PayLater: An Antecedent to Consumption Behavior and Consumption Level in Gen-Z

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Abstract. This study focuses on consumption level, consumption behavior, and the causal factor, PayLater. The population in this study was student sat public universities in East Java, with a total of 301,160 students. Based on the calculation of the sample size using the Slovin formula, the respondents in this study amounted to 100 people. Data were collected using a questionnaire and analyzed with Partial Least Square analysis tools. Hypotheses were tested, and the significance values of the three substructure models were developed. These three models were combined into a complete path coefficient model. The results of this study prove that the PayLater variable has a significant effect on consumption level, the PayLater variable has a significant effect on consumption behavior, the consumption behavior variable has a significant impact on consumption, the PayLater variable has a positive and significant effect on consumption behavior through consumption behavior as a mediating variable.

Keywords: PayLater · Consumption behavior · Consumption Level · Gen-Z

1 Introduction

In today's digital era, a marketplace is where entrepreneurs can market their products. Buyers and sellers can meet directly on one platform for quick and easy transactions. In fact, several well-known marketplaces, such as Amazon, eBay, Alibaba, etc. have been instrumental in reviving online markets worldwide. In these marketplaces, you must provide complete information about the products you sell, such as product details, prices, shipping costs, and many more. In Indonesia, the growth of the marketplace is fast. Databoks found that 2.36 million companies in Indonesia use e-commerce, with 1.77 million companies based in Java. This is because Java is the center of the economy and has a better digital infrastructure. Some Indonesia's e-commerce examples are Shoppe, Lazada, Tokopedia, JD.ID, Blibli, Zalora etc., and offer different payment methods. PayLater allows users to buy now, pay later, and/or pay monthly installments without a credit card or commonly called online credit (PayLater). As buy now, PayLater gradually attracts shoppers in Asian markets, payment service providers and online stores are offering solutions to enable payment later. Global Data points out that the growing desire for short-term financing offers great potential in the Asian market [1]. The convenience that PayLater offers is beneficial if used wisely, as it can cover daily needs, help organize

finances and simplify the transaction process. However, PayLater users should also understand the advantages and disadvantages of this function in advance because it may disrupt financial stability and pose a risk to irresponsible consumption habits [2]. Made up mostly of university students, young people do not have a steady income. It can be said that the age of students and university students does not count towards the working age. Limiting financial income is not a problem with the PayLater payment method. This payment method is commonly known as "buy now, pay later" or "pay later." The process of obtaining a paid service can be described [3]. The PayLater registration process is very simple and faster than applying for a credit card. Another benefit for postpaid users is that there is no monthly fee or prepayment. Currently, there are various PayLater services, such as SPayLater, Kredivo, Gopaylater, Akulaku, Traveloka PayLater, Indodana, and Home Credit. There are several studies regarding the impact of late payments (e.g., the PayLater option). According to hyperbolic discounting, people's view of time is irrational, so they think differently about short-term and future events [4]. Lifelong consumption behavior is characterized by the ability to manage desires and the costs associated with implementing this self-regulation [5]. The illusion of shopping develops where one can no longer distinguish between needs and wants, known as compulsive shopping disorder [6]. Thanks to PayLater technology, consumers often cannot ignore the urge to buy attractive products [7]. When we talk about PayLater, we talk about consumption behavior and spending levels because PayLater is a technology.

2 Literature Review

2.1 Financial Technology

Financial technology, or fintech in general, combines information technology and financial services to make transactions quickly and without distance [8]. In Indonesia, fintech is classified into payment systems (payment, settlement, and settlement); market support (market aggregators); investment management and risk management (personal/financial planning); credit, financing and capital raising (crowd funding and P2P lending); and other financial services [9].

2.2 PayLater Payment System

The financial technology company introduced a payment technology that handles payments without a credit card, or PayLater [10]. PayLater refers to a payment method using a bailout from an app company [11]. The phenomenon of postpaid payment in Indonesia was first created by Traveloka [12]. It encouraged other marketing platforms to use the feature. Many factors led to the interest in using PayLater both before and during the Covid-19 pandemic. Urban workers across generations have different motivations, desires, aspirations, and hedonic social environments to accept and use PayLater for payments [13].

2.3 Consumption Behavior

Consumption behavior is defined as the study of purchase units and exchange processes involving the acquisition, consumption, and realization of goods or services, experiences, and ideas [14]. Consumption behavior is the activity related to the acquisition, consumption and consumption of products, services and consumption behavior are the activities of people directly involved in the service, including the decision-making process.

2.4 Consumption Rate

Consumption is the activity of spending the use value of goods and services to fulfill life needs, both basic, secondary, and tertiary needs [15]. Several factors affect public consumption, including public wealth or income, expectations (future forecasts), population, interest rates, and price levels [16]. Indicators of consumption level can be categorized as follows: 1) Basic consumption is intended to meet the minimum primary needs that must be met in order to live; 2) Secondary consumption is the second need after basic needs are met; and 3) Tertiary consumption (luxury goods).

3 Methods

The research was conducted on new students at public universities in East Java for the 2021/2022 academic year, categorized as generation Z; the total population in East Java Province is 301,160 people. This study used a non-probability side purposive sampling technique. Based on the calculation of the sample size using the Slovin formula, the respondents in this study amounted to 100 people. Data were obtained by distributing questionnaires via Google forms. Data analysis tools used Partial Least Square (PLS). The conceptual framework is presented in Fig. 1:

With the following hypothesis statement:

H1: PayLater affects consumption level

H2: PayLater affects consumption behavior

H3: Consumption behavior affects consumption level

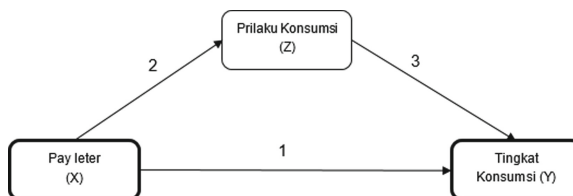H4: PayLater affects consumption level through consumption behavior

Fig. 1. Conceptual Framework

4   Results and Discussion

External models are used to measure the effectiveness and reliability of models as the metrics used are reflexive. This measure includes convergence validity, discriminant validity, composite reliability, and Cronbach's alpha. Convergent validity is significant at an alpha level of 0.05 or a t-statistic > 1.96 (Table 1).

Table 2 indicates that Cronbach's alpha and combined confidence score exceeded 0.7 for each latent variable. This indicates that the research equipment has passed the reliability test.

Based on the data in Table 3, the results of hypothesis testing can be explained as follows:

Table 1. Validity Test Parameters in the PLS Measurement Model

Validity Test	Parameters	Rule of Thumbs
Convergent	Factor Loading	>0.7
	AVE	>0.5
Discriminant	Root AVE and Correlation of latent variables	Root AVE > Latent variable correlation
	Cross loading	>0.7 in one variable

Table 2. Cronbach's alpha and Composite reliability scores

	Cronbach's Alpha	Composite Reliability
Consumption level	0.932	0.949
Consumption behavior	0.962	0.968
PayLater	0.937	0.952

Table 3. Results of Bootstrapping by PLS (Direct & Indirect path)

	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics	P Values	H	Remarks
PL - > TK	0.638	0.099	6.434	0.000	H1	Supported
PL - > PK	0.715	0.108	6.650	0.000	H2	Supported
PK - > TK	0.182	0.101	1.774	0.077	H3	Supported
PL - > PK - > TK	0.638	0.099	6.434	0.000	H4	Supported

H1: PayLater affects consumption level.

H2: PayLater affects consumption behavior.

H3: Consumption behavior affects consumption level.

H4: PayLater affects consumption level through consumption behavior.

Based on Table 3, the t-Statistics value is 6.434 ≥ 1.645. The original sample value is 0.716 (positive). This explains that H1 is supported, namely PayLater has a positive and significant effect on consumption level. So it can be concluded that the PayLater variable has a significant effect on the consumption level.

Hypothesis 2 Indicates that invoices have a positive impact on consumption behavior. Based on Table 3, the t-statistic value is 6.650 ≥ 1.65. The original sample value is 0.201 (positive). This explains H2 is supported, and PayLater has a positive impact on consumption behavior. From this, we can conclude that the PayLater variable has a significant impact on consumption behavior.

Hypothesis 3 states that consumption behavior has a significant positive impact on consumption level. Based on Table 3, the t-statistic value is 1.77 ≥ 1.65. The original sample value is 0.638 (positive). This explains that H3 is supported, i.e. consumption behavior has a positive impact on consumption level. From this, we can conclude that the consumption behavior variable has a significant impact on consumption level.

Hypothesis 4 states that PayLater has a positive and significant effect on consumption level as a mediating variable through consumption behavior. Based on Table 3, the t-statistic value is 6.3 ≥ 1.65. The original sample value is 0.638 (positive). This explains H4 is supported. In other words, PayLater has a positive and significant effect on consumption level as a mediating variable through consumption behavior.

5   Conclusions

PayLater can significantly change consumption behavior; this change is significantly influenced by the ease of features and ways of shopping, which results in a significant change in shopping behavior. Consumption behavior has a significant effect on consumption level; changes in consumption behavior can increase consumption; this is a result of changes in behavior that encourage an increase in consumption level. PayLater has a significant effect on consumption level mediated by consumption behavior; with PayLater, consumption behavior has a significant effect on consumption level; this is because PayLater can change generation Z's shopping patterns so that their consumption level increases.

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