

CHAPTER 1

INTRODUCTION

A. Research Background

The economy and technology growth increase year by year. Technological advancements have contributed greatly to economic progress, which has resulted in various significant changes. These advancements continue to fulfill human needs more easily, efficiently, and practically, especially in terms of payment systems. Digital technology has changed is conducted aspects of life, including the way individuals transact and conduct financial activities. One of attention in the financial sector is the digital wallets. Digital wallets provide convenience for consumers to make transactions without cash or cards. In Indonesia, the use of digital wallet is growing in popularity along with the increasing digitalization and on his smartphone devices.¹

The generation utilize digital wallet at most is Z-Generation. The Z-Generation were born around 1997-2012. This generation is known as digital generation. A generation that who accustomed to technology from an early age, so they are very responsive to technological developments. The Generation are financial actively use financial technology to fulfil the needs. They play important roles to the adoption of new technologies, including digital wallets. They are highly responsive to new technology, and highly expects on the digital services. The characteristic of always being connected to digital usage media to be target market for digital financial service providers. They are not only looking for practical and fast services, but also safe and reliable services.² Understanding the preferences and needs of increasing need of financial

¹ Sri Afdiani, "Analisis Faktor-Faktor Yang Mempengaruhi Minat Mahasiswa Perbankan Syariah Dalam Menggunakan Dompet Digital (Aplikasi Dana)" (*Skripsi: UIN Ar-Raniry Banda Aceh*, 2023), p.19.

² Syifa Pramudita Faddila, et. al., "Analisis Karakteristik Pengguna ShopeePay Sebagai Dompet Digital Pada Generasi Z", *Jurnal Manajemen & Bisnis Kreatif* 7, no. 2 (2022), p.7.

technology, this research is very important for application developers such as GoPay in developing the right business strategy.

Indonesia has many methods for financial transactions with several terms and conditions. The payment methods that are widely used are cash and digital payments. Digital payments are conducted by mobile banking applications and e-wallet applications. These two applications have the same function and purpose. Thanks to these two applications, which make financial transactions is easier. Of the many digital wallet applications are available, only 41 e-wallet platforms are officially approved by Indonesian government regulators. Of these 41 platforms, only five applications have more than 30 percent of consumers. The following are the results of the populix survey regarding the most popular digital wallet applications according to 1,000 respondents spread across five major cities in Indonesia.³

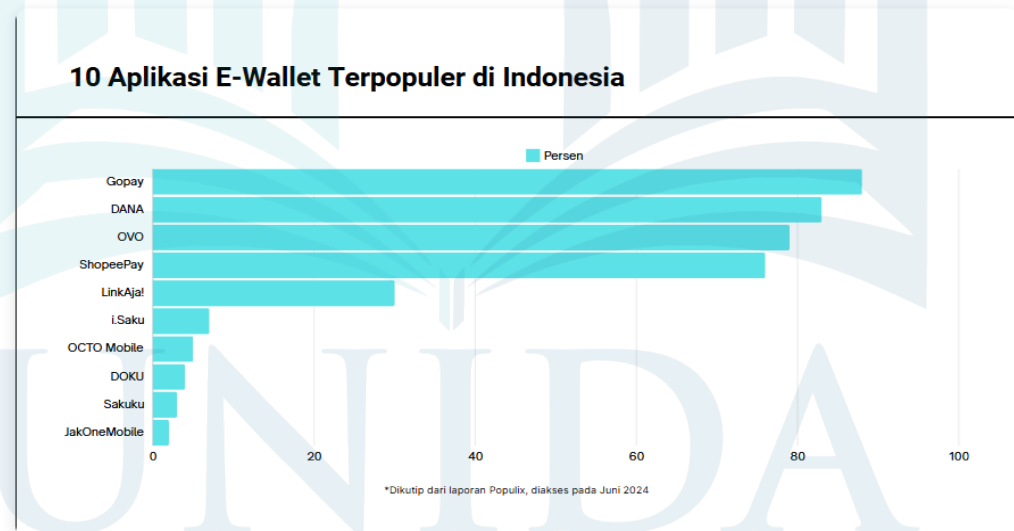


Figure 1. 10 Most Popular E-Wallet Applications in Indonesia

The figure above shows the percentage of GoPay occupying the first highest position, namely GoPay 88 percent, Dana 83 percent, OVO 79 percent, ShopeePay 76 percent, and link wrote 30 percent. GoPay, as one of the pioneers

³ Inilah.com. "Aplikasi Dompot Digital Terpopuler dan Paling Banyak Digunakan". At < <https://www.inilah.com/aplikasi-e-wallet-terpopuler-di-indonesia>. viewed on 02 Des 2024 10.16 WIB.

in digital wallet services, has leveraged the Gojek corporations to create a strong integration among transportation, food delivery, and digital payment services. With diverse features and attractive promos, GoPay has managed to gain significant market share. However, the biggest challenge for GoPay today is to maintain and increase consumers loyalty amid increasingly fierce competition. Currently, security is important consideration of the digital services. Security is one of the main considerations in the adoption of digital financial technology. Perceived security is closely related to trust consumers. If consumers feel the safety of financial on digital platform, both data privacy and financial risk, they tend to be more comfortable to use it. Data and transaction security, especially in the era of rampant cybercrime, is a challenge for developers of digital wallet applications such as GoPay.⁴

High qualified financial platforms to achieve competitive advantage, is important for quality service determine product selection for consumers.⁵ Service quality in the online context is called E-Service Quality. E-Service Quality is the quality of electronic services provided by digital wallet applications, such as ease of access, transaction speed, and reliability, playing an important role in influencing consumers satisfaction and loyalty. E-Service Quality refers to the quality of services provided through electronic media, and it contains various aspects such as reliability, responsiveness, and security.⁶ E-Service Quality is a key factor in building customer loyalty in this digital era.⁷

Apart from E-Service Quality, application features are also needed. Application features offered by digital wallet are attractive to consumers.

⁴ Waseem Ahmad Khan and Zain Ul Abideen, "Effects of Behavioural Intention on Usage Behaviour of Digital Wallet: The Mediating Role of Perceived Risk and Moderating Role of Perceived Service Quality and Perceived Trust", *Future Business Journal* 9, no. 1 (2023), p. 73.

⁵ Nurliza, "Pengaruh E-Trust dan E-Service Quality Terhadap E-Loyalty Pengguna Dompot Digital Berbasis Mobile Dana Dalam Perspektif Ekonomi Islam (Studi pada Mahasiswa Fakultas Ekonomi dan Bisnis Islam UIN Ar-Raniry)" (Skripsi: UIN Ar-Raniry Banda Aceh, 2024). p.6

⁶ Marvello Yang et al., "Cashless Transactions: A Study on Intention and Adoption of e-Wallets", *Jurnal Sustainability* 13, no. 2 (2021), p. 831.

⁷ Glaudensius Whimphie Billyarta and Eka Sudarusman, "Pengaruh Kualitas Layanan Elektronik (E-Servqual) Terhadap Kepuasan Konsumen Pada Marketplace Shopee Di Sleman DIY", *Jurnal Optimal* 18 No. 1 (2024), p. 42.

Features such to make transaction, integration with other services. Promo provided have the potential to influence consumers interest in using a service. The adoption of innovative features, such as integration with other financial services or gamification in the consumers experience, can increase consumers engagement, especially among the younger generation who are interested in interactive and interesting applications.⁸ However, the lack of innovation in these features and inconsistent availability may decrease consumers interest in using the app on an ongoing basis. Based on the results of the reviews, there are pros and cons in the assessment of the Gopay application. On the other hand, perceived security is a very crucial issue in the adoption of digital financial services. A study conducted by Bry Bima Bittaqwa showed that Perceived Security have a significant positive effect on interest in using digital wallets. This study concluded that the higher the level of security perceived by consumers, the greater their interest in using digital wallet applications.⁹

Previous studies have highlighted the importance of service quality, application features, and perceived security to influence consumers interest in digital services. For example, research conducted by Ayu Arisma and Lailatul Hijrah states that the better the service features offered by the e-wallet application, the more likely consumers are to decide to use the application.¹⁰ Meanwhile, research from Jiwon et al, shows that app ease of use is significantly related to consumers behavioral engagement, which includes continuous interaction with the app. In addition, visually appealing interfaces

⁸ Chinedu Wilfred Okonkwo et al., "Mobile Wallets in Cash-Based Economies during COVID-19", *Industrial Management & Data Systems* 123, no. 2 (2023), p. 71.

⁹ Bry Bima Bittaqwa, "Pengaruh Persepsi Kemudahan Dan Persepsi Keamanan Terhadap Keputusan Penggunaan E-Wallet DANA Di Kalangan Generasi Z (Studi Pada Mahasiswa Perbankan Syariah UIN RII Angkatan 2020)", (*Skripsi: UIN Raden Intan Lampung, 2024*).

¹⁰ Ayu Arisma and Lailatul Hijrah, "Pengaruh Fitur Layanan Kemudahan Dan Keamanan Terhadap Keputusan Penggunaan Aplikasi E-Wallet Dana (Studi Pada Mahasiswa Fakultas Ilmu Sosial Dan Ilmu Politik Universitas Mulawarman)", *Journal of Economic, Bussines and Accounting (COSTING)* 7, no. 5 (2024), p. 941–59.

and app compatibility also increase consumers' cognitive and affective engagement, which in turn impacts on purchase intentions through the app.¹¹

The Gopay ranks at the top popular digital wallet in Indonesia, while the app's rating comes in second with a score of 4.6 on the Google Play Store. This score is on par with Dana, which also has a rating of 4.6, but is still below ShopeePay, which occupies the first position with the highest score of 4.8. In terms of the number of downloads, the Gopay app has been downloaded more than 10 million times, showing a fairly high level of popularity among digital wallet consumers. However, this achievement still lags behind Dana, which has achieved more than 100 million downloads. Based on this rating, but Gopay is one of the main choices of Indonesians in using digital wallets, but its position is still under the ShopeePay for application assessment quality. Gopay is also still far behind Dana, which has reached more than 100 million downloads. This shows that competition in the digital wallet market is fierce, so Gopay needs to come up with innovations and more effective marketing strategies to strengthen its position.

From the background above, the authors are interested in researching "The Effect of E-Service Quality, Service Features, Perceived Security on Interest in Using the Gopay Digital Wallet Application (Case Study on the Zillennial Generation)".

B. Problem Formulation

1. Does E-Service quality have a negative effect on interest in using the Gopay digital wallet application in Z- Generation Indonesia?
2. Do service features have a positive effect on interest in using the Gopay digital wallet application in Z- Generation Indonesia?
3. Does perceived security have a negative effect on interest in using the Gopay digital wallet application in Z- Generation Indonesia?

¹¹ Zemin Tian, Zhangyu Shi, and Qian Cheng, "Examining the Antecedents and Consequences of Mobile Travel App Engagement", ed. Frantisek Sudzina, *PLOS ONE Journal* 16, no. 3 (2021).

4. Does E-Service Quality, Service Features, and Perceived Security collectively influence interest in using the Gopay digital wallet application in Z- Generation Indonesia?

C. Research Objectives

1. To determine the extent of the negative effect of E-Service quality on interest in using the Gopay digital wallet application in Z- Generation Indonesia.
2. To determine the extent of positive effect of service features on interest in using the Gopay digital wallet application in Z- Generation Indonesia.
3. To determine the extent of negative effect of perceived Security on interest in using the Gopay digital wallet application in Z- Generation Indonesia.
4. To determine the extent of E-Service Quality, Service Features, and Perceived Security collectively influence interest in using the Gopay digital wallet application in Z- Generation Indonesia.

D. Research Benefits

1. Government

This research is useful for the government in providing insights to financial regulators regarding policies that support the development of digital wallet services, especially in the aspects of transaction security and user data protection. By understanding Z-Generation preferences for digital wallets, the government can design more adaptive policies to encourage financial inclusion in Indonesia. In addition, this research can also serve as a reference for relevant authorities in setting quality standards for digital services so that fintech can develop optimally and provide maximum benefits to society.

2. Social Society

This research provides a deeper understanding of the factors that influence trust and interest in using digital wallets, especially in terms of service features, electronic service quality, and security perceptions. With this research, it is hoped that people will be more aware of the importance

of choosing digital wallet services that not only have innovative features but also offer data protection and secure transactions. In addition, this research can also encourage the public to be more active in utilizing digital financial technology as part of digital transformation in the economic and financial sectors.

3. Academics

This research provides an academic contribution by becoming a reference for further research in the fields of digital finance, consumer behavior, and financial technology (fintech). The findings in this study can also help in the development of theories related to E-Service Quality, Service Features, and Perceived Security in the context of digital payments. In addition, this study opens opportunities for academics and other researchers to explore additional variables or apply different analytical methods to deepen understanding of the factors that influence public interest in using digital wallets.