advantage of the positive potential of P2P mobile payment services, while minimizing risks and ensuring legal compliance, while for consumers or users this is taken into consideration in choosing P2P services mobile payment to be used.

Market research by Ipsos Marketing Indonesia found that millennials in Indonesia are the top users of digital transactions at 81%. Gopay is a digital payment with the most users in Indonesia with 60% users, OVO is second with 28% users, and DANA is third with 8% users (Ipsos Marketing, 2020). Based on OJK data for 2020, the total number of registered and licensed fintech operators is 161 companies. This number that continues to grow every year provides a promising picture for fintech companies in Indonesia (Financial Services Authority, 2020). This growth is expected to create new competition with other financial service providers (Micu & Micu, 2016). Compared to China, Indonesia is still far behind. The obstacle is that the fintech industry ecosystem is not yet strong and non-cash payments have not been implemented in many places (Burhanuddin & Abdi, 2019). Therefore, commitment from all parties is needed to work together to build a fintech ecosystem in Indonesia (Burhanuddin & Abdi, 2019). Low Financial Inclusion is also an obstacle. Financial Inclusion can help households and businesses set unexpected long-term goals by connecting people to the digital economy. The hope is to reduce poverty and increase opportunities for economic growth (Riadi, 2018). The described phenomenon leads to the conclusion that fintech offers many benefits and is able to reach a wider area than other financial service providers. However, fintech adoption is still hampered by several factors. Previous literature reveals that trust, or lack of trust, is the main reason for not adopting online payments (Gao and Waechter, 2017; Liébana-Cabanillas et al., 2015).

The use of financial technology based payment methods in West Sumatra has experienced significant development in line with the adjustment of people's habits after the COVID-19 pandemic. Based on data from the year to the first half of 2022, the number of users of financial technology-based applications in the West Sumatra Region has reached 109,666 users (Harian Singgalang, 2022). This financial technology based payment has also penetrated into traditional markets which have begun to implement a payment mechanism through Qris (Hendra, 2022).

One of the many fintech developments used by the public today is Peer to Peer (P2P) mobile payments. P2P mobile payment is one of the mobile payments that uses mobile applications (Thompson, 2019). As P2P payments become more widespread, and fintech companies seek to capitalize on its potential, it is important to examine the factors that contribute to success. This is a very competitive market with great growth and potential. Due to the intensive use of technology and network effects among users, various competitors are trying to win the race for dominance in this “winner-take-all” market (Wirtz et al., 2018). Therefore, further research is needed to help fintech managers identify the competitive advantages that will enable them to lead P2P services in their market. From a scientific point of view, such as Liébana-Cabanillas et al. (2021) indicate that previous work on mobile payments has focused on other technologies, for example, smart card payment systems, mobile point of sale payments, and mobile wallets; however, in reality, P2P systems have well-differentiated characteristics and differ significantly from regular mobile payments (Li et al., 2021). P2P payments are usually simpler, faster, more convenient, and feature a social component that other systems don't have. This argument demonstrates the need to make a specific analysis of the adoption of P2P payments. One of the main issues when implementing these systems is consumer intention as to whether to accept them – the different factors that influence a customer’s decision to adopt such new technology (Kalinic et al., 2021) . One of the most commonly used models in terms of behavior intention in technology acceptance is Technology Acceptance Model (TAM) (Kalinic et al., 2021). The results of Kalinic et al (2021) show that the impact of the two main variables of the TAM model, perceived ease of use and perceived usefulness, is statistically significant in consumer satisfaction for using mobile payments. In this study, the authors propose a model to predict and explain how technology users accept and use technology related to user work, based on the technology acceptance model (TAM), using TAM where the authors will find out the

factors that influence the use of P2P mobile payments. the user as an exogenous variable while the endogenous variables which are also the basic variables in TAM consist of perceived ease of use, perceived usefulness, behavioral intention to use, and actual use of the system.

Based on the description above, the author made several observations related to the use of P2P mobile payments for consumers in the city of Padang, for example, many shopping centers and service providers have used P2P mobile payments as a payment innovation (Harian Singgalang, 2022). Therefore, the author wants to examine more deeply the trends in the use of mobile payments for people in the city of Padang and the effectiveness of P2P mobile payments in the city of Padang.

## **1.2 Formulation Of Problem**

Based on the explanation on the background above, the authors formulate the problems to be discussed in this study, as follows:

1. What factors influence the intention of the people of West Sumatra to use P2P mobile payments?
2. What are the factors that make the people of West Sumatra want to use P2P mobile payments?
3. Does the perceived ease of use, perceived usefulness and trust affect the intention to use of P2P mobile payment?

## **1.3 Research Objectives**

The purpose of this study is to answer the formulation of the problem above, as follows:

1. To find out factors influence the intention of the people of West Sumatra to use P2P mobile payments.

2. To find out the factors that make the people of West Sumatra want to use P2P mobile payments.
3. To see whether the perceived ease of use, perceived usefulness and trust affect the intention to use of P2P mobile payments.

#### **1.4 Research Benefits**

This study aims to increase understanding and become a source of knowledge for readers about P2P mobile payments and find out how the development of P2P mobile payments in West Sumatra.

##### **A. Benefits for writers :**

1. The results of this study are expected to increase knowledge for writers about the development of P2P mobile payments in West Sumatra.
2. The results of this study are also used to fulfill the requirements for the undergraduate final exam at the International Accounting Study Program, Faculty of Economics, Andalas University.

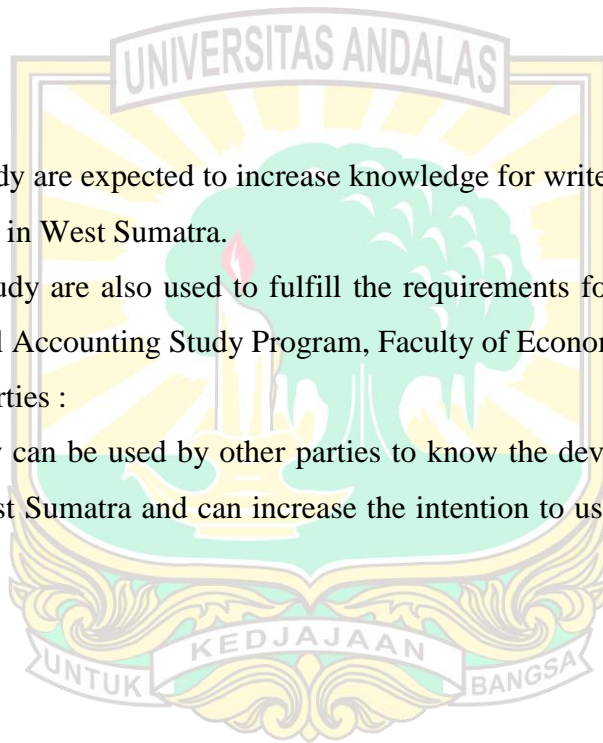
##### **B. Benefits for Other Parties :**

The results of this study can be used by other parties to know the development of fintech (P2P mobile payment) in West Sumatra and can increase the intention to use P2P mobile payment in West Sumatra.

#### **1.5 Writing System**

The systematics in this study is divided into five parts, each of which explains, as follows:

The first chapter explains the background of the problem, problem formulation, research objectives, and research systematics. The second chapter describes the literature review. The third chapter describes the research methods that include the type of research, population, sampling, methods used in data collection, research instruments, types and sources of data,



models, and analytical techniques used. The fourth chapter describes the analysis of the research results and other related factors that can have an influence on the data findings. The fifth chapter presents the conclusions, limitations, and suggestions for the research and analysis described in the previous section .

