

## **Digital Payment as an Enabler for Business Opportunities: A Go-Pay Case Study**

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### **ABSTRACT**

Technological developments have encouraged the upgrade of operating systems and user interfaces and have enabled the transformation of payment services. Several Indonesian digital payment systems exist, namely, Go-Pay, Tcash, Paypro, Ovo, Mandiri e-cash, XL Tunai and Sakuku. Digital payment is becoming increasingly popular in Indonesia, among which Go-Pay is currently the market leader. Opportunities are derived from the attributes of industries within which business owners are contemplating action. Financial inclusion is a vital entry point for inclusive growth, and Go-Pay can help micro, small and medium enterprises which were previously from the underserved market to transition into the formal system. This study intends to illustrate how digital payment enables business opportunities by using a descriptive approach method and data collection techniques from existing literature. Results show that Go-Pay enables business opportunities by fulfilling its mission as a digital payment solution and by opening up new economic opportunities. In addition, Go-Pay enables consumers and merchants to tap into a wide market and provides access to various solutions and services.

**Keywords:** digital payment, opportunity discovery, financial inclusion, digital transformation

### **1. INTRODUCTION**

The Asian social and economic landscape is being transformed by the proliferation of mobile technology and the digitalisation of financial services, which

have built and enhanced digital connections. These connections are driving e-commerce and social commerce across the region, which are also partly enabled by digital payments. The digitalisation of Asia, coupled with a relatively young population and rising income levels, present a unique growth opportunity for the sector (APAC, 2018).

On 14 August 2014, the governor of the Bank Indonesia encouraged citizens to reduce cash dependencies through the National Non-Cash Movement. The National Non-Cash Movement aimed to build public awareness of non-cash payment instruments, thereby gradually fostering a less-cash society. The central bank devised the annual National Non-Cash Movement as a form of commitment to expand the use of non-cash instruments and to support various activities that enriched public understanding of non-cash payment methods. Compared to other ASEAN countries, the development of electronic-based payment instruments in Indonesia have remained relatively limited despite geographical conditions and the large population which serves as an untapped potential for expanding access to payment systems (Segara, 2014).

Digital payment services have dramatically increased around the world. This rapid growth has largely been driven by technological innovations and the willingness of regulators to provide opportunities to new specialist payment service providers to operate without banking licenses. Moreover, it has also been aided by the continued economic recovery of mature markets (Mas & Buckley, 2016). The digital payment growth driven by the trust in the transaction; the research by Paripunyapat & Kraiwanit (2019), showing that respondents who accept transactions made through financial technology within the system of financial institutions' safety measures; the service system provides safety and reliability. This findings inline with Kaitawarn (2015) that stated the privacy policy should increase trust and confident amongst the customer to accept and use the Mobile Payment..

Digital payment is becoming increasingly popular in Indonesia; however, according to the management consultancy McKinsey and Company, 99% of transactions by volume are still being carried out using cash (Tay, 2019). As a comparisson, with much higher population, 78% of all consumer payments transactions happen through cash in India (Nahata, 2018). According to Metra Digital Innovation (MDI) Ventures and Mandiri Sekuritas Online Trading (2018), the proliferation of smartphone devices since 2010 has helped the advancement of digital payment services in Indonesia. The massive upgrade in operating systems and user interfaces, coupled with reliable mobile internet connectivity, have enabled the significant transformation of mobile payment services. Several digital payment systems exist in Indonesia, namely, Go-Pay, Tcash, Paypro, Ovo, Mandiri e-cash, XL Tunai and Sakuku.

According to the *Insiders Stories* (2019), Go-Pay is currently the market leader in the digital wallet payment sector. Go-Pay processes three quarters of all mobile payments in Indonesia, and Go-Pay transactions reached US\$6.3 billion in 2018. Moreover, electronic money (e-money) has become the most popular digital payment platform in Indonesia, with more than 240,000 online and offline merchants.

The purpose of this paper is to discuss digital payment as an enabler for business opportunities that benefit business owners, particularly Micro, Small and Medium Enterprises (MSMEs).

## **2. LITERATURE REVIEW**

### **2.1 Digital Payment**

Based on the study by *Asia Pacific Accreditation Cooperation Incorporated* (APAC) (2018), approximately two in five consumers have issues using and withdrawing cash, including not having enough cash on hand (40%), long queues at banks/ATMs (39%), faulty ATMs and inadequate number of ATMs nearby (36%). Consumers are accustomed to having instant access to most things, courtesy of highly advanced and increasingly powerful smartphones. This innovation has created a shift in mindsets and has raised the bar of expectations, and consumers have less patience for long queues and faulty ATMs. Increasing digital access has presented considerable opportunities for innovation in digital payment across Asia.

Payment, at its most basic level, is the transfer of money, wealth or value from one person or entity to another (Fonté, 2013). Digital payment is defined as payments made or enabled through digital mobility technologies via handheld devices, with or without mobile telecommunication networks. Although not necessarily linked to financial institutions or banks, these payments are considered as digital financial transactions, (Diniz, de Albuquerque, & Cernev, 2011). In line with Fonte (2013) that stated numerous services offered by nonfinancial institutions are ‘disintermediating’ the traditional banking relationship and creating the potential for a fundamental shift in how individuals conduct day-to-day purchases and interact with their finances; Nahata (2018) stated that in India primarily dominated by m-wallets, payments based companies and lending aggregators. The public at large in India is primarily exposed to the fintech industry through these Prepaid Instruments. They allow users to make payments towards utilities, flight/train ticket purchases, remittances and many other things.

### **2.2 Go-Pay**

Go-Pay, which was created by the ride-hailing application Go-Jek, is

Indonesia's first decacorn after its valuation hit US\$10 billion. According to Azzuhri *et al* (2018), Gojek is an online courier company which uses creative and innovative motorcycle fleets because it is not only a transportation business, but also covers almost all the scopes of people's needs.

Go-Jek, which was founded by Nadiem Makarim, has obtained capital injections from a number of companies, including Google, Tencent Holdings, Temasek Holdings, Astra International and Meituan Dianping. The company reportedly collected a capital injection of \$1.5 billion from numerous investors in 2018 and \$1 billion during the first quarter of 2019. Go-Jek used this capital to expand to numerous countries in Southeast Asia and to optimise its G-Pay digital payment feature (The Jakarta Post, 2019).

Go-Jek gathers numerous features and services under a single application. Users can select different services according to their needs and moods, namely, 1) ride hailing, such as Go-Ride, Go-Car or Go-Bluebird; 2) food delivery, such as Go-Food; 3) grocery buying, such as Go-Mart or Go-Shop; 4) medical needs, such as Go-Med; 5) movie or event ticket bookings, such as Go-Tix!; 6) logistical needs, such as Go-Send or Go-Box; 7) phone credits or mobile data package purchasing, such as Go-Pulsa; 8) bills payment, such as Go-Bills; 9) general payment, such as Go-Pay and 10) other features and services, such as Go-Massage, Go-Clean, Go-Auto and Go-Glam.

Go-Jek serves over 8 million users and has facilitated transactions which in turn have helped create more than 500,000 jobs for service providers, including motorcycle drivers. Go-Pay and three addition companies, namely, Kartuku, Midtrans and Mapan, laid the foundation for the Go-Jek financial service ecosystem, and Go-Pay will continue its role as an e-money wallet. In addition, it will fulfill its mission to leapfrog Indonesia to the digital era, bringing financial inclusion to 260 million Indonesians. Customers prefer using Go-Pay on their Go-Jek application owing to its promotions, ease of use and hassle-free transaction which has eliminated the need to fumble for small change. Furthermore, Go-Pay is a secure, trusted platform with a certified license from the Bank of Indonesia. By October 2017, Go-Pay transactions contributed 30% of the overall e-money transactions in Indonesia. In 2017, Go-Jek was awarded as the most proactive Fintech company that supported the National Non-Cash Movement.

### **2.3 Business Opportunity**

Opportunities are derived from the attributes of industries (or markets) within which an entrepreneur (or a business owner) is contemplating action. Thus, if an entrepreneur understands the attributes/structures of an industry, he/she can anticipate the kinds of opportunities that exist in that industry. Entrepreneurial alertness is not a

deliberate search but rather the constant scanning of the environment by an entrepreneur who notices market imperfections. While opportunities may exist independent of economic actors, economic actors must act on opportunities because they lack agency, and individuals can only earn profits if they recognise opportunities and their values (Alvarez, 2010).

Shane & Venkataraman (2000) defined opportunity as the individuals and processes that lead to the discovery, evaluation and exploitation of opportunities. Denrell, Fang and Winter (2003) defined it as the development of a framework for analysing strategic factor market inefficiencies, which suggests that strategic opportunities represent a situation in which prices fail to reflect the value that represents a resource's best use. According to Short and Ireland (2010), one must understand the temporal dynamics of opportunities to fully understand the opportunity process.

The opportunity discovery and recognition perspective is believed to be an entrepreneurial risk wherein entrepreneurs can fold information about possible decisions to exploit available opportunities for entrepreneurial success. Meanwhile, entrepreneurial success is the business outcome derived from the exploitation of such available opportunities (Shamudeen, Keat & Hassan, 2017). Small firms are generally capable of identifying opportunities but less adept at appropriating value by developing competitive advantages (Ireland, Hitt, & Sirmon, 2003)

### **3. METHOD**

This study used the qualitative research method, and data collection techniques from existing literature were applied on data from the PricewaterhouseCoopers (PWC) Indonesia report, APAC, the PayPal Inc. report, the MDI and Mandiri Sekuritas reports, Go-Jek internal media data and reports, the World Bank Group and World Economic Forum reports, the Jakarta Post, CNBC and the *Lembaga Demografi* University of Indonesia report on Go-Jek.

Following Lambert and Lambert (2012), data were analysed using a descriptive method to discover the nature of the specific events being studied. The data collection techniques in this study included the observations and examination of records, reports, photographs and documents.

### **4. RESEARCH FINDINGS**

Digital disruption has driven Indonesian banks, including joint venture banks, local banks, state-owned banks and Syariah banks, to consider digital initiatives as part of their corporate strategies. However, a considerable difference exists between how large banks and state-owned banks view digital strategies. According to a survey, only

38% of state-owned banks and 44% of large banks have incorporated digital initiatives as part of their corporate strategies. This finding may be an indication that large banks have started on their journeys towards digital transformation; however, challenges in developing a common digital strategy view across these banks still exist. Product teams, customer service teams, IT teams and dedicated digital teams hold differing views in terms of digital strategies (PWC, 2018).

The popularity of digital payment has also changed the expectations of bank clients primarily because of digitisation. Whether in the form of disruption, revolution or evolution, major changes are taking place in the banking sector mainly because of new technologies. Established banks, new fintech, supervisory authorities and other parties are all jostling for positions in the new banking landscape. According to PWC (2018), Indonesian bankers investing in such areas are indicating investments in digital banking platforms in the next two to three years.

According to Teima (2016), the development and acceleration of electronic merchant payments can help countries advance financial access and financial inclusion. However, multiple factors hinder the adoption of electronic payments by merchants. Six obstacles have been identified as significant impediments that hinder the deepening of these payment systems, especially in developing countries, namely, 1) inadequate value proposition for merchants, including product designs that do not adequately encourage migration from cash to electronic payments, 2) weak product and stakeholder economics in traditional card models, 3) insufficient aggregate customer demand needed to reach the 'tipping point' that drives demand and supply towards an electronic payments ecosystem, 4) inconsistent technological infrastructure and regulatory environment in developing markets to support electronic payments, 5) ineffective distribution models to serve hard-to-reach merchants in areas with limited economic capillarity (i.e. low density of MSMEs and customer populations) and 6) difficulty in formalising enterprises and the reluctance of merchants to pay full taxes on sales.

The expansion of Indonesia's digital economy will have benefits beyond its impact on the GDP, including creating jobs and formalising informal ones, opening the export market that the International Trade Centre estimates could be worth as much as \$26 billion and accelerating social development. Digitisation could impact the economy and society, which have pushed hard for its rapid adoption. In addition to creating significant business opportunities, the rapid development of digital Indonesia has a considerable impact on citizens in terms of new jobs, improved access to services and connectivity with the global society. However, McKinsey and Company (2017) found

that there are three fundamental challenges that hinder digital economy in Indonesia, namely, 1) the extraordinary talent shortages in the digital arena, such as digital professionals, digital facilitators and digital-savvy leaders; 2) the shortfall of midsize to large companies that could capture domestic consumption or export opportunities if the digital economy were unleashed and 3) the insufficient means of tracking the impact of digitalisation on Indonesian society. (Das *et al.*, 2018).

Micro Small and Medium Enterprises (MSMEs) in Indonesia face numerous challenges to expand and catch up with big, established businesses; as indicated by Muhyi (2017) condition of personal entrepreneurial skills of small entrepreneurs based on his research is moderate; meaning that they are need help to grow. Go-Jek helps MSMEs answer challenges and creates a level playing field for MSMEs to spread their wings. MSMEs can operate efficiently because they can take advantage of the various services within Go-Jek's ecosystem to help reduce operational costs and expand businesses without excessive investment. Moreover, Go-Jek's ecosystem gives MSMEs increased access to markets. By joining Go-Jek, MSMEs can have an online presence without needing to invest in creating websites. In addition, MSMEs can access more than 98 million potential customers in Indonesia who have downloaded the Go-Jek application without significantly investing in market expansion activities. Go-Jek has been estimated to contribute Rp8.2 trillion annually (US\$577million) to the Indonesian economy through the income of its driver partners. Furthermore, Go-Jek has been estimated to contribute Rp1.7 trillion (US\$119,7million) annually to the Indonesian economy through the income of its small- and medium-sized enterprise (SME) partners (Wisana *et al.*, 2018).

Go-Jek accelerates the growth of MSMEs to do business in the digital economy. It enables consumers and merchants to tap into social media to buy and sell goods and services. Social commerce, as this trend is called, is helping to improve financial health across the region. Go-Pay has enabled MSMEs to instantly become cashless and bankable. Over 65% of merchants currently using Go-Pay's QR code as cashless payments are MSMEs ranging from street vendors to small stall owners. Das *et al.* (2018) suggested the conversion to cashless payments, allowing financial service providers to help migrate consumers to digital payment and to provide lending to small enterprises.

According to Medium Corporation (2018), financial inclusion a vital entry point for inclusive growth, and Go-Pay can help MSMEs, which were previously excluded and part of the underserved market to transition into the formal system by opening SME bank accounts and equipping them with the needed tools to access other financial services. By joining Go- Food, merchants have improved their bookkeeping (digital

and thus an accurate record of transactions), which they can utilise to apply for traditional bank loans to scale their business. Robust inclusion requires an end-to-end ecosystem that can only be designed by comprehensively understanding the challenges faced by MSMEs and by working towards effective solutions to address them.

The Go-Pay digital payment in Go-Jek's ecosystem has helped in the discovery and in the exploitation of opportunities to access wide market penetrations. In addition, it has helped MSEMs in terms of strategic opportunities that represent the best use of a resource through the sharing ecosystem to expand the business.

Borrowing from the theory of business opportunity, Go-Pay has been utilised by Go-Jek, which incorporated its digital initiatives as part of its corporate strategy to tap business opportunities and to help MSMEs to gain access for business success.

<b>Theory of Business Opportunity</b>	<b>Business Opportunity Enabled by Digital Payment</b>
To earn profit by recognising opportunities and their values (Alvarez, 2010)	Digital payment solutions open up new economic opportunities as they enable consumers and merchants to tap into social media to buy and sell goods and services. Social commerce, as this trend is called, is helping to improve financial health across the region. Digital payment providers have a unique opportunity to play key roles in improving financial health and inclusion.
Process to lead discoveries and to exploit opportunities (Shane & Venkataraman, 2000)	Go-Pay helps in the discovery and in the exploitation of opportunities to access wide market penetrations and to expand different markets.
Analysing strategic factor market inefficiencies (Denrell, Fang, & Winter; 2003)	Go-Pay helps MSMEs in term of strategic opportunities that represent a resource's best use through the sharing ecosystem to expand the business.
Understanding the opportunity process and temporal dynamics (Short & Ireland, 2010)	Go-Jek understands the impact of digitisation on the economy and society, which has pushed for rapid adoption to create significant business opportunities that have a substantial impact on citizens as temporal dynamics, by improving access to services and considerable connectivity with the global society and by monetising opportunities through Go-Pay.

## 4. CONCLUSION AND SUGGESTION

### 4.1 Conclusion

The popularity of digital payment used by the consumers have changed the



expectations of bank clients primarily because of digitisation.

The development and acceleration of electronic merchant payments at a broad level can help countries advance financial access and financial inclusion. However, factors that hinder the adoption of digital payments exist and should be addressed.

Financial inclusion a vital entry point for inclusive growth, and Go-Pay can help MSMEs that were previously excluded and part of the underserved market to transition into the formal system.

Digital payment solutions enable consumers and merchants to tap into social media to buy and sell goods and services and to open up new economic opportunities.

#### **4.2 Suggestion**

Consumers and merchants are becoming increasingly aware that digital payment is starting to have an impact beyond enabling convenient and secure transactions.

Companies should innovate to cater to the needs of the customer, considering factors such as smartphone penetration, income levels, user preferences and privacy and security concerns.

Governments could reduce barriers and encourage adoption by leading by example by embracing digital payment solutions for government-related fees.

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