

CHAPTER I

INTRODUCTION

A. Background

Increasingly recent technological developments have changed the way individuals shop and manage their money. This digital revolution has brought significant changes in the way payments are made, with various payment options and financial services experiencing growth. One of the most striking financial innovations is the paylater service. This service has now become popular, especially among the younger generation, as it eliminates the need for credit cards (Mihaila, 2019). Paylater service allows customers to make transactions without paying immediately, with the understanding that invoices will be issued on a certain date or after a certain period of time. The success of this innovative financial service reflects a shift in consumer behavior from conventional transactions to digital forms (Dzul Hilmi & Pratika, 2021).

Based on Statista data from excerpts from the 2023 Indonesian e-commerce consumer behavior report conducted by Kredivo and Katadata Insight Center, the frequency of using PayLater has increased, the percentage of consumers who use PayLater more than once a month from 27% in 2022 to 39.9% in 2023. From users who use PayLater, consumers spend more and choose a longer tenor option. This year, users who chose a longer tenor with 12-month installments increased, from 19% to 28.1%. PayLater offers various conveniences such as flexibility in payments and supporting consumers in managing their finances (Kredivo dan KIC, 2023).

The popularity of the PayLater method grew 64.3% or the fastest among payment methods that have been used in the past year to 45.9% in 2023 from 28.2% previously. Meanwhile, in 2023, consumers using credit cards only grew to 6.6% from 4.3% in 2022.

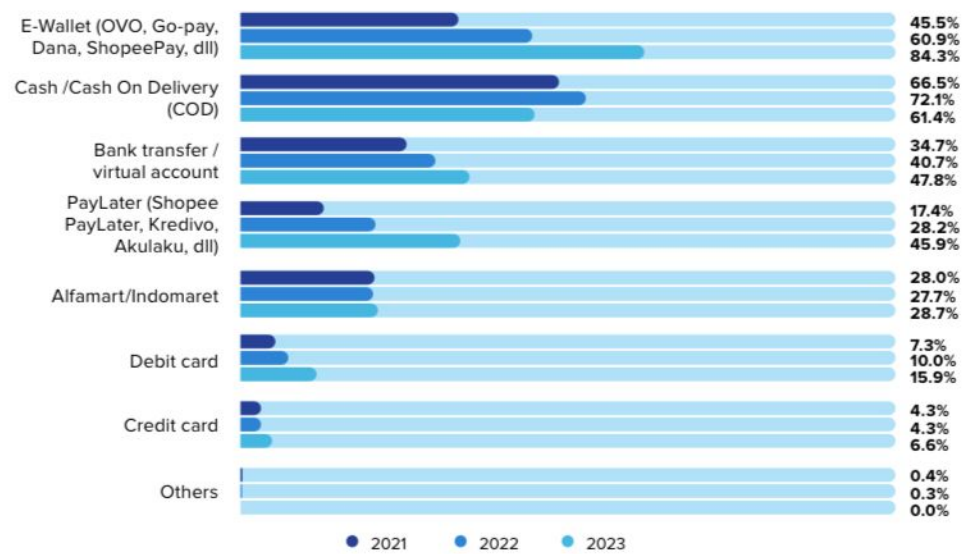


Figure 1 The most frequently used payment method in e-commerce in the past year (Kredivo dan KIC, 2023)

The reason for the popularity of PayLater compared to credit cards is that it is easier to apply so that it makes it easier for people to reach it. Even the increase in 2023, PayLater overtaking bank transfers as the most frequently used method for shopping in e-commerce is presented in the following figure

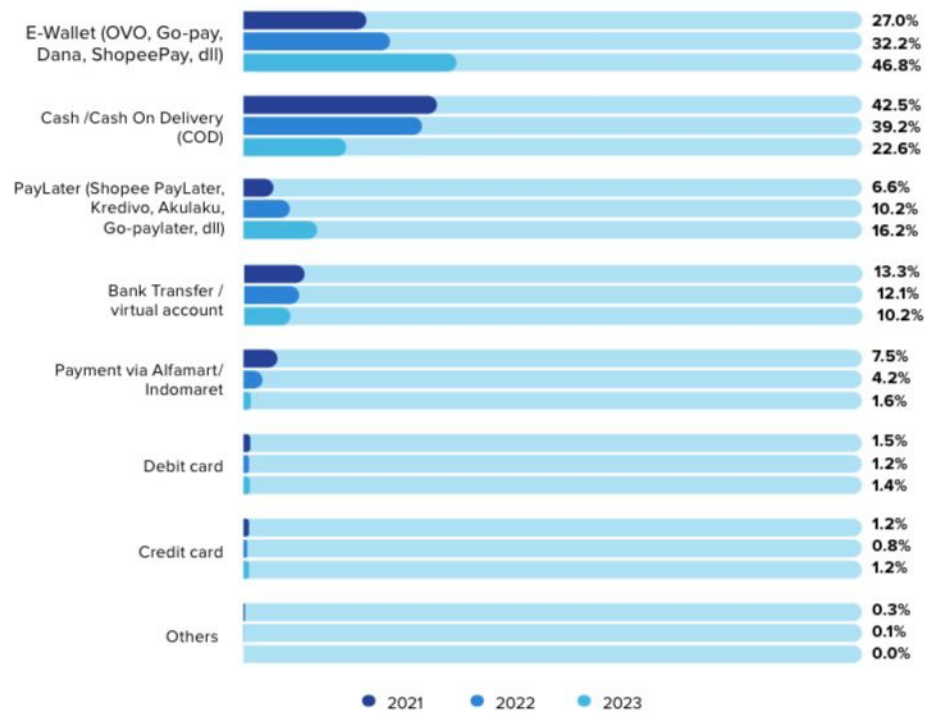


Figure 2 The most frequently used payment method in e-commerce in the past year (Kredivo dan KIC, 2023)

This study aims to find out what factors affect paylater adoption when making payment transactions. This study replicates with variations of the research conducted (Ayu et al., 2023) in Jabotodabek which examines what are the factors of the adoption of paylater use using performance expectancy variables, social influence, facilitating conditions, habits from UTAUT theory and adding financial literacy variables as predictive variables of paylater adoption and analyzing their effects on financial well-being. This study adopts variables contained in UTAUT2 theory, namely social influence, hedonic motivation, habits and adds financial literacy variables as an extension of the UTAUT 2 theory framework to determine the factors that influence paylater adoption.

Previous research from (Alalwan et al., 2017) In Jordan, we examined what factors factor in the adoption of mobile banking using UTAUT 2 theory and added trust variables that aim to investigate the factors that influence the behavioral intentions and adoption of mobile banking by Jordanian bank customers. Research conducted by (Walle et al., 2023) aims to examine the intention of diabetes mellitus patients to use wearable health devices and the factors affecting them in Ethiopia. Research (Al-Saedi et al., 2020) aims to determine the factors that most often extend the Unified Theory of Technology Acceptance and Use (UTAUT) in the context of mobile payment adoption (M-payment). (Gharaibeh et al., 2018) investigate the factors influencing the adoption of mobile banking services in Jordan. This study expands on research from Alalwan et al., (2017) which uses theory (UTAUT2) by adding two important factors, namely mass media. Research (Dhio Ramadhan Sukmana Putra, 2022) Aims to investigate the influence of performance expectations, business expectations, social influences, supporting conditions, hedonic motivations, price values, and habits on interest in using e-wallets in payment transactions. The method used is UTAUT2, with samples that have used e-wallets such as Go-Pay, OVO, Link Aja, ShopeePay, and DANA in Malang City. Research Widodo et al. (2019) aims to examine the adoption rate in using e-wallets in Indonesia. This study uses the UTAUT2 model as a predictor of what factors influence the interest in using e-wallets in Indonesia. Two variables were also added as additional variables to the UTAUT2 model: perceived risk and trust. The results showed that habit, performance expectancy, trust, and

facilitating conditions have a major influence on behavioral intentions in using e-wallets in Indonesia.

Based on the background of previous research results, researchers are interested in continuing more in-depth research to investigate the factors that influence paylater adoption using the expanded UTAUT 2 theory, by adding financial literacy variables as additional variables to explore what are the determinants of paylater adoption in Indonesia. This study adopts variables contained in UTAUT2 theory, namely social influence, hedonic motivation, and habits as predictive variables of paylater adoption. Therefore, based on the background description and problems that have been described earlier, this study will have the title: "Analysis of Determinants of Paylater Adoption in Payment Transactions".

B. Research Problems

1. Does social influence affect paylater adoption?
2. Do hedonic motivations influence paylater adoption?
3. Do habits affect paylater adoption?
4. Does financial literacy affect paylater adoption?

C. Purpose

1. Analyze the relationship of social influence on the adoption of paylater services.
2. Analyze the relationship between hedonic motivation and adoption of paylater services.

3. Analyze the relationship of habits to the adoption of paylater services.
4. Analyze the effect of financial literacy on the adoption of paylater services.

D. Benefit

1. Benefits in the field of theory:

This research can provide a better understanding of the social influences that influence decisions in adopting PayLater services. Increase knowledge about how social influence, hedonic motivation, habits and financial literacy affect the adoption of PayLater services. Analyze the relationship between social influence, hedonic motivation, habits and financial literacy using financial services and adoption of PayLater services. Increasing knowledge about financial literacy affects the adoption of paylater services.

2. Benefits in the field of practice:

The results of this study can help PayLater service providers understand important factors that must be considered to increase adoption by students in Yogyakarta by knowing how social factors, hedonic motivation, habits, and financial literacy affect the acceptance and use of PayLater services. This can help make wiser financial decisions.

3. Benefits for decision or policy making:

The findings from this study can be used as a basis for developing marketing and promotion strategies for PayLater service providers to increase their adoption among students.