

Chapter 22

A Study of Consumer Continuance Intention to Adopt Mobile Payment Application in Indonesia

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ABSTRACT

This study investigates the factors that determine user intention to continue using mobile payment application, taking as its case an Indonesian application called OVO. It applies the technology acceptance model by examining continuance intention to use (CITU) of OVO, economic value, satisfaction, gender difference, and perceived risk as the constructs. This study finds that economic value is significant predictor of CITU, but of a lower magnitude when the application was perceived as having a high level of risk. Satisfaction was significantly associated with CITU, particularly amongst users who perceived OVO as having a high level of risk. Although economic value and satisfaction influenced CITU amongst both male and female respondents, their influence was greatest amongst the former.

INTRODUCTION

Innovation is amongst the most important drivers of economic growth and development. It enables the creation and diffusion of new products, business processes, and services, all of which may solve economic problems (OECD, 2015; Courvisanos & McKenzie, 2014). Innovation also increases the efficiency of value creation. At the micro level, innovation ensures that the private sector can act more competitively; at the macro level, it promotes higher economic multipliers (Lemanowicz, 2015). As such, technological innovation has been a major driver of economic growth and industrial transformation around the globe (Cressman, 2019; Gomber et al., 2018). One sector that has advanced rapidly owing to disruptive in-

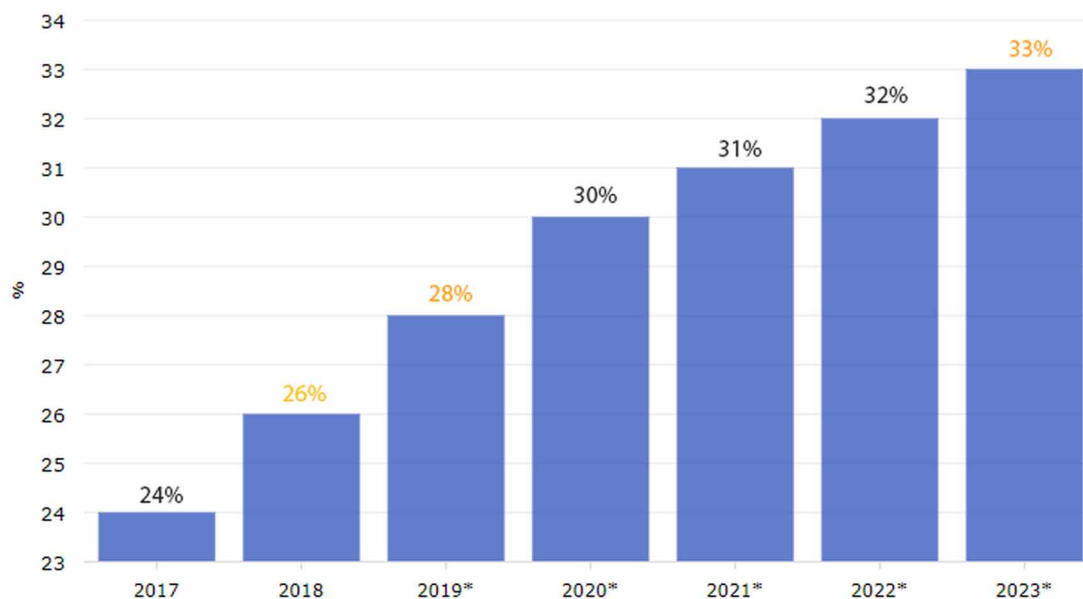
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novation is the financial sector (Gomber et al., 2018), which has transformed significantly since the rise of digital transactions, digital payment systems, and mobile payment systems (Dahlberg et al., 2015).

In Indonesia's financial sector, digital disruption has led banks to implement mobile payments as a means of maintaining their market share. Digital payment services, such as mobile banking, mobile payment, e-money, and application-based payment have mushroomed (Cressman, 2019; PWC, 2018). This phenomenon is inexorably linked with the dynamics of internet and smartphone use. According to Internet World Statistics, in 2019 Indonesia was home to 171,260,000 internet users. The majority of Indonesia's internet users are concentrated in Java (55%); this is followed by Sumatra (21%) and Kalimantan (6%). Sulawesi, Maluku, and Papua are collectively home to 10% of Indonesia's internet users, while Bali and Nusa Tenggara are home to 5% (APJII, 2019). Increases in internet penetration have correlated with smartphone use. Approximately 96% of Indonesians conduct online activities through their cellular phones, 42% through their laptops/netbooks, 30% through their personal computers, and 13% through their tablets (APJII, 2018). As seen in Figure 1, Indonesia ranked only behind China, India, and the United States in its number of smartphone users in 2018. Smartphone penetration reached 28% in 2018; it is predicted that this will increase to 33% by 2023.

Figure 1. Prevalence of Smart Phone Use in Indonesia)*

**figures are based on Statista's projections. Source: Statista (2019).*



The rapid advancement of digital payment systems in Indonesia has been driven by a multitude of factors. These have included not only the technological factors discussed above, but also demographic ones. Indonesia has a population of 267 million, with a GDP of US\$3,534 per capita; approximately 50% of them are active internet users, with mobile penetration of 91%. According to the Bank of Indonesia, in the past ten years, non-cash transactions and digital payment systems have grown rapidly in the past ten years. This phenomenon is interesting to consider, as digital payment systems are predicted to contribute

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