

CHAPTER 1

INTRODUCTION

1.1 Research Object Overview

1.1.1 LINE Overview

Line (written as LINE) is a freeware app for instant communications on electronic devices such as smartphones, tablet computers, and personal computers. LINE users exchange texts, images, video, and audio, and conduct free VoIP conversations and video conference. The service is served by LINE Corporation, a Japanese subsidiary of the South Korean internet search giant Naver Corporation.



Figure 1.1. LINE Logo

Source: <https://line.me/en/>

LINE is an application that has so many feature. In Insta-messaging feature, this application has a direct pop-out message box for reading and replying to make user easy in replying message and communicate. In chating room, user also could share pictures, videos, LINE Stickers, and files other friend. User can see a real-time weather the message is sent or not and also can set to save or delete the chat history.

Moreover, LINE have many features such as timeline feature where the user can share photo, video or any news to other users. LINE also have feature *keep* for save and keep any files format with limited storage, LINE today for looking any news or tranding topic that shard by LINE, QR Code for another way to add friend despite line id, theme shop for those users that want to find another user-interface in their LINE application. LINE SHOPPING is the e-commerce platform for line users' so in this feature user can buy some products and pay in online-payment based, LINE@ for official account, LINE Jobs for sharing job vacancy, LINE WEBTOON for reading comics

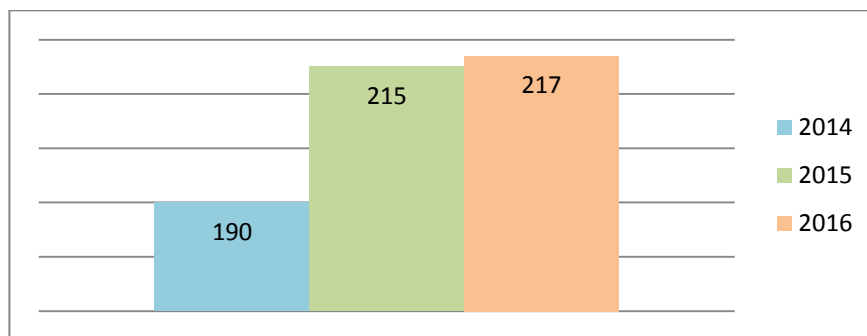


Chart 1.1. Monthly Line Active Users (in Million)

Source: Statista.com, 2016

Statista reported that up to the fourth quarter 2016 there is 570 million Line registered users worldwide. Further, there are at least 217 million monthly active users in 2016, which is increasing 14.2% in two years (Chart 1.1). Now, Line focuses its development in Asia, rather than other continents.

In Indonesia, according to LINE Indonesian Managing Director in Kompas.com, the registered LINE users' in Indonesia at the end of 2016 reach 90 million and 72 million (80%) of them are the monthly active users. It is increasing about 200% since 2014. High number of registered users makes Indonesia sits in the fourth biggest country after Japan, Taiwan, and Thailand in term of LINE users.

1.1.2 Vision & Mission of LINE

Vision:

Closing the distance

Mission:

To bring people, information and services closer together

1.1.3 LINE Pay Overview

LINE Corporation who owned the LINE free call and messaging, launched a new feature in their application which is payment service called LINE Pay on December 16th, 2014 in Tokyo, Japan. LINE Pay service was operated by LINE Pay Corporation, a subsidiary of LINE Corporation. LINE Pay can be used to transfer money among LINE Pay users and to do transaction with some stores that collaborate with LINE Pay services.



Figure 1.2. LINE Pay Logo

Source: <https://line.me/en/>

LINE Pay also tries to expand the service in Taiwan, Thailand, and Indonesia with special promotion in every country and also collaboration with local banks. LINE Pay was launched in Taiwan since August 2015 and collaborates with CTBC Bank and the product become CTBC LINE Pay Infinite card in December 2016. In Thailand, LINE Pay collaborate with BSS Holding Co., Ltd – one of the local bank in Thailand and the product become Rabbit LINE Pay. In Indonesia, LINE tries to collaborate with one of the national bank, Bank Mandiri and they launched LINE Pay e-cash officially on October 25th 2016

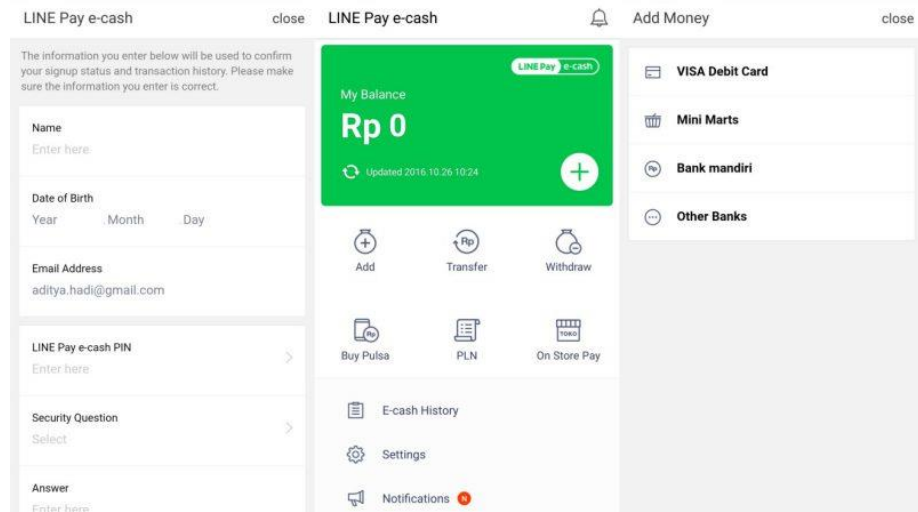


Figure 1.3. LINE Pay User Interface

Source: <https://id.techinasia.com/line-dan-mandiri-luncurkan-line-pay>

Line Pay in Indonesia can be used for phone credit, electricity bills, transfer among LINE Pay users, withdraw, pay in e-commerce like LINE Shopping and in affiliate on store merchant

1.2 Background

As historically speaking, human beings have created some sort of payment system to fulfill the wants and needs. The payment system is started with bartering system, followed by the backed-gold dollars, currency exchange system, until non cash payment invented such as card payment system as well as electronic payments.

Indonesia as a developing country shows an increase in its non-cash transaction value from time to time.

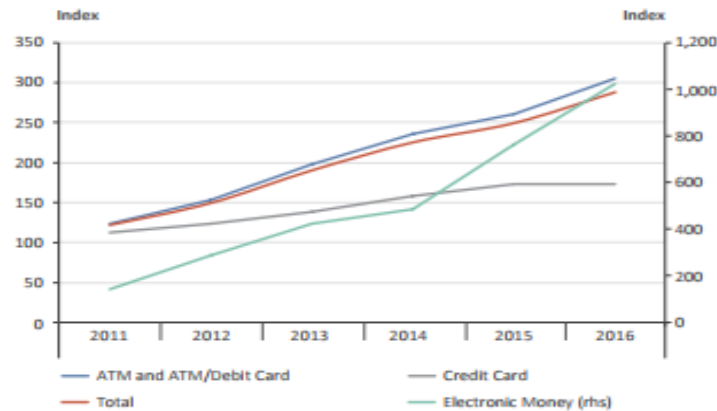


Chart 1.2. Non-Cash Payment System

Source: Economic Report on Indonesia from Bank Indonesia, 2016

According to 2016 Economic Report on Indonesia from Bank Indonesia in the Chart 1.2, the use of noncash payment instruments continued to increase, as reflected in the rise of the noncash payment system index from 249 in 2015 to 288 in 2016. Based on the type of instrument, the largest increase in the noncash payment system index was seen in the use of electronic money. Electronic money is the most promising instrument, even though debit and ATM instrument still has the highest index in 2016.

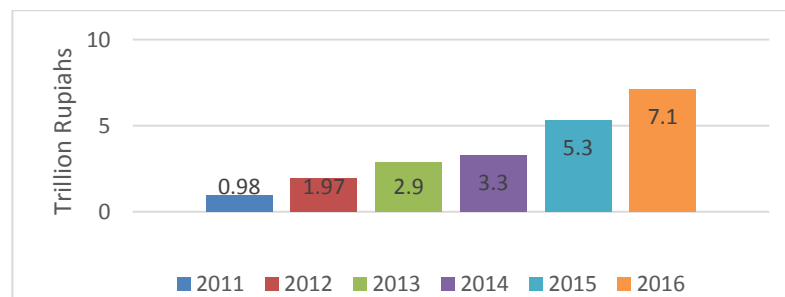


Chart 1.3. Electronic Money Transaction Value

Source: Economic Report on Indonesia from Bank Indonesia 2011-2016.

Bank Indonesia 2016 Report shows that the number of electronic money instruments increased significantly. The volume of electronic money transactions in 2016 stood at 662.9 million transactions with a value of Rp7.1 trillion, up 23.8% and 34.3% respectively compared with the corresponding figures from 2015 of 535.6 million transactions with a value of Rp5.3 trillion (Chart 1.3).

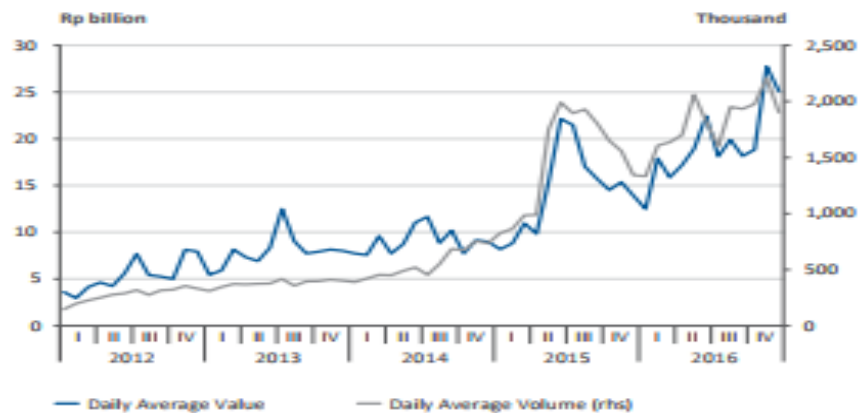


Chart 1.4. Electronic Money Daily Average Value

Source: Economic Report on Indonesia from Bank Indonesia 2016.

Meanwhile, the average daily volume of electronic money transactions in 2016 was 1.8 million transactions with a value of Rp19.4 billion per day. These figures represented an increase of 24% and 34.3% respectively comparing to the average daily volume and value of such transactions in 2015, when there were 1.5 million transactions with a value of Rp14.4 billion per day (Chart 1.4).

The positive trend is supported by the government by launching the National Movement of Non-Cash/Gerakan Nasional Non Tunai (GNNT) on August 14, 2014. The movement facilitates people to use non-cash payment system and the movement can increase the non-cash payment index in from 249 in 2015 to 288 in 2016. Area wise, high distribution numbers of e-money still come from big cities in Indonesia, especially Jabodetabek with its 92%% from total electronic money. (Tempo.co)

The e-money growing penetration is also shown up from the number of electronic money instruments. According to 2016 Economic Report on Indonesia from Bank Indonesia, the number of electronic money instruments in circulation in 2016 is up to 51.2 million, up 49.3% from the 2015 total of 34.3 million instruments for the 26 electronic money issuers in the Table 1.1.

Table 1.1

Electronic Money Issuers

No	Issuer	Type of E-Money	Name of Product
1	Bank Central Asia Tbk	Chip Based	Flazz
2	Bank Mandiri (Persero) Tbk	Server Based	Mandiri E-Cash, Line Pay
3	Bank Mega Tbk	Chip Based	Studio Pass Card and Smart Card
4	Bank Negara Indonesia 1946 (Persero) Tbk	Chip Based	Java Jazz Card and Kartuku
5	Bank Rakyat Indonesia	Chip Based, Server Based	BRIZZI
6	B.P.D DKI Jabodetabek	Chip Based	Jak Card
7	PT. Indosat	Server Based	Dompetku
8	PT. Skye Sab Indonesia	Server Based	Skye Card
9	PT. Telekomunikasi Indonesia	Chip Based, Server Based	Flexy Cash and i-Vas Card
10	PT. Telekomunikasi Selular	Server Based	T-Cash
11	PT. XL Axiata	Server Based	XL Tunai

12	PT. Finnet Indonesia	Server Based	Fin Channel
13	PT. Artajasa Pembayaran Elektronik	Server Based	MYNT
14	Bank Permata Tbk	Server Based	BBM Money
15	PT. Nusa Satu Inti Artha	Server Based	Doku Pay
16	PT. Bank CIMB Niaga Tbk	Server Based	Rekening Ponsel
17	PT. Bank Nationalnobu	Server Based	Nobu E-Money
18	PT. Smartfren Telecom	Server Based	Uang Ku
19	PT. Buana Media Teknologi	Server Based	Gudang Voucher
20	PT. Witami Tunai Mandiri	Server Based	True Money Witami
21	B.P.D. Sumsel Babel	Chip Based	BSB Cash
22	Bank QNB Indonesia	Server Based	DooEt
23	PT. Dompot Anak Bangsa	Server Based	GoPay
24	PT. Espay Debit Indonesia Koe	Server Based	uNIK
25	PT. Bimasakti Multi Sinergi	Server Based	FastPay
26	PT. Visionet Internasional	Server Based	OVO

Source: <http://www.bi.go.id/2016>

The electronic money issuers are split into 11 bank institutions and other 15 are from non-bank institutions (Table 1.1). One of the bank institutions that issue electronic money is Bank Mandiri (Persero) Tbk. Bank Mandiri first launched Mandiri e-Cash in May 2014 as its e-money product. Mandiri e-Cash is server-based electronic money that enables the users to do transactions even without having bank account.

In October 2016, Mandiri E-Cash is expanding its e-money business by collaborating with LINE - an instant-messaging application on electronic devices who has own payment system, to launch LINE Pay. This collaboration happened due to the in-line target market between Mandiri E-Cash and LINE Pay which is targeted Indonesian young generation that only requires them phone number to register and enjoy every feature and according to emarketer.com, the use of Digital Payment in Indonesia during 2016 stated that LINE Pay reach 6th position with 15.6% in total mobile internet users in Indonesia.

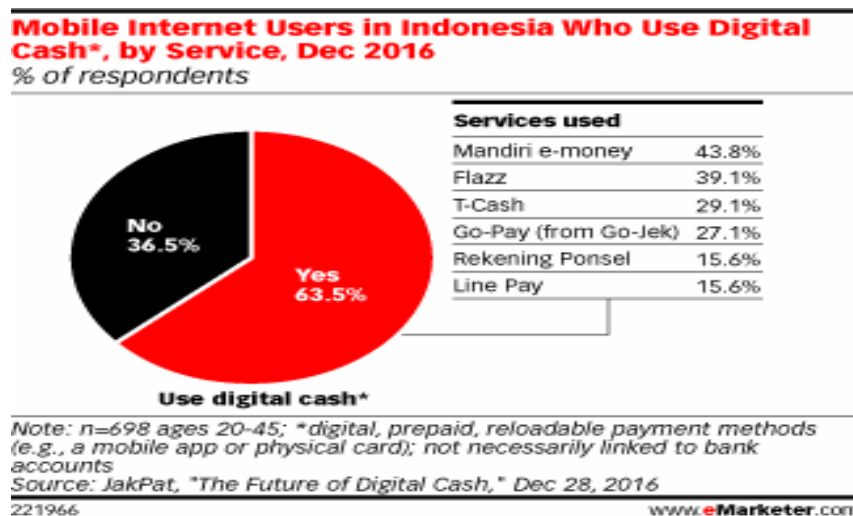


Chart 1.5 Mobile Internet Users in Indonesia Who used Digital Cash.

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

LINE Pay is a simple, easy tool to carry e-money on phone and in personal experience is accepted as payment at more places than most other mobile wallets. It provides a secure and convenient payment anytime, anywhere, straight through smart phone. Further, LINE Pay is a form of non-cash movement (*Gerakan Non Tunai GNT*) support from Mandiri and LINE that is targeted for un-bank LINE user.

LINE Pay offers many interesting transaction features such as money transfers, money withdrawal through ATM and minimarts, phone balance top ups, bill payments and doing transactions in affiliated LINE Pay stores. All can be done only by registering phone number as a 'bank account'. Furthermore, LINE Pay is the very first e-money that is available in the instant messaging application in Indonesia. All of the uniqueness and features offered by LINE Pay make it a high-potential new comer in Indonesia e-money market.

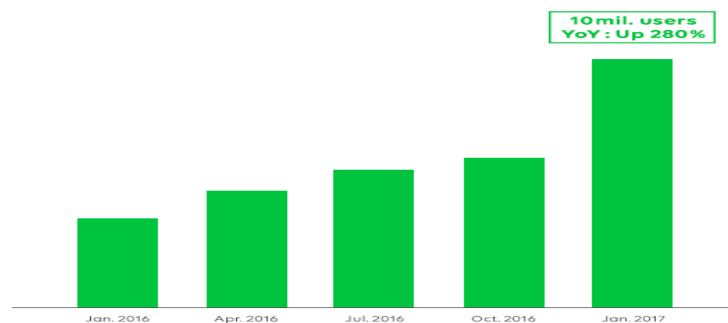


Chart 1.6. LINE Pay Global Registered Users

Source: linecorp.com

LINE Pay was launched in December 2014 and is now available in four main country focus of Line: Japan, Taiwan, Thailand, and Indonesia. Chart 1.5 shows that LINE Pay users in global significantly increasing and reach 10 billion registered users in a year. In term of transaction value, LINE reported that it grew even faster, which reaches 13.8-fold year-on-year.

LINE Pay was launched in November 2016 in Indonesia. According to Senior Vice President Transaction Banking Retail Bank Mandiri, in its first month of launching, LINE Pay already attracts four hundred thousand registered users.

LINE Managing Director Indonesia says that LINE is targeted to be no 1 smart portal in Indonesia which means LINE is not only playing a role as messaging app but also all-in-one lifestyle application, especially for LINE Shopping and LINE

Pay. LINE Pay itself is targeted to have 3 million active users using LINE Pay from 30 billion LINE active users’

Even though the potential of e-money market in Indonesia is high, the target cannot be achieved without a positive adoption of the society. While according to Bank Indonesia, the consumers understanding and consumers’ intention of e-money is still not optimal (Bank Indonesia, 2013).

The goal of LINE Pay requires LINE to understand the way consumers adopt e-money, especially LINE Pay adoption so that the right strategy can be formulated to attract more LINE Pay users and the goal can be achieved. Understanding the consumers’ adoption of Line Pay is conducted in JABODETABEK due to its highest distribution number of e-money (92%), meaning that understanding the LINE Pay users in JABODETABEK need to be studied.

Based on the background explained above, the author would like to conduct a study which is entitled **“Exploring Factors Influencing Electronic Money Adoption (Qualitative Study of LINE Pay e-cash in Jabodetabek)”**.

1.3 Problem Statement

Indonesia is the 4th country that has LINE Pay in addition to Japan, Taiwan, and Thailand. LINE Pay also the first electronic money that come from instant-communication. With the rapid development of electronic money and LINE in Indonesia, the company hopes LINE Pay can be accepted and adopted by LINE users. Therefore factors that influence people in adopting LINE Pay need to be studied so LINE Pay can reach usage target and can adjust to user requirement in Indonesia

1.4 Research Questions

According to explanation above, the research questions are formulated as follows:

1. What are the factors driving LINE Pay adoption in the users’ life?
2. What are the factors inhibiting the use of LINE Pay e-cash?

1.5 Objectives

According to the formulated research questions, the aims of the research are mentioned below:

1. To know the factors driving LINE Pay e-cash adoption in the users' life.
2. To know the factors inhibiting LINE Pay e-cash use.

1.6 Significant of the Study

1.6.1 Business Aspects

This research will be useful for the electronic money especially for Mandiri and LINE to know the users' perspective regarding LINE Pay e-cash product. The result can be used by both of Mandiri and LINE to arrange the marketing strategy and to do the further LINE Pay e-cash development.

1.6.2 Academic Aspects

The findings of this research related with technology adoption theory and marketing management. In addition, this research will give as knowledge about electronic money in Indonesia, especially from LINE Pay e-cash users' perspective. This research also expected to be used as references for further research about electronic money adoption.

1.7 Research Scope

The scope of this research will be about LINE Pay adoption and the problem will be discussed in focused discussion. The limitation will be set according to the needs of the research.

1.6.2 Location and Object of Study

1. The location of this research is conducted in Jabodetabek.
2. The object of this research is LINE Pay e-cash users.

1.6.3 Time and Period

This research will be starts from October 2017 until January 2018

1.8 Writing Systematic

This electronic money adoption research will be divided into five chapters which are described as follows.

CHAPTER I : INTRODUCTION

This chapter clearly describes the object and what the research is about. It consists as object overview, research background, problem statement, research question, research objective, and research writing systematic.

CHAPTER II : LITERATURE REVIEW

This chapter explains about related theories, previous research, framework, hypothesis and scope of this research.

CHAPTER III : RESEARCH METHODOLOGY

This chapter consists about the research type, operational variables, research steps, population and sample, data collection, validity and reliability test, and data analysis method.

CHAPTER IV : RESULTS AND DISCUSSION

This chapter discuss about the chronological and systematical result of the research based on the problem statement and objectives of the research. The analysis using research methodology clearly explained in this chapter.

CHAPTER V : CLOSING

This last part of the research explains conclusion, research limitations, and suggestions of the research.