



Is Wise? Use the Paylater Feature During a Pandemic Period

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Abstract. This study aims to analyse how the paylater is used in the current purchasing process, including the advantages and disadvantages of using it. The method used is a qualitative method in the form of literature review from various journals in previous research. The findings of this study are that the use of paylater in the process of purchasing goods is a very good business innovation because in addition to increasing product sales, the use of paylater schemes also provides convenience and increases consumer loyalty. However, the use of paylater also has some disadvantages such as increased consumer behaviour, messy consumer finances, bad credit, and even the threat of data hacking so that in its implementation certain adjustments need to be made to run well.

Keywords: fintech · loan · online · paylater · transaction

1 Introduction

The purpose of this paper is to review whether it is wise? using a paylater during the pandemic in the financial sector in the era of financial technology. What is a fintech? Financial technology or commonly abbreviated as FINTECH, is a new term for an advanced technology that greatly utilizes the internet network [1]. This technology is able to help services to manage finances by utilizing digital in the form of big data, block chains, and investment in finance. Fintech covers various topics, including auctions, databases, computer networks, back-office operations, statistics, risk management [2].

According to the Financial Services Authority Regulation Number 77/POJK.01/Year 2016 Regarding Information Technology Services released on 28 December 2016, the number of companies offering services until 4 September, the number of registered P2P (Peer To Peer) landing companies or holding permits and registering the company reaches 40 entities, and of course every year it can continue to increase [3]. The concept of this financial technology is that it is able to facilitate what is felt to be difficult, and takes a lot of time, and of course it must also be considered for the people who use

it, whether the entry of this era of financial technology in business or daily life can be accepted by the Indonesian people who use it generally use cash.

With the age of technology that is growing rapidly. The increase in digital payments aims to attract consumers to make it easier and to be able to streamline users' time. As we know, technology is an integral part of modern society. With the increase in the use of fintech, it can have a positive impact on supporting sectors in the financial sector such as Bank Indonesia (BI). Bank Indonesia recorded the number of electronic trading transactions in 2019 as much as Rp. 13 trillion per month [7]. This condition shows that digital payments are in great demand. Paylater itself has been covered by many e-commerce and e-wallet parties such as shoppe, Traveloka, gojek, and ovo.

According to users, paylater with credit card is a little different, but the payment system can provide opportunities for users to make purchases on credit [12]. The presence of digital money or paylater can make online shopping more attractive for its users [5]. And then, technological advances in today's era have indeed made access to purchases in installments easier and more efficient. The paylater feature is indeed an alternative for users that will make it easier to transact anywhere, but can trigger impulsive buying behavior [4].

2 Materials and Methods

The method used is the Traditional Review, which is a literature review method that has been commonly carried out and the results are found in many existing survey papers. So that a review of scientific works is carried out specifically on one topic and selects the known literature. The literature support used to identify how the state of fintech in the pay later feature is summarized in the following topic.

3 Result and Discussion

3.1 Use of Features During of Pandemic

Basically, pay later is a concept that is almost the same as a credit card. You will be loaned a certain amount of funds by a party with a certain limit to meet your needs. The difference is that pay later, which is generally provided on various online buying and selling sites, does not need to use a physical card.

As we already know, before the existence of credit cards like today, in general, most people would prefer to avoid debt to anyone for various reasons, ranging from fear of being chased by loan sharks if they couldn't pay their debts, to objecting to high interest charges [13].

The pandemic has changed many things in everyday life, including behavior when transacting digitally. Research conducted by Kredivo with the Katadata Insight Center this year strengthens the conclusion that e-commerce adoption will continue to increase every year. Research shows that in the future Paylater will be increasingly in demand as a fast, safe, and convenient payment option. In addition, Paylater is estimated to be one of the fastest growing digital payments in e-commerce in the past year.

In research by Kredivo and Katadata Insight Center during January-December 2020, as many as 55 percent of new e-commerce users chose the payment method through Paylater. Research conducted through six of Indonesia's largest e-commerce players shows that apart from buying urgent needs or shopping in short installments, 41 percent of consumers choose the paylater feature to control monthly expenses.

Nearly 90 percent of consumers realize Paylater is a very helpful payment option, those who already use Paylater are very satisfied and 50 percent of them plan to use Paylater more often than before. Paylater percentage is also higher than credit card usage. The payment method using paylater contributes 27 percent, while credit cards only 6 percent. In addition, 86 percent of respondents already know and are familiar with the Paylater payment method with a knowledge composition of 26.3 percent or moderate. "Most of Paylater users are new users for less than 1 year or during this pandemic. 69 percent of them admit that Paylater can meet their needs when funds are not enough and as an alternative to installments other than credit cards.

3.2 Advantages of Using Paylater

Features are attributes of a product to meet the level of satisfaction of consumer needs and desires, through having the product, using, and utilizing the product [8]. Indicators for product features are:

1. Ease of operation,
2. Satisfaction with the product, and
3. Design.

ShopeePayLater is a new payment feature of the Shopee app. Through ShopeePayLater, active Shopee users will get the convenience of shopping in the form of instant loans with very minimal interest. ShopeePayLater provided by PT. Lentera Dana Nusantara is a payment method using a bailout from the related application company, then the user pays the bill to the application company. Shopee Paylater offers loan products with zero percent initial loans without a minimum transaction, and loans for product purchases with a 30-day tenor. Unlike ShopeePay which can be activated immediately, currently the payment method through ShopeePayLater can only be enjoyed by active users. Shopee applications that are deemed eligible to use ShopeePayLater. Requirements that must be met first, such as:

1. Shopee account must be registered and verified
2. Shopee account is 3 months old
3. Shopee accounts are often used for transactions
4. Must update the latest Shopee application

After making a purchase transaction using ShopeePayLater, the user will be required to pay the bill according to the installment period selected when making a payment transaction in the Shopee application. Through the ShopeePayLater feature, Shopee offers benefits in the form of instant loan funds with very minimal interest to active users on the Shopee application. Later, each selected active user will get a credit limit

whose value is adjusted to how high the level of the purchase transaction is [11]. In addition, ShopeePayLater also offers loan products with zero percent initial loans, has reached all regions of Indonesia and helps small and medium enterprises (SMEs) obtain capital loans.

3.3 Disadvantages of Using Paylater

Numerous business processes have been altered by the growth of information and communication technology (ICT). In the digital age, people's lives are significantly made easier by technology, e-commerce, and the internet [18]. The PayLater feature is just one of the conveniences offered by buying and selling platforms or virtual money as innovations to satisfy consumer needs in the hopes of gaining their loyalty and attachment. Implementation of "pay later" refers to a number of laws and related regulations, such as UU ITE, PBI No. 19 of 2017 regarding "FinTech Implementation," POJK No. 77 of 2016 regarding "Information Technology-Based Lending and Borrowing Services," and POJK No. 13 of 2018 [6] regarding "Digital Financial Innovation in the Financial Services Sector" [14]. The "buy now and pay later" strategy is simple for customers to use when using the pay later concept, which functions similarly to a credit card. In addition to having advantages, PayLater also has disadvantages. List the following as some factors to take into account when using a pay later method that are less profitable [19]:

1. There are additional costs that are not realized

When using the pay later feature, customers occasionally are unaware of all the costs involved. Subscription fees, installment fees, loan interest, and other fees are a few examples of extra costs. When using a pay later, expenses will rise as a result of this fee. However, the cost only recovers after that excess due to its lengthy repayment period. This additional cost may also be an issue for Muslim customers. There are still differences of opinion among scholars regarding PayLater financing transactions relating to the different price that exceeds the introductory price, so caution is required in its use [17].

2. Encouraging consumptive behaviour

Unaware of it, using a pay later method of payment increases the tendency to make impulsive purchases in transactions. When consumers see the products being sold, they engage in impulsive buying, which involves making unplanned purchases on the spur of the moment. Impulsive purchasing is consistent with Cuandra's research from 2022, which suggests that consumer intention to use a pay later has a significant positive relationship with impulsive purchasing [15]. This occurs because using a pay later dramatically streamlines the process of buying goods. Consumers are not required to have cash on hand during the transaction. Even in some pay later situations, installment payments are possible. The ease of using a pay later option greatly influences consumer decisions [20].

3. Disrupted cash flow

If the ability to pay later causes impulsive buying, the convenience of this feature can interfere with personal finances. A lot of installments become dependent as a result of irrational purchasing and waste. However, there are times when the

money that was initially set aside for paying future installments is instead used to meet emergency needs. Due to the funds' frequent involvement in default, there are frequently larger arrears. The funds are consistent with Maulida's (2021) research, which found that making purchases with a pay later option not only helps people and supports their lives, but also has an adverse effect on waste and consumerism [18].

4. Fines for late payments

Fines for late payments are permitted under the Civil Code, as stated in KUH Article 1239. Get a settlement in the obligation to pay back costs, losses, and interest for each agreement to do something or not to do something if the debtor doesn't fulfill their obligations. This is consistent with the implementation of payments using a pay later method [11]. Users of pay later should be aware that this financial loan service imposes penalties on late bill payments. However, not all users are aware of how the penalties are calculated if they pay their bills after the due date and as a result, they may end up spending more money than necessary.

5. Transaction arrears on Pay Later can damage the credit reputation of consumers.

Many people, especially those who frequently shop online, now prefer the pay later trend. Even so, the use of payment later must be prudent because, unknowingly, it has an impact on BI Checking. When BI checking, PayLater arrears can harm a consumer's credit reputation [19]. The smoothness of customer payments can be clearly seen through BI checking. When determining whether a customer is eligible for credit, banks and other financial institutions will take the results of BI checking into account. Poor credit history increases the likelihood that more important credit applications, like those for property and vehicles, will be turned down. A person still has the chance to obtain another loan facility from the bank if all arrears and fines have been settled, even though it has been added to the list of poor credit reputations.

6. Potential hacking hazard

Pay later payment plans are used to conduct lending and borrowing operations. The main requirement is a Population Identification Number, which is a form of personal consumer data. Following that, the law permits the payment. According to Article 26 Paragraph 1 of Law of the Republic of Indonesia Number 19 of 2016 Concerning Amendments to Law Number 11 of 2008 Concerning Information and Electronic Transactions (Law No. 19/2016), any use of personal data must have the owner's consent. The scheme does, however, also carry the risk of identity hacking, which compromises data security. Because when data belonging to one party is transferred to another party, the owner of the data no longer has full control over they data, consumers were harmed if personal data was misused in the form of loss of confidentiality of personal data [16]. As a result, even though every Fintech has a security system for its users, there is still a high risk of data hacking [18].

7. Not everyone can make a paylater application

Not everyone can make a paylater application, because the submission is required to get a recommendation first. For example, using the Shopee Paylater application. Problems arise when there is a shortage in using ShopeePayLater, many customers complain because of several obstacles that occur in using ShopeePayLater, namely when using the payment method with ShopeePayLater an error message appears

that cannot use this method, as well as many users who cannot use ShopeePay-Later within limits limited [9]. The interest rate given is still intact.6 ShopeePay-Later's own interest rate is between 0% to 2.95% per month. The terms of interest rates using ShopeePayLater are 30 days or 1-month installments with 0% interest, ShopeePayLater installments for 2–3 months are subject to 2.95% interest per month [10].

4 Conclusion

In conclusion, the emergence of digital payments, especially pay later, is still relatively new. Purchase-now, pay-later, or more precisely, buy now and spread the payments, was already gaining popularity as a common marketing strategy prior to the epidemic. As online shopping has skyrocketed throughout the epidemic, the number of venues that currently support this payment approach has exploded.

Like any other loan, Buy Now Pay Later is a credit product. The fundamental element in adopting pay later is credit, which is defined as offering installment services. Customers are encouraged to use this technique since it enables them to make purchases and pay for them over time in installments. Additionally, since firms who use the pay later strategy to sell items excite customers' interest in doing so, there is a significant correlation between a product's sale price and its potential to be paid for later. The installation of pay later might eventually cause customers to make hasty purchases, just like how a credit card works.

Customers are provided the benefit of using this payment system for transactions since it would ease their financial load. There are definitely excellent prospects for e-commerce company transactions when the situation is there. Therefore, e-commerce companies who haven't used this feature yet could start doing so in order to increase the volume of sales transactions. To ensure that the transaction is secure and there is no future default, people who have previously submitted their applications still need to make certain adjustments. E-commerce businesses can arrange it by placing a cap on the total amount of purchases that can be made using the pay later system. In order to decide whether to offer this customer a pay later system or not, they must also take into consideration the transaction history of the customer. Given that the study's findings indicate a connection between the product and the ability to pay later, e-commerce businesses must also pay attention to the goods that customers frequently buy. As a result, businesses may promote pay later systems for these items, which will help increase consumer interaction.

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