CHAPTER I:

INTRODUCTION

1.1 Research Background

The rapid advancement of technology has led to new innovation in various aspects of human life, including the financial sector. Innovation in the field of technology and finance or often called fintech is one of the tangible forms of digital transformation. According to Bank Indonesia, Fintech is a technology-based financial services platform that includes electronic money services and online payment systems that can encourage increased digital economic activity and financial inclusion (Bank Indonesia, 2021). One form of this digital financial product is digital payment (Morgan et al., 2019). Digital payment is a transaction method that allows transactions to be made without the physical use of cash, but rather through digital media (Chauhan & Sharma, 2024). This platform is the most frequently used digital financial services globally which consists of various types of services such as the mobile money account, card payments, mobile phone or the internet payment and many more (World Bank Group, 2021b).

The growth of digital payments globally was going massively after the COVID-19 pandemic, which supported public's technological adoption. It can be seen from global data on adults using digital payments that 1/3 of them started doing it for the first time during COVID-19 (World Bank Group, 2021). A study reveals that pandemic COVID-19 and related lockdowns policies has improved the number of digital payment apps download for 270 million app downloads which was equal to 30% of incremental (OECD, 2021). This phenomenon also occurs in Southeast

Asia, especially Indonesia. This situation happened due to pandemic conditions and lockdown policies, which made people try to reduce physical interaction with others to increase the acceptance of online activities. At that period, Indonesia was in the top three in active user growth from mobile payments during the pandemic, with a rate of 44% (e-Conomy SEA, 2020).

The digital payment utilization in Indonesia continually grows. In 2024, Indonesia experienced an increase in gross transaction value from digital payments by 19% y-o-y, with a transaction value of 404 billion USD (E-Conomy SEA 2024 Country Overview Indonesia, 2024). This figure confirms the great potential of digital payments in driving digital economic transformation in Indonesia. For this reason, the continuance utilization of this technology is important to continually support digital economy of Indonesia, besides that it also becomes an important factor that determine the successful of a technology for its provider. One study reveals that the cost required to maintain existing customers is more efficient than finding new customers, which costs 5x more (Abbasi, 2022).

Behind the desire to keep advancing and continuing digital payment utilization as a means of digital transactions, the implementation of digital payment still faces many challenges especially in the aspect of security (World Bank Group, 2023). Unlike cash, digital payment transactions enable payment service providers to capture consumers' data. This digitization process can threaten consumers' privacy rights if not accompanied by adequate controls (The World Bank, 2022). Furthermore, for the next ten years the global losses from digital payments in the form of card fraud are expected to reach $400 billion, moreover incremental

of authorized push payment fraud is expected to reach 11 percent per year from 2023 to 2027 (Bruno et al., 2024). GSMA(2025) also reveals that even though the level of digital payment adoption in Indonesia is relatively high at 91%, consumer concerns regarding financial data protection remain strong. Besides that, the study also reveals that more than 60% of Indonesian digital payment consumers express concern over the security of their data, and nearly 75% of users claim they are willing to switch to other financial service providers to achieve higher security levels. Recently, the Indonesia Anti Scam Centre said there were 79,969 reports of online fraud with a total loss to the public of 1.7 trillion from the beginning of 2025 to 31 March 2025 (Fortune Indonesia, 2025). Such circumstances clarify that security and privacy protection are the issues that still need to be watched over in maintaining the sustainability of Indonesia's digital payment ecosystem.

Consequently, in order to cope with these issues' users, need to be wise and having the proper capability to understand and use the digital financial services (Lyons & Kass-Hanna, 2021). Users are expected to have the skills, attitudes, and behaviors to use digital financial services safely and wisely to obtain financial well-being, or known as digital financial literacy (OECD, 2022). Morgan (2019) states that there are at least four components of digital financial literacy, consisting of a comprehensive understanding of digital financial service products and their risks, an understanding of digital financial product risk control, as well as an understanding of consumer rights and handling procedures if unexpected risks befall users.

In addition to obtain a safe digital environment to protect user digital financial information in digital payment, users need to take action to prevent unwanted risk and threat of unsecure digital environment. It can be achieved by maintaining data security and privacy when doing digital activities which is known as online security behavior (Nguyen et al., 2024). According to Sindermann (2021), online security behavior is an attitude and real actions which are taken by users to protect their personal data from interference and unwanted information disclosure when doing activities in the digital world. Young & Quan Haase (2013) define online security behavior as a perception of privacy and a series of actions taken by users to protect data and personal information from the threat of network security violations. This action is more than just knowledge and awareness; it emphasizes behavioral implementation (Bognár & Bottyán, 2024). However, much of people do not display relevant attitudes when they surf in the digital world, and this phenomenon are called as the privacy paradox (Sindermann et al., 2021). Only a few people are aware of their online security behavior and ability to know which actions are risky or not. Additionally, many people fail to implement recommendations or advice on safety given to them, which ultimately leads to unsafe online activity and vulnerability to cyber-attacks (Rodriguez).

Besides of preparing digital payment user with digital financial literacy and online security behavior, there are other factors that can influence users' intentions in using digital payments. These factors are described through the Unified Theory of Acceptance and Use of Technology (UTAUT), a framework for explaining person's behavioral intention in adopting subsequent technology (Venkatesh et al., 2002). The theory states there are four main factors affecting people's behavioral

intention toward technology: performance expectancy, effort expectancy, social influence, and facilitating conditions (Venkatesh et al., 2002) . These factors provide a strong framework for analyzing how users accept and continue to use technology by explaining about 70% of the variance in behavioral intention (Santosa et al., 2021). This can be seen in previous research conducted by Tomic (2023) and Santosa (2021) .

Based on the description above, this research come to analyse determinants factors influencing the continuance intention of digital payment utilization. Using a more comprehensive model, this research integrates aspects of digital financial literacy, online security behavior, and factors in the UTAUT theory that can assess from many points of view , namely through expectations attributed to technology (performance expectancy and effort expectancy), external user conditions (social influence and facilitating conditions) and internal user conditions through digital financial literacy and online security behavior. This model is expected to illustrate how they can influence users' decisions and intentions in continuing the use of this technology.

1.2 Problem Formulation

Based on the explanation on the background, the problem formulation of this research is:

1. Does digital financial literacy significantly affect the continuance intention of digital payment utilization?

2. Does online security behavior significantly affect the continuance intention of digital payment utilization?

3. Does performance expectancy significantly affect the continuance intention of digital payment utilization?

4. Does effort expectancy significantly affect the continuance intention of digital payment utilization?

5. Does social influence significantly affect the continuance intention of digital payment utilization?

6. Does facilitating condition significantly affect the continuance intention of digital payment utilization?

1.3 Research Objectives

Based on the formulation of the problems that have been described, the objectives of this study are:

1. To empirically test whether digital financial literacy significantly affect the continuance intention of digital payment utilization.

2. To empirically test whether online security behavior significantly affect digital payment utilization's continuance intention.

3. To empirically test whether performance expectancy significantly affect digital payment utilization's continuance intention.

4. To empirically test whether effort expectancy significantly affect digital payment utilization's continuance intention.

5. To empirically test whether social influence significantly affect the continuance intention of digital payment utilization.

6. To empirically test whether the facilitating condition significantly affect the continuance intention of digital payment utilization.

1.4 Writing Systematics

In this study, the authors describe into five chapters which are divided into several sub-chapters with the following writing systematic:

CHAPTER I: INTRODUCTION

This chapter discusses the background of study, problem formulations, research objectives, and the systematics of thesis writing.

CHAPTER II: LITERATURE REVIEW

This chapter represents the theories related to the issues raised. In addition, there are also references to previous research, research framework, and hypothesis formulation.

CHAPTER III :   RESEARCH METHODOLOGY

This chapter discusses the research design, data sources, and data collection techniques. Explanation about data,

population, sample, sampling technique, research operational variables, data processing and data analysis tools, and hypothesis testing.

CHAPTER IV :   RESULT AND DISCUSSION

This chapter explains the analysis of the results of study which has been carried out based on the data and information that has been collected. Besides that, this chapter analyse and explain data and information that has been collected and also contains answers to the hypotheses developed.

CHAPTER V :   CONCLUSION

This chapter contains conclusions of study, limitations of study, and suggestions that can be used as input for further study.