The Effect of Paylater Payment Method Used in Online Impulsive Buying in Batam City

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Abstract

Shopping sites or online buying and selling applications are growing and diverse due to advances in systems and technology. More and more types and methods of payment are being offered, one of which is Paylater. This study aims to discuss and deepen the analysis of the factors of the paylater by testing the effect on the impulsive buying of online consumers in Batam City. This study also analyzes the factors, namely Perceived Usefulness, Perceived Ease of Use, and Perceived Security that can affect the intention to use the paylater. The research data was collected through a questionnaire filled out by 206 respondents who used the paylater and processed using the SmartPLS 3. The results of the data processing and analysis conducted showed that there was a significant effect on the relationship between perceived usefulness and perceived security of intention to use paylater but perceived ease of use did not have the same relationship with intention to use the paylater. The results of this study also showed a significant relationship between the intention to use paylater to online impulsive buying in Batam City.

Keywords: Perceived Usefulness; Perceived Ease of Use; Perceived Security; Online Impulsive Buying; Paylater

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INTRODUCTION

Along with the advancement and development of online buying and selling technology, various systems, and methods for conducting payment transactions have emerged. Ranging from traditional payment systems, namely cash or payment systems using fintech (financial technology) facilities. One of which facilities is online credit such as Paylater (Jakupovic, 2018). Creativity in the development of this digital payment system is increasingly diverse as there are many online shopping platforms and an increase in the number of online shopping users, especially during the COVID-19 pandemic. Many new features are used to support e-commerce and e-wallet. Paylater is a payment facility such as a credit or installment system without a credit card but with an easier process. Paylater systems in Indonesia are Traveloka, OVO, Gojek, Shopee, and others. This online paylater credit system is expected to be an alternative to using credit card for the public (Hilmi & Pratika, 2021).

Based on survey data from the BNPL (Buy Now Pay Later) 2021, it is predicted to increase by 75% per year in 2022. The adoption of the use of the BNPL (Buy Now Pay Later)

payment system is expected to continue to increase from 2021 to 2028. In addition, due to the impact of the COVID-19 pandemic, the growing shift from offline stores to online businesses and the increasing e-commerce industry are also expected to support the growth of deferred payment services for the next four to eight quarters in Indonesia. The BNPL payment system is expected to be a solution for the Indonesian people, most of whom still do not have access to banking (unbanked) and still lack an understanding of credit (Dublin, 2021). By 2022 the number of paylater users has almost doubled from the previous year. The cities that experienced an increase in paylater users in 2021 were Batam, Pekanbaru, Bandar Lampung, Yogyakarta, and Balikpapan (Ikhsan, 2022).

Paylater is one type of FinTech that has several factors to encourage people to use FinTech products such as perceived usefulness, perceived ease of use, security, trust, and brand image of the provider company. These factors are able to influence intention of the people of Batam City which is mentioned by Suprapto and Farida (2022) in their research. Even so, this payment system can have a negative impact, it can lead to impulsive buying behavior. The ease of the process of using a paylater can encourage consumers to buy products on the spot and not needed (Mitchell & Qadar, 2019) (Sari, 2021). Keni *et al*. (2020) mentions in their research that the desire to use a paylater can be influenced by factors of security, ease of use, and usefulness. In addition to these factors, Nan *et al*. (2020) added that pleasure and satisfaction can also encourage individuals to do BNPL (Buy Now Pay Later) and can lead to impulsive buying.

Although several studies discuss the factors that influence the intention to use paylater and the influence of the paylater itself, there are not many studies that have specifically conducted the intention to use paylater on online consumers in Batam. Besides that, no research discusses the influencing factors and the factors that have an impact on the use of paylater. So, the importance of this research to be carried out with the aim and hope of the results and discussion in this research can be a source of information for the public to be wiser in using the paylater payment system. Furthermore, the results of this research are also expected to be input for fintech companies that provide paylater for the development of systems and provisions for the use of paylater. The results of this study are also expected to help other research on the same topic in the future. Therefore, this study aims to conduct research by examining the relationship between variables Perceived Usefulness, Perceived Ease of Use, and Perceived Security on Intention to Use Paylater and their Effect on Online Impulsive Buying.

LITERATURE REVIEW

Paylater

Paylater is an online installment payment system that adopts a cardless credit system. The paylater payment system can be used for various transactions such as shopping, booking airline tickets, and lodging online. In Indonesia, there are already many e-commerce and other online platforms that have adopted paylater payment systems, such as Traveloka, Ovo, Tokopedia, Gojek, Shopee, and so on (Sari, 2021).

Impulsive Buying

Impulsive buying behavior is a buying behavior where consumers make purchases without any intention or planning and immediately make purchase decisions when they see the product which is often also referred to as an unplanned purchase (Purba & Dewi, 2015).

Perceived Usefulness and Intention to Use Paylater

Usefulness is of course the main factor that consumers choose to use or adopt. The usefulness referred to in this study is the perceived usefulness of the paylater users. Someone will certainly prefer to use something that provides an advantage or benefit and a positive experience for them, of course, the function and usability of the paylater are the determining

factors that influence the intention to use the paylater (Kurniawan *et al.*, 2021). Perceived usefulness affects the intention to use paylater according to the research by Jakupovic (2018), Kurniawan *et al.* (2021), Keni *et al.* (2020), and Nan *et al.* (2020).

H1: Perceived usefulness affects the intention to use paylater.

Perceived Ease of Use and Intention to Use Paylater

Consumers tend to choose payment systems that are easy to understand and make payment transactions easier. Of course, a paylater that provides comfort and convenience to its users will be more accepted by the public. So that perceived ease of use is very important in increasing the intention to use paylater (Kurniawan *et al.*, 2021). Perceived ease of use affects the intention to use paylater according to the research by Jakupovic (2018), Keni *et al.* (2020), and Maurizka *et al.* (2021).

H2: Perceived ease of use affects the intention to use paylater.

Perceived Security and Intention to Use Paylater

Security is of course the main thing that is considered when consumers choose a payment system. Consumer data security and others are the main factors for mobile payment platforms in gaining the trust of consumers. This of course can affect their intention to use the paylater (Kurniawan *et al.*, 2021). Perceived security affects the intention to use paylater according to the research by Keni *et al.* (2020), Kurniawan *et al.* (2021) and Nan et al. (2020).

H3: Perceived security affects intention to use paylater

Intention to Use Paylater and Impulsive Buying

The online credit system without a card makes the online shopping process even more interesting. With an easy and fast process, making payment transactions faster. Of course, with the ease and convenience of this system, the level of consumer purchases is higher and can lead to impulsive buying (Hilmi & Pratika, 2021). Sari (2021) also mentions that the paylater feature on online shopping applications or e-commerce platforms increases impulse buying behavior. Intention to use paylater affects the impulsive buying of online consumers according to the research by Hilmi and Pratika (2021), Mitchell and Qadar (2019), also Sari (2021).

H4: Intention to use paylater affects online impulsive buying.
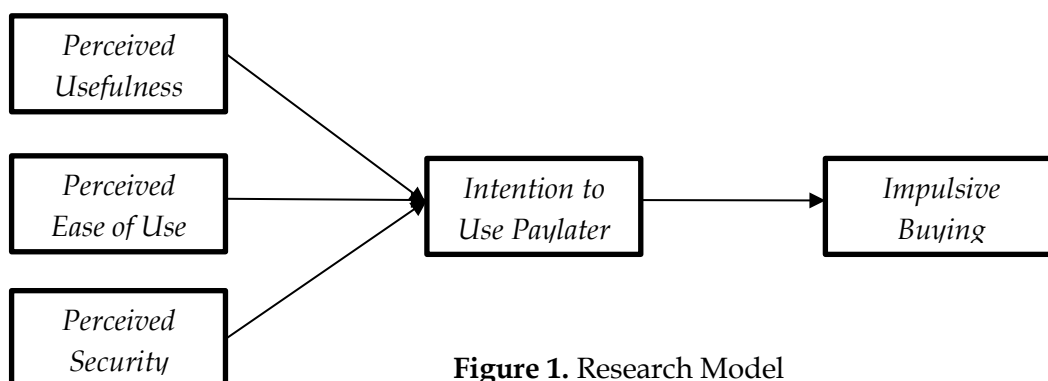

Figure 1. Research Model

METHODOLOGY

Based on the background of the problems and research objectives that have been described by the author, the study discusses the impulsive buying of the people of Batam City, especially paylater users. This is due to the increasing number of e-commerce and online store platforms and the development of mobile payment systems. Researcher tested the effect of perceived usefulness, perceived ease of use, and perceived security on the intention to use paylater. Then this study also further analyzes the influence caused by the intention to use paylater on online impulsive buying. The research method used is quantitative because the data used for analysis and testing is numerical.

The population that tested in this study is people who live in Batam city. The research data was collected using a questionnaire with a Likert scale which was distributed to 206 samples of Batam city community. The selected research respondents are consumers who shopped online and used paylater. Operational variables used in this study are perceived usefulness, perceived ease of use, perceived security, intention to use paylater and impulsive buying. The data was processed using the smart PLS 3 program to obtain research outputs. The output of data quality testing is in the form of data validity and reliability which can be seen in the Outer Loading and Average Variance Extracted (AVE) test results. Then the reliability of the variables is seen through the table of Composite Reliability and Cronbach Alpha test results. The relationship between variables was analyzed based on the table of Path Coefficient test results, the last test was Adjusted R-Squared.

RESULT AND DISCUSSION

Demography Respondent

The author has distributed the questionnaires to 206 respondents. The percentage of questionnaires return is 100%. Research respondents were divided into two groups, namely respondents who had used the paylater payment method and had never used the paylater method. There are 151 (73,3%) respondents who use the paylater payment method and the remaining 55 (26,7%) do not use paylater. The respondent data that will be processed is only paylater user respondent data. There are various reasons why some research respondents do not use paylater payment method. The biggest reason why research respondents choose not to use a paylater is that they don't want to go into debt. The next reason was that became the majority was not interested and do not understand the paylater application.

Respondents in this study were divided into three types, namely based on gender, age, and occupation of research respondents. The following is a table of research respondent data based on demography.

Table 1. Demography Respondents

Respondents	Total	Percentage
Male	89	58,9%
Female	62	41,1%
< 20 Years	15	9,9%
21 – 30 Years	64	42,4%
31 – 40 Years	55	36,4%
41 – 50 Years	13	8,6%
> 50 Years	4	2,6%
College Student	33	21,9%
Employee/Self-employed	116	76,8%
Not Working	2	1,3%

Source: Primary data processes (2022)

Then there are several companies and e-commerce that provide paylater payment systems on their platforms. The following is a table listing the types of paylaters used by research respondents.

Table 2. Paylater Respondents Use (Respondents may use more than 1)

Type of Paylater	Total	Percentage
Akulaku	2	2%
Gojek Paylater	14	9,3%
Home Credit	71	47%
Kredivo	11	7,3%
Ovo Paylater	15	9,9%
Shopee Paylater	90	59,6%

Traveloka Paylater	23	15,2%
Dana	1	0,7%

Source: Primary data processes (2022)

Data Quality Test

Data quality test is done by testing the validity and reliability. Validity testing is carried out with Outer Loading and Average Variance Extracted (AVE) tests with the provisions of the minimum value being greater than 0,5 (>0,5) (Suhartanto, 2020).

Table 3. Validity Test

Variables	Outer Loading	AVE	Result
Perceived Ease of Use	0,843	0,657	Valid
	0,794		
	0,817		
	0,783		
Intention to Use Paylater	0,705	0,529	Valid
	0,684		
	0,751		
	0,755		
Impulsive Buying	0,730	0,572	Valid
	0,566		
	0,818		
	0,868		
Perceived Security	0,852	0,794	Valid
	0,893		
	0,904		
	0,913		
Perceived Usefulness	0,778	0,673	Valid
	0,884		
	0,868		
	0,740		

Source: Primary data processes (2022)

Through the table test results above, it can be concluded that all variables in this study have met the requirements or are valid because they have an outer loading and AVE value > 0,5 (Suhartanto, 2020).

Table 4. Reliability Test

Variables	Composite Reliability	Cronbach's Alpha	Result
Impulsive Buying	0,838	0,745	Reliable
Intention to Use Paylater	0,816	0,698	Reliable
Perceived Ease of Use	0,884	0,825	Reliable
Perceived Security	0,939	0,913	Reliable
Perceived Usefulness	0,890	0,838	Reliable

Source: Primary data processes (2022)

The results of the test table above show that the value of Cronbach's alpha for all research variables is greater than 0,6 and composite reliability is greater than 0,7 (Hair *et al.*, 2014). So that all variables are declared reliable and can be used for research data processing.

Hypothesis Test

Research hypothesis testing can be analyzed through the results of the path coefficient test. Variables are declared to affect other variables if they meet the conditions for the value of t - statistics greater than 1,96 (> 1,96) and p - values lower than 0,05 (< 0,05) (Hair *et al.*, 2014).

Table 5. Path Coefficient Test

Path X -> Y	Sample Mean (M)	T Statistics (|O/STDEV|)	P Values	Hypothesis
Intention to Use Paylater -> Impulsive Buying	0,745	17,061	0,000	Significant positive
Perceived Ease of Use -> Intention to Use Paylater	-0,004	0,060	0,952	Not significant
Perceived Security -> Intention to Use Paylater	0,498	7,525	0,000	Significant positive
Perceived Usefulness -> Intention to Use Paylater	0,612	8,073	0,000	Significant positive

Source: Primary data processes (2022)

The table of path coefficient test results shows that the relationship between the variables of intention to use paylater on impulsive buying has a t-statistic value of 17,061 (> 1,96) and a p-value of 0,000 (<0,05). Therefore, the relationship can be stated to be significantly affected. The relationship between perceived ease of use variables on the intention to use paylater has a t-statistic value of 0,060 (< 1,96) and a p-value of 0,952 (> 0,05), therefore the relationship can be stated to have no significant influence. Then the influence relationship between perceived security variables and the intention to use paylater has a t-statistic value of 7,525 (> 1,96) and a p-value of 0,000 (<0,05) so the relationship is declared to have a significant influence. Finally, the relationship between the perceived usefulness variable and the intention to use paylater shows a t-statistic value of 8,073 (> 1,96) and a p-value of 0,000 (<0,05). This relationship can be stated to have a significant influence.

Hypothesis 1

Perceived usefulness has a significant positive influence on the intention to use a paylater for the people of Batam City. This shows that there is an influence of perceived usefulness on the individual's desire to use or adopt paylater payments. Online credit transaction systems like this, of course, provide many benefits. Various online marketplaces and e-commerce have implemented this feature on their platforms. The various types of payments that can use a paylater make consumers feel the usefulness of the payment system. Not only purchasing products but using services, purchasing tickets, and booking hotels, it has also been equipped with a paylater payment feature. These benefits of course encourage consumers to use paylater. Previous research by Kurniawan *et al.* (2021), Rachmawati and Astuti (2020) and Keni *et al.* (2020) also found the same result.

Hypothesis 2

Perceived ease of use does not significantly affect the intention to use paylater of the people of Batam City. This relationship also shows a negative nature, the convenience felt by consumers is not a factor that encourages them to use the application. Because it can be seen from the results of the statement of reasons why respondents do not use paylater only 36.4% of the answers do not understand paylater. So that consumers already have an understanding of the use of paylater but the ease of use is not a factor that makes them use the paylater feature. In addition, this can also be caused by the ease with which consumers use the paylater application, which makes perceived ease of use, not a factor that encourages them to use paylater. Previous research by Kurniawan *et al.* (2021) also showed the same thing, but the results of this study contradicted research by Rachmawati and Astuti (2020) and Keni *et al.* (2020) which stated that there was an influence between these variables.

Hypothesis 3

Perceived security significantly affects the intention to use a paylater for the people of Batam City. The security of a system is of course the main factor that will be considered when someone wants to use or adapt the system. Especially for security related to personal data and financial matters. The perceived security of online consumers is a factor that determines

whether they will use paylater payments on the application or platform. Therefore, a strong security system is very important to be applied to paylater companies to attract consumers. This study shows similar results to previous research by Keni *et al*. (2020) dan Nan *et al*. (2020). However, this study showed different results from the research by Kurniawan *et al*. (2021).

Hypothesis 4

The intention to use paylater significantly affects the online impulsive buying of the people of Batam City. The use of a paylater makes payment transactions or product purchases on the online market easier and faster. This makes consumers increasingly compelled to make unplanned product purchases that can lead to impulsive purchases. In addition, Paylater, which is a BNPL (Buy Now Pay Later) transaction system, can cause excessive consumption (Lia & Natswa, 2021). Previous research by Hilmi and Pratika (2021), Sari (2021), and Khan and Haque (2020) also found the same thing that the use of paylaters led to impulsive buying of online consumers.

R Squared Adjusted Test

Table 6. R Squared Adjusted Test

Variables	R Square Adjusted
Impulsive Buying	0,554
Intention to Use Paylater	0,760

Source: Primary data processes (2022)

The value of the R square adjusted test results shows the percentage of model fit. Through the table of test results above, the impulsive buying variable has a value of 0,554, this means that this variable can be explained by the intention to use paylater variable of 55,4% and the remaining 44,6% is explained by other factors not included in this research. Then the variable intention to use paylater has a value of 0,760. This means that the variables perceived usefulness, perceived ease of use and perceived security can explain these variables as much as 76% and the remaining 24% are explained by other factors that do not exist in the research model.

CONCLUSION

Based on the results of testing and analysis of the research data above, it can be concluded that perceived usefulness (H1) and perceived security (H3) significantly positively affect the intention to use paylater. Intention to use paylater also has a significant positive relationship to online impulsive buying (H4). So, it can be stated that hypotheses 1, 3, and 4 are supported, but perceived ease of use does not significantly affect the intention to use paylater (H2), this means that the hypothesis is not supported.

Recommendations or suggestions for further research from researchers with the same topic are that researchers can add independent variables, mediation, or other factors in testing the relationship between these variables. In addition, subsequent research can also expand the reach of the questionnaire distribution area. Then further research can also add supporting journals and information that can support the research results.

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