**CHAPTER I**

**INTRODUCTION**

## 1.1 Object Review

### 1.1.1 Go-Jek Overview

Go-Jek is a social technology company. Improve the welfare of workers in various informal sectors in Indonesia is the objective of Go-Jek. Speed, innovation, and social impact are the 3 basic values of Go-Jek activities. Starting in 2010 as a motor cycle transportation company by phone call, now Go-Jek has grown become a leading on-demand mobile platform and application in Indonesia that provides a full range of services ranging from transportation, food delivery, payment, logistics, and other various services. (Go-Jek Indonesia, 2017)

Figure 1.1 Go-Jek Logo
Source: www.gojek.com

According to the data retrieved from Go-Jek website, now Go-Jek has been operating in 50 cities in Indonesia, such as Jakarta, Bandung, Surabaya, Bali, Makassar, Medan, Palembang, Semarang, Yogyakarta, Balikpapan, Malang, Solo, Manado, Samarinda, Batam, Sidoarjo, Gresik, Pekanbaru, Jambi, Sukabumi, Bandar Lampung, Padang, Pontianak, Banjarmasin, Mataram, Kediri, Probolinggo, Pekalongan, Karawang, Madiun, Purwokerto, Cirebon, Serang, Jember, Magelang, Tasikmalaya, Belitung, Banyuwangi, Salatiga, Garut, Bukittinggi, Pasuruan, Tegal, Sumedang, Banda Aceh, Mojokerto, Cilacap, Purwakarta, Pematang Siantar, and Madura and development in other cities in the coming year.

Go-Jek offers the users several services which divided into three categories; Go-Jek, Go-Pay, and Go-Life. (Go-Jek Indonesia, 2017) Here are the services provided by Go-Jek according to the data retrieved from the Go-Jek website:

1. Go-Ride, motorcycle transportation service that can take customers to various places more quickly and easily.
2. Go-Car, transport service by car that can take customers to various places comfortably.
3. Go-Food, food delivery service.
4. Go-Mart, a service that helps customers shop assorted goods from various stores.
5. Go-Send, an instant messenger service that can deliver mail and goods in less than 60 minutes.
6. Go-Box, large moving goods service using a tub / blind truck van.
7. Go-Tix, mobile ticketing service and information provider of events ranging from music, sports, arts and culture, attractions, to workshops.
8. Go-Med, an integrated service to buy medicines, vitamins and other medical needs from licensed pharmacies.
9. Go-Pay, a virtual wallet service for transactions inside the Go-Jek application.
10. Go-Points, a Go-Jek loyalty program specifically for Go-Pay users. Play tokens from every Go-Pay transaction, collect points and get various exciting rewards.
11. Go-Pulsa, pulse charging service directly from Go-Jek app using Go-Pay.
12. Go-Massage, a professional health-care massage service directly to the customer’s home.
13. Go-Clean, professional cleaning service for cleaning house or office.
14. Go-Glam, beauty care services for manicure, pedicure, waxing, cream bath, and more directly at customer's home.
15. Go-Auto, auto care service, auto service, and towing & emergency to meet automotive needs.
16. Go-Busway, a service to monitor Trans Jakarta bus service schedule.

### 1.1.2 Go-Pay Overview

Figure 1.2 Go-Pay Logo

Source: www.go-jek.com

According to the Go-Jek website, Go-Pay is a virtual wallet service for payments of transactions inside the Go-Jek application. This feature has three concepts for the users which is speed, simplicity, and security. Speed means user's financial transactions are becoming faster to support their daily activities. Simplicity means, Go-Pay makes user's financial transaction process easier with just one service. Security means by using Go-Pay, user's non-cash transactions are safely processed without any worries.

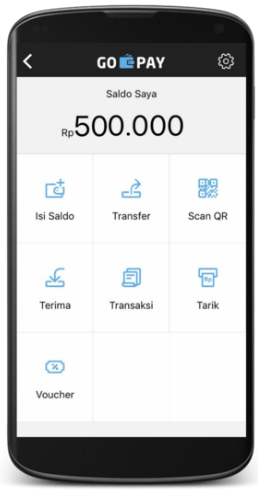


Figure 1.3 Go-Pay Features

Source: www.go-jek.com

There are several features that Go-Pay offers to the users, such as:

*Isi Saldo*: This feature is used to fill users Go-Pay balance.

Transfer: The users can transfer Go-Pay balance to other Go-Pay users.

QR Scan: The users can transfer Go-Pay balance directly to other users by simply scanning the QR Code that the user has.

*Terima:* The users may receive Go-Pay balance from other users if the user by scanning the QR Code.

*Transaksi*: The users can view Go-Pay transaction history.

*Tarik*: The users can transfer the Go-Pay balance to a bank account.

Voucher: The users can use this feature to redeem voucher codes (if any). Make sure the voucher code is still valid, and enter the voucher code correctly.

There are some ways to top up the Go-Pay balance, the users can top up via driver without any service fee, the users can top up Go-Pay balance through preferred banks using ATM, mobile banking, internet banking, or SMS banking, and Alfamart. The banks are BCA, Mandiri, Bank BRI, BNI, Permata Bank, CIMB NIAGA, Bank BTN, BRI Syariah, Danamon, Panin Bank, OCBC NISP, Bank Sinarmas, ATM Bersama, Prima, ALTO.

In order to develop the features and increase the benefits of the Go-Pay, there is a new policy from Bank Indonesia for the Go-Pay users to make a Go-Pay account validation in two ways, which is upload a self photo and upload the photo of one of user's ID Card such as Passport, Driving License, Citizenship ID Card, or *Kartu Izin Terbatas.* This validation activity will give the users three benefits, which is increase Go-Pay Limit, means that the maximum balance limit will be increased from Rp 1.000.000,00 to Rp 10.000.000,00. The second benefit is, the users can transfer the Go-Pay to friends by just using phone number and QR codes scanning. The third benefit is the user can withdraw the Go-Pay balance to bank accounts. The object of this research is focused on the use of Go-Pay as a means of Go-Jek payment service in Indonesia.

## 1.2 Research Background

Based on survey result by *Asosiasi Penyelanggara Jasa Internet Indonesia* (APJII) 2016, internet penetration in Indonesia is 51.8% of the total Indonesian population. It means that 132.7 million people are connecting to the internet. This amount is higher compared to the year of 2015 which is 89.32 million (Statista, 2017). While in 2014, the internet users in Indonesia is only 88.1 million.

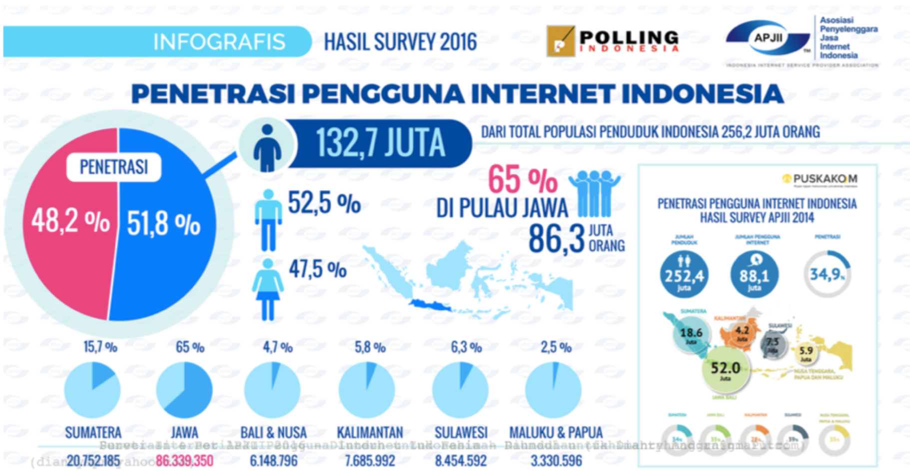

Figure 1.4 Indonesia Internet Users Penetration in 2016
Source: APJII Survey Result 2016, available on: https://apjii.or.id/survei

The growth of internet users in Indonesia impacts to the online business growth in Indonesia. According to the data released by the Ministry of Communications and Information *(Menkominfo)*, online business continues to grow rapidly starting in 2011. In the early 2017, *Menkominfo* released data that the value of online transactions in Indonesia during the year 2016 reached US $ 4.89 billion. This is certainly still an approximate amount, but this amount is higher compared to the total transactions amount in 2015 which is US $ 3.56 billion. (Solechah, 2017)

The growth of online transactions encourages the development of technology for the payment system. Moreover, Bank Indonesia has a program to encourage the usage of non-cash payment system instruments in the economy namely GNNT

*(Gerakan Nasional Non Tunai).* The GNNT Program explanation is available in Gerai Info Bank Indonesia 2014 and stated that Bank Indonesia is running a program for a National Non-Cash Movement on August 14, 2014. This GNNT Program is aimed to raise awareness of the use of non-cash instruments. Therefore, it will form a community that uses non-cash (Cashless Society) particularly in conducting transactions on economic activities. Martowardojo (2014:3)

According to the Indonesian Economic Report 2016 from Bank Indonesia, the use of non-cash payment instruments continues to increase, reflected in the increase in non-cash payment system index from 249 in 2015 to 288 in 2016 (Figure 1.5). Bank Indonesia (2016:122) As shown in the chart that presented by Bank Indonesia in 2016 Economic Report, based on the instrument type, the largest increase in non-cash payment index occurs in the use of electronic money. Electronic money (e-money) as a payment system alternative grows fast and follows the amount of card payment system.

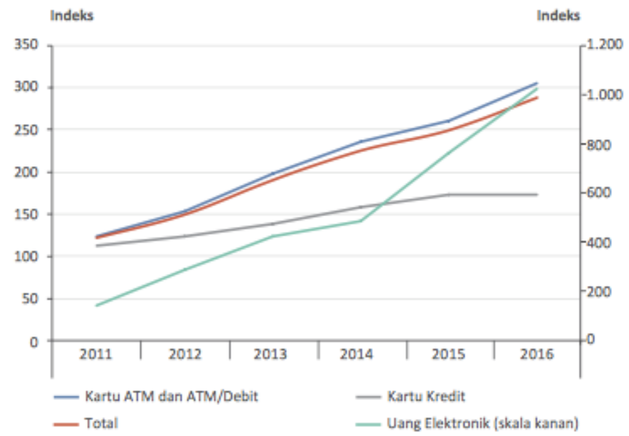


Figure 1.5 Noncash Payment System Index

Source: Economic Report on Indonesia from Bank Indonesia, 2016

E-money as the largest increase among other payment system in the non cash payment index from 2011 to 2016. It indicates that e-payment as a growth-potential payment system. Furthermore, it supports the BI program in arising awareness cashless usage (GNNT) *Gerakan Nasional Non Tunai*. One of the electronic money that emerging in Indonesia is Go-Pay. Go-Pay, is a virtual wallet service for payments of transactions inside Go-Jek application. Kevin Aluwi, Go-Jek financial director said that since it was first launched, GoPay transaction growth is very high. (Nababan, 2016). The global research institute, Growth for Knowledge (GfK) Indonesia, today released data related to which an online transport application is superior in Indonesia. According to Robin Muliady, the most widely used online-based transportation service is Gojek, then followed by Grab, Kereta Api Indonesia, JNE and Uber. (Viva Team, 2016). The rank is captured in the table 1.1

Table 1.1 Indonesia 5 superior online transportation application

| No | Online-based transportation service |
|---|---|
| 1 | Go-Jek |
| 2 | Grab |
| 3 | Kereta Api Indonesia |
| 4 | JNE |
| 5 | Uber |

Source: The chart was made by the author based on the Viva Team (2016)

Although it still a year of operation, Go-Pay is currently claimed by Nadiem as the fastest and the best growth among other Go-Jek services. (Yusra, 2017) According to the data released in *detik i net* news on August 2016, when the Go-Pay age has not more than 4 months yet, but Go-Jek claims that the service has become one of the largest e-wallet in Indonesia. Go-Jek CEO, Nadiem Makarim calls his service to be one of the largest in Indonesia when viewed from the number of uses, transaction numbers and number of users.

According to JakPat survey research agency in December 2016, it found that GoPay had the fourth-highest rate of usage among digital cash users, at 27.1% which the only one comes from the online-baset transportation. The first rank is Mandiri e-Money (43.8%), Flazz (39.1%), Tcash (29.1%). For the fifth rank is Rekening Ponsel and Line Pay (15,6%) (indotelko.com, 2017). Regarding the number of Go-Pay users, Crystal (The Go-Jek Big Data Analysis) said that there are more than half Go-Jek users who use Go-Pay. (Kumparan, 2017). The Figure 1.6 shows that Go-Pay already considered as an electronic payment in Indonesia.

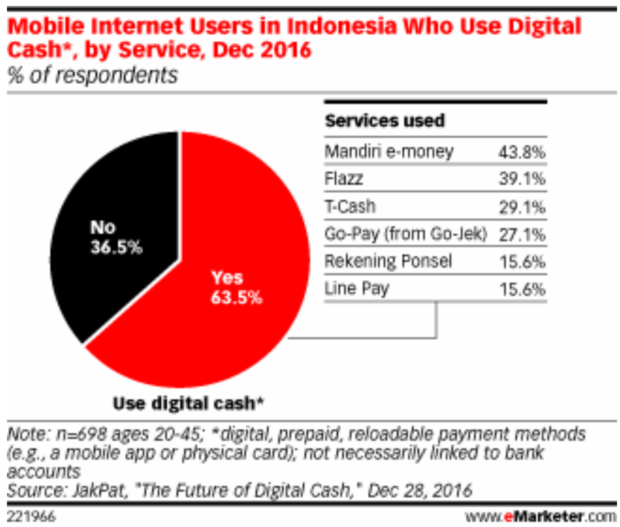


Figure 1.6 The Usage of Digital Payment in Indonesia 2016

Source: https://www.emarketer.com/Article/Indonesian-Ride-Hailing-Unicorn-Go-Jek-Accelerates-Digital-Payments/1015048

In a Tech in Asia Conference 2016, Nadiem said that the average amount of Go-Jek users who are using Go-Pay estimated more than 1.5 times compared to the cash users. If the growth described in a graphic, it seems like a Hockey Stick increasing sharply in a short time. (Info Komputer, 2016). When at the 2016 Indonesia Fintech Festival and Conference (IFFC) event in Indonesia Convention Exhibition (ICE), in Tangerang, Nadiem also mentioned that the growth of Go-Pay users is faster than Go-Jek. (Jati, 2016) Since Go-Pay launch for 8 months, Go-Pay has achieved more than 50% of transactions in Go-Jek. It is said to be one proof of Go-Pay's success in promoting non-cash and cashless society transactions. (Yasa, 2017)

According to the Tech In Asia news, the fast growth of Go-Pay is proven by the rewards that given by Bank Indonesia. On July 18, 2017, Bank Indonesia (BI) held a Bank Indonesia 2017 awards ceremony. In that opportunity, BI not only rewards banks or conventional financial institutions, but also to financial technology startup through a special category. In a category called the Most Active Fintech Company Supporting National Non-Cash Movement (GNNT) Inclusion and Financial Education as well as General Empowerment, BI places three startups of the homeland as nominations. They are Go-Jek with non-cash payment service Go-Pay, Tokopedia with *Toko Kas*, and Bukalapak with *Bukadompet* service. As a result, BI chose Go-Pay as the winner of the award. According to BI, the decision is based on how often people use the service, and the compliance of the startups to the BI rules. For information, among the three nominations, at that time, only Go-Pay has secured official license from Bank Indonesia. (Pratama, 2017)

Figure 1.7 President of Go-Jek received an award from Bank Indonesia
Source: http://riaupos.co/156913-berita-layanan-gopay-milik-gojek-terima-penghargaan-dari-bi.html#.Wd643UyB0dU

Governor of Bank Indonesia Agus Martowardojo said that this Bank Indonesia award is given to economic actors and national figures who in recent time have contributed and best performance to guard and promote the Indonesian economy. In it to provide inspirations for improving the quality and governance of the nation's economy. (Hetharia, 2017). Moreover, CEO of PT Go-Jek Indonesia Nadiem Makarim at the 2017 Global Mobile Internet Conference (GMIC) Indonesia conference said that in the near future (next three to six months), Go-Pay payment service is not only for Go-Jek payment transactions. Go-pay will be the platform for payment of various e-commerce shopping transactions. (Wahyudi, 2017).

Based on the Viva News, Media Director of Consumer Choises GfK Indonesia, Robin Muliady revealed, the total of Go-Jek application users reach 21.6 percent of the total users of technology applications used in Indonesia. While its competitor, Grab which is a Malaysian company, reached the number of users of 6.4 percent. In Global Mobile Internet Conference (GMIC) Jakarta 2017, Nadiem as the Go-Jek CEO explained that Go-Jek services has been claimed having around 16- 18 million active users. (Yusra, 2017) Grab also has a e-payment system called GrabPay. Below is the table 1.2 described a clearer picture about Go-Pay and GrabPay differences. Go-Pay comes from Go-Jek application which is in the first rank of the most widely used online based transportation service in Indonesia. Go-Pay is already considered as 5 largest e-wallet category in Indonesia and reached the fourth rank. (Kumparan, 2017).

Table 1.2 Go-Pay and GrabPay Differences

| | Go-Pay | GrabPay |
|---|---|---|
| Online-based transportation service Rank in Indonesia | Go-Jek is in the 1st Rank | Grab is in the 2nd Rank |
| 5 elite e-money category in Indonesia | Yes | No |

Source: Source: The table was made by the author based on the gained data

Due to the successful of Go-Pay and the curious of author related the e-money adoption in online-based transportation payment service industry, the author would like to conduct a research entitled "**THE USE OF MODIFIED UNIFIED THEORY OF ACCEPTANCE AND USE OF TECHNOLOGY 2 MODEL TO ANALYZE FACTORS INFLUENCING CONTINUANCE INTENTION OF E- PAYMENT ADOPTION (A CASE STUDY OF GO-PAY FROM INDONESIA)".** The author chose Go-Pay since its fast growth in Indonesia and become the only one online- based transportation service payments that include in the five elite e-payments in Indonesia. The author also curious about the continuance intention of Go-Pay adoption in Indonesia since this research is in the field of e-payment adoption in online-based transportation service while other studies already explored e-payment adoption in other fields such as banks, e-commerce, etc. Therefore, the author would like to conduct this research.

## 1.3 Problem Statements

Indonesia online business continues to grow rapidly starting from 2011. The value of online transactions in Indonesia during the year 2016 reached US $ 4.89 billion. The growth of online transactions encourages the development of technology for the payment system. According to the Economic Report Indonesia 2016 from Bank Indonesia, the use of non-cash payment instruments continues to increase. The largest increase in non-cash payment index occurs in the use of electronic money.

One of the electronic money services that is emerging in Indonesia is called Go-Pay. Go-Pay claimed as the fastest and the best growth among other Go-Jek services. No longer than a year, Go-Pay becomes one of the fifth largest e-money in Indonesia. The average of Go-Jek users who use Go-Pay is estimated more than 1.5 times compared to users who pay by using cash. Moreover, Bank Indonesia gave a reward to Go-Pay as the most active company supporting National Non-Cash Movement

(GNNT). It is said to be Go-Pay success indicators in promoting non-cash and cashless society transactions.

Since the successful of Go-Pay, not covering the possibility in upgrading the future Go-Pay service positions. Go-Pay will be able to gain a higher position in Indonesia especially in the electronic payment services. Go-Jek needs to realize factors influencing users in using Go-Pay continuously. Therefore, Go-Jek will understand more what user's preferences are to keep continuously adopt Go-Pay. Moreover, until now, there was no previous study that address the Go-Pay users continuance intention to adopt Go-Pay in Indonesia. Therefore, it is necessary to identify factors influencing continuance intention in adopting Go-Pay. The author also curious about the continuance intention of Go-Pay adoption in Indonesia since this research is in the field of e-payment adoption in online-based transportation service while other researches already explored e-payment adoption in other industries such as banks, e-commerce, games etc. Therefore, the author would like to conduct this research.

## 1.4 Research Questions

Based on the result of the literature review, known that UTAUT2 Model is the most appropriate model to explain the tendency of consumers in using an information technology because it has a large explanatory power. However, there is a variable that have not been included in UTAUT2 Model, that is Trust variable, so the model used in this research is UTAUT2 modification with Trust variable is added, adapt Price Value variable with Price Saving Orientation and do not include experience as the moderate variable since this study is a cross sectional study. So, the research questions are, as follows:

1. How big is the consumer's assessment of factors based on the modified UTAUT2 Model (Performance Expectancy, Effort Expectancy, Facilitating Condition, Social Influence, Hedonic Motivation, Price Saving Orientation,

Habit, and Trust) towards continuance intention in the context of Go-Pay adoption services in Indonesia?

2. How big is the continuance intention of consumers towards Go-Pay services in Indonesia?
3. Based on the modified UTAUT2 Model, what are the factors influencing consumers continuance intention in the context of Go-Pay services in Indonesia?
4. Do age and gender differences affect the influence of the modified UTAUT2 Model factors towards continuance intention of consumers in the context of Go-Pay services in Indonesia?
5. Can this proposed UTAUT2 Model be used for predicting the continuance intention of Go-Pay services in Indonesia?

## 1.5 Research Objectives

The objectives of this research are:

1. To analyse consumer's assessment of factors based on the modified UTAUT2 Model (Performance Expectancy, Effort Expectancy, Facilitating Condition, Social Influence, Hedonic Motivation, Price Saving Orientation, Habit, and Trust) towards continuance intention in the context of Go-Pay services in Indonesia.
2. To analyse the continuance intention of consumers towards Go-Pay services in Indonesia.
3. To test the factors based on the modified UTAUT2 Model that influence the consumers continuance intention in the context of Go-Pay services in Indonesia.

4. To test if age and gender differences affect the influence of the modified UTAUT2 Model factors towards continuance intention of consumers in the context of Go-Pay services in Indonesia.
5. To test whether this proposed UTAUT2 Model can be used for predicting the continuance intention of Go-Pay services in Indonesia.

## 1.6 Significance of the Study

The benefits of this research are divided into two parts namely the benefits for academic and business aspect.

### 1.6.1 Academic Aspect

The result of this Go-Pay adoption research in Indonesia is expected to have a significant value in verifying the application of modified UTAUT2 model in predicting the continuance intention of Go-Pay services in Indonesia.

This study of modified the UTAUT2 Model by adding a Trust variable, adapt Price Value with Price Saving Orientation variable, do not include the Experience variable, also to know more than customer's behavioral intention which is a customer's continuance intention. The modified model has not been done in the previous research, so this research is expected to fill the gap in the presence of literature related to the continuance intention of Go-Pay adoption in Indonesia.

### 1.6.2 Business Aspect

This study will be useful for electronic money issuers especially in Indonesia to explore additional knowledge in the field of marketing management. The result can be used by Go-Pay management as an input and recommendation in order to do further Go-Pay development and business strategy to perform Go-Pay services by involving understanding factors influencing continuance use intention of Go-Pay consumers.

## 1.7 Research Scope

### 1.7.1 Location and Object of Study

The location of the object study is conducted in Indonesia where the Go-Jek services available. The location of the study is categorized based on the five area of APJII research; Sumatera, Java, Sulawesi, Kalimantan, Bali and Nusa Tenggara Barat. The object of study is Go-Pay users who use Go-Pay service at least three months and in the age of 15-60 years old.

### 1.7.2 Time and Period

The period of this study starts from October 2017 until January 2018.

## 1.8 Systematic of Writing

The writing structure is arranged to provide a general overview about research performed with the following structure:

CHAPTER I INTRODUCTION: This chapter gives the object overview, background of the study, problem statement, formulating the research questions and objectives, show the significance of the study in terms of academic and business aspects. Then, explaining the research scope.

CHAPTER II LITERATURE REVIEW: This chapter contains some related theories of this study, also reviews related literatures by previous researchers. Based on these literatures the theoretical framework and hypotheses are developed.

CHAPTER III RESEARCH METHODOLOGY: This chapter discusses the research methodology used in this research.

CHAPTER IV RESULT AND DISCUSSION: This chapter presents the result of the statistical analysis and data analysis.

CHAPTER V CONCLUSION AND SUGGESTION: This chapter summarizes research findings, implications of the findings and limitation of the study. Answer the research questions, make a conclusion and provides some suggestions for the Go-Pay management developments and also for the future researches.