CHAPTER I

INTRODUCTION

1.1 Background

The development of internet users in Indonesia has increased significantly every year. The Indonesian Internet Service Providers Association (2019) reported the number of internet users in Indonesia reached 171.17 million at the end of 2018 out of the total population of Indonesia, which reached 264.16 million people. The number of users grew by 10.12%, which adds a new user in 2017. The APJII survey found that every year internet usage in Indonesia has experienced a very stable increase, and there are no signs of going down. Several factors influence it, one of them is the presence of gadgets and smartphones that make it easy for people to access the internet to be always online and update the information.

The existence of smartphones and internet networks has led to the new development of technology utilization in the industry, especially the financial market. It brings a new form of financial service, called with financial technology (Fintech). Bank of Indonesia (2017) defined Fintech as the utilization of technology in the financial system that allows the business model to influence efficiency, security, and reliability in variance financial processes. They classified financial technology into four categories, such as peer-to-peer lending, crowdfunding, risk management, investment, market aggregator, and digital payment. Among these four, daily social

(2018) reported that the most popular digital financial product is an electronic payment, followed by risk management and investment. It also found that familiarity on people in technology to be increasing up to 70.63%. This increasing familiarity means that the high possibility of future Fintech users. This prediction comes from the Fintech's benefit.

In addition, daily social found that the ease of use is the most substantial reason why people have the intention to adopt financial technology, followed by simple and efficient. It helps users access financial services everywhere. Aside from the benefit offered, some people still do not use this technology. Daily Social surveys also found that only 58.14% of their respondent use Fintech. It caused by some doubts because of the difficulties and risks in the operational process.

Furthermore, there is an awareness of the satisfaction of the product. Even though the Fintech users predicted to evolve rapidly, the number of users is still low. Daily social found that some respondents still have some doubts about using Fintech because of the difficulties in the operational process and the awareness of the product's satisfaction. For instance, risk makes people hesitate to use technology. There are news and headlines about the risk in financial services: the legal problem, fraud, identity theft, misappropriation of personal data, and application hang-up. Align with the news from kontan.co.id that said the decline of trust because of the increasing number of cases. This information supports the reason why people tend to has so many concerns about consequences. Ryu (2018) described four main risks in

digital technology: financial risk, legal risk, security risk, and operational risk. The existence of risk explains the hesitate people in using financial services digitally.

Cox and Rich (1964) found an unwillingness to use technology because of the risk or uncertainty in it called with perceived risk. Different perceived risks for different people influenced by their experience in technology utilization. Because of different technology adoption experiences, some generations find technology is similar, while others were not. It supported by the data from a previous survey that shows digital users dominated by age range 20-39 years old, then followed by 40-59 and up 60 years old. This pattern presents the younger age relative more familiar with the technology. This familiarity means they are familiar with the risks in it. This statement, strengthened by the study from Dohmen (2011), discussed that younger people are more risk-takers than older. To be more specific, digital users dominated with age range 19-39 years old, familiar called millennial.

Moreover, Acheampong (2016) said that Millennials are known as digital natives because they use technology for social networking, finding information, and shopping. While other generations only use technology for particular needs. Also, this generation commonly spends their whole time using digital technologies. As mention before, every technology comes with its risks. It is strengthened by Dohmen (2011) with the fact that the increasing age leads to a decreasing willingness to take risks. It means that their young age indicates the possibility of taking a risk at a higher level. Also, they are familiar with risk because they stay with the phone all the time. It does not mean that they use technology for not only financial services purposes but also

daily social needs such as messenger and social media. Furthermore, a survey from APJII found that millennial spends its time only for a gadget in social media rather than financial transactions purposes.

Surprisingly, in 2017, IDX reported that their investors are mostly the young generation, with 30.3% ahead of the other generation. It makes the young generation today became the target for one of the financial services, which is an investment. Indonesia Stock Exchange (IDX) also puts more effort into inviting millennials to join the capital market using hashtag Yuk! Nabung Saham. This condition makes the young generation give more attention to use Fintech products besides it has several risks. As millennials already face technology since the beginning, they would also be familiar with the risk that comes along with financial services digitally.

The prior study only discussed perceived risk-benefit in general Fintech users, the understanding of financial technology users perceived risk, and millennial perceived risk to online shopping behavior (Acheampong 2016b; Ryu, 2018; Yang 2015). Because the young generation is a digital native and has high-risk tolerance, it is exciting if there is a study that focused on millennials' perceived risk in Fintech usage. Therefore, this study aims to explore a specific group of Fintech users, which are millennials and their intention to adopt Fintech based on perceived risk.

1.2 Research Questions

This study examined:

1. How did young millennial's perceived risk towards their intention to Fintech usage?

2. How does the perception of risk from each type of Fintech services used by the millennial generation?

1.3 Research Objective

This study aims to understand the relationship between perceived risk to the user intention in adopting Fintech services among millennial users in Indonesia. Below are the objectives to be achieved in this study:

1. To understand the young millennial's perceived risk towards their intention to Fintech usage.

2. To understand the perception of risk from each type of Fintech services used by the millennial generation.

1.4 Research Contribution

This study contributes to several parties, such as:

1. To literature

   This paper could provide more information related to literature about financial technology and the study about the behavior of financial technology users in Indonesia.

2. To financial technology provider

   This study may help the financial technology business identify risks that their user considers to develop their services to the customer.

1.5 Writing System

Writing this study will divide into five chapters, will be prepared as follows:

1. Chapter I, Introduction, discusses the general description that becomes study basic. It consists of background, problem definition, study objective, study contribution, and writing systematically.

2. Chapter II, Literature Review, discusses the theory and previous study related to the study problem. It is helpful as a think base to solve the problem.

3. Chapter III, Study Methodology, provides an overview of a plan in doing the study. Along with theories from the literature review, this chapter will encompass the study. This chapter includes a type of study, types, and source of data, and analysis method.

4. Chapter IV, Analysis and Discussion, contains data processing results based on study methodology.

5. The last chapter, Chapter V, Conclusion, and Suggestion, contains a conclusion about study results. It also contains implications and limitations for future study.