

## Chapter 9

# Customer Adoption and Perception Towards Fintech in Indonesia: A Diamond in the Rough or a Dime a Dozen?

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### **ABSTRACT**

*While fintech is relatively new in Indonesia, it is visibly emerging and setting for a new path. This chapter is attempting to shed a light on customer adoption and their perceptions toward fintech products and services in Indonesia. This study is descriptive and exploratory by nature. Data gathered from primary surveys as well as secondary sources. This study identifies several factors that significantly affect customer adoption and perception towards fintech products and services, namely relative advantages, trialability, and simplicity. Trust, responsiveness, and empathy are also served as important variables that should be considered as well. It is expected that this study will help researchers and academics who are interested in studying the phenomenon of fintech more broadly.*

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## **INTRODUCTION**

Fintech, a portmanteau of financial and technology, is growing rapidly in the last couple of years. More than USD 12 billion has been invested in fintech sector (Accenture, 2015). In the US, fintech transaction has amounted USD 7 trillion while in China it has passed USD 4 trillion (PwC, 2016). The rise of fintech inevitably lead to change the role of technology, the consumer behavior, the ecosystems, as well as the industry and regulation itself (Puschmann, 2017). Some recent studies even predicted that fintech provides opportunity to disrupt the market and fundamentally change the business landscape (e.g. Arner et al., 2017; Gomber et al., 2017; Iman, 2018; Lee and Shin, 2018, Ng and Kwok, 2017; among others).

Unfortunately, the study on customer perception and adoption of fintech is fairly limited, especially in the context of emerging countries such as Indonesia (Iman, 2018). In particular, a gap between user experience and convenience perspective in conventional banking industry appeared to be widening (Arslanian, 2016). This niche, in turn, encourages fintech industry to jump in and capture this opportunity. Since financial related services like fintech require high level of risk control and motivation due to its direct link to personal wealth and well-being, thus, it is important to examine the market dynamics toward this emerging technology.

Indonesia is particularly interesting in a sense that only around 36 percent of adult population there has conventional banking accounts (Global Findex, 2014). As many as 170 million Indonesian use mobile phones, where 130 millions of them use mobile phones to access the internet but 80 millions of them do not have access to conventional banking and financial services (Euromonitor, 2017). At the same time, however, the government of the Republic of Indonesia launched the vision of “Indonesia Digital Economy 2020” and “National Movement of 1000 Digital Startups” (Iman, 2018).

This study aims to map the dynamic of fintech in Indonesia by focusing on factors that encourage or inhibit customer adoption. Primarily guided by diffusion of innovations theory (Rogers, 1995) and SERVQUAL framework (Parasuraman et al., 1988), this study attempted to capture the dynamics of user adoption and perception toward fintech products and services provision. It is expected that the findings will contribute toward stimulating academic discussion on fintech, assisting policy makers and regulatory bodies, as well as promoting development of the sector in the country.

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