

# **CHAPTER**

## **INTRODUCTION**

### **1.1 Background of the Study**

The changing times make the needs and lifestyles of each individual increasingly evolving. In Indonesia, there are several marketplace called E-Commerce, one of which is Shopee. With the presence of this E-Commerce, people are starting to switch to doing shopping transactions online. The emergence of this marketplace also encourages the growth of payment system technology in Indonesia, which is known as financial technology (fintech), one example of current fintech innovation is PayLater (Utami et al., 2023)

In recent years, the paylater payment method has attracted the attention of Indonesians due to the convenience of the payment system. According to a study report, it is known that 90% of e-commerce consumers know about paylater (Kredivo, 2022). By using paylater, customers can complete transactions in advance and payments are made some time afterwards according to the chosen tenor (Asja et al., 2021). Based on a report issued by International Data Corporation (IDC) entitled "How Southeast Asia Buys and Pays: Driving New Business Value for Merchants", e-commerce transactions in Indonesia using paylater reached USD 530 million in 2020. IDC also projects e-commerce transactions using paylater in Indonesia to increase 8.7 times by 2025 from 2020, reaching USD 8.84 billion (International Data Corporation, 2021).

The internet is a technology advancement that widely utilized by individuals, organizations, and enterprises. Consumers and organizations can benefit from e-commerce services, which allow for prompt fulfillment of required services. This enables enterprises to deliver optimal service to consumers. Currently, buyers are compelled to physically visit the location of the product seller in order to make purchases, which proves highly impractical for individuals with demanding schedules. E-commerce platforms enable consumers to conveniently access and purchase things from multiple locations. This leads to intense competition among corporations to provide reliable online services or e-commerce platforms that are trusted by consumers, thereby enhancing the convenience, affordability, and efficiency of their products. The sales are significantly influenced by the number of consumers regularly check the e-commerce platform and are familiar with the brand being sold.

Every organization faces specific problems before entering into product marketing, these problems belong to the field of product marketing techniques. The advent of the digital age is becoming increasingly unavoidable, necessitating that every company regularly monitor and adapt their internet marketing methods to effectively sell their products. The prevailing consumer trend in marketing is the adoption of cashless payment systems for transactions (Sunyoto, 2013).

According to the Otoritas Jasa Keuangan (OJK, 2023), a PayLater is a payment service or a debt, which must then be repaid at a specified time. This paylater service is gaining strong traction for various reasons. In Indonesia, there are currently several paylater applications available. One paylater that has been

registered and supervised by the Financial Services Authority (OJK) is SPayLater or also known as Shopee Paylater. SPayLater can be used by eligible Shopee customers (Shopee). Shopee Paylater is a feature within the Shopee program that functions as a PayLater service. It allows users to make immediate online payments when selecting a payment method within the Shopee feature (OJK, 2023). With the SPayLater payment system, you can pay off or install it for 1, 3, 6, and 12 months on the specified due date (Shopee).

The application sets a predetermined spending limit for this service. Deferred payment Shopee is a PayLater service that allows users to make purchases for specific products, provided that the merchant has established a prior partnership with Gojek. In addition to Gojek, there is also an OVO digital wallet that offers paylater services. Traveloka is an e-commerce platform that specializes in selling flight tickets and hotel accommodations. It prides itself on offering the fastest, most affordable, and comprehensive options in the market. The proliferation of online buying, along with the availability of diverse payment methods, particularly the paylater option, has resulted in the emergence of novel lifestyle patterns and consumer behavior in the realm of online purchasing. Online buying facilitates convenient access to products and their associated advantages for consumers. Students constitute a significant segment of the target market for the advancement of PayLater technologies. Research conducted by MoneySmart.id reveals that among students, 10.8% of their expenses are allocated to entertainment (such as watching movies or attending concerts), 37.7% to traveling (including purchasing transportation tickets), 23.3% to hanging out (such as buying food and beverages),

7.1% to internet-related expenses (such as purchasing internet packages and credits), and 21.1% to shopping for branded items (Anastasia, 2018).

Consumptive conduct refers to behavior that is no longer driven by rational considerations, but rather by an intense need that has escalated to an irrational level. This concept aligns with the perspectives of Lina and Rosyid, who assert that consumptive behavior is associated with an individual when they make purchases that go beyond their logical demands. These purchases are no longer motivated by necessity, but rather by an excessive desire (Lina & Rosyid, 2008).

In this digital wallet era, consumers are now increasingly using paylater when transacting on e-commerce platforms. The survey was implemented in March 2022 with 3500 as the number of respondents across Indonesia. Based on the latest report as of June 2022, the most used digital payment method are e- wallet (53%), bank transfer/virtual account (20%), and paylater (17%). The report also noted that paylater users on e-commerce platforms increased to 38% in 2022 compared to 28% in 2021.

According to the Global Payments Report by FIS, PayLater made up 2.9% of global e-commerce transactions in 2021 and is expected to grow to 5.3% by 2025 (Dailysocial, 2022). Many apps now offer PayLater features, letting users shop first and pay later. A DailySocial survey found that 54.3% of respondents use this feature most often on Shopee (Dailysocial, 2022).

**Tabel 1.1. Percentage of ShopeePaylater users in Indonesia**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
ShopeePaylater Usage Percentage (%)	34,8	54,3	78,4

Source: DSReaserch, 2021

The table illustrates the percentage of ShopeePayLater users in Indonesia from 2019 to 2021, showing a concerning trend of increasing dependency on the service. In 2019, 34.8% of users utilized ShopeePayLater, which surged significantly to 54.3% in 2020 and further climbed to a staggering 78.4% in 2021. This upward trajectory suggests that a growing number of individuals are relying on deferred payment options, potentially indicating an over-reliance on credit systems that could lead to financial risks and instability for users over time.

**Tabel 1.2. Number of ShopeePaylater users in Indonesia.**

	<b>2022</b>	<b>2023</b>
<b>Paylater User Total</b>	54.700.000	72.880.000

Source: OJK, 2023

The table indicates the total number of PayLater users in Indonesia for the years 2022 and 2023, highlighting a dramatic increase in adoption. In 2022, there were 54.7 million users, which surged to 72.88 million users in 2023. This rapid growth suggests a concerning trend of financial dependency on "buy now, pay later" services, which could signal an increased risk of debt accumulation among consumers. The sharp rise in users may reflect a growing acceptance of credit-based spending but also raises questions about its long-term financial implications for individuals and the economy.

The use of Shopee Paylater negatively impacts students' consumptive behavior and impulsive buying tendencies by providing them with the convenience of deferred payments, which may lead to overspending. Students, especially those with limited financial awareness, tend to make purchases they cannot afford in the present, believing they can pay later. This ease of access to credit encourages students to prioritize immediate enjoy the service/use the goods over long-term

financial planning, resulting in higher levels of debt and financial stress. As a result, their purchasing decisions are often driven by impulsiveness rather than necessity, which leads to increased consumption of non-essential products.

Lifestyle choices also play a significant role in shaping students' consumptive behavior and impulsive buying in a negative way. Students who adopt a consumer-driven lifestyle, influenced by social media trends and peer pressure, are more likely to make impulsive purchases to keep up with the latest fads or display a certain status. The desire to fit in and showcase material goods often leads to poor financial decisions, as students may prioritize superficial appearances over practical needs. This lifestyle encourages frequent, unnecessary spending and diminishes the ability to make thoughtful, planned purchasing decisions, fostering a cycle of excessive consumption and financial instability.

Based on the theory and data above, researchers want to conduct research on **"The Effect of Using Shopee Paylater and Lifestyle on Students' Consumptive Behavior and Impulsive buying for A Study on Business Management Students at Pelita Harapan University, Medan"**. The research was conducted at Pelita Harapan University so that data collection was more effective and efficient.

## **1.2 Problem Limitation**

Regarding this aspect, the writer will focus on four variable which are using Shopee Paylater, lifestyle, consumption behavior, and impulsive buying. This thesis aims to investigate on how using Shopee Paylater and lifestyle can affect consumption behavior and impulsive buying. This research will focus on business management students at Pelita Harapan university, Medan.

### **1.3 Problem Formulation**

Based on the context of the problem that has been discussed, the aims of this study are as follows:

1. Does using Shopee Paylater have a partial effect toward consumption behavior of Business Management Students at Pelita Harapan University?
2. Does lifestyle have a partial effect toward consumption behavior of Business Management Students at Pelita Harapan University?
3. Does using Shopee Paylater and lifestyle have a simultaneous effect toward consumption behavior of Business Management Students at Pelita Harapan University?
4. Does using Shopee Paylater have a partial effect toward impulsive buying of Business Management Students at Pelita Harapan University?
5. Does lifestyle have a partial effect toward impulsive buying of Business Management Students at Pelita Harapan University?
6. Does Shopee Paylater and lifestyle have a partial effect toward impulsive buying of Business Management Students at Pelita Harapan University?

### **1.4 Objective of the Research**

The objective of the research as follow:

1. To analyze whether using Shopee Paylater have a partial effect toward consumption behavior of Business Management Students at Pelita Harapan University.

2. To analyze whether lifestyle have a partial effect toward consumption behavior of Business Management Students at Pelita Harapan University.
3. To analyze whether using Shopee Paylater and lifestyle have a simultaneous effect toward consumption behavior of Business Management Students at Pelita Harapan University.
4. To analyze whether using Shopee Paylater have a partial effect toward impulsive buying of Business Management Students at Pelita Harapan University.
5. To analyze whether lifestyle have a partial effect toward impulsive buying of Business Management Students at Pelita Harapan University.
6. To analyze whether Shopee Paylater and lifestyle have a partial effect toward impulsive buying of Business Management Students at Pelita Harapan University.

### **1.5 Benefit of the Research**

The benefits of the research are as follows:

1. Theoretical Benefit
  - a. For Readers

The outcome of the study can be a proof for the readers to know whether using Shopee Paylater and lifestyle have impact on consumption behavior decision of students studying Business Management at Pelita Harapan University Medan.

b. For Writer

This study would give experience and insights including observations in real situation which would be beneficial for the author in the future.

c. For Other Research

The output of this study can be used as references for those who intend to study the similar problem later on.

2. Practical Benefit

a. For students of Business Managemnet At Pelita Harapan University

From the research, it is expected that students become more cautious and responsible in managing their finances and lifestyle choices. By developing a better understanding of the difference between wants and needs, students can decide to buy better and not fall into impulsive buying.

b. For Writer

The output of the study makes the writer obtain novel experience and more knowledge of the importance of using Shopee Paylater and lifestyle towards consumption behavior and impulsive buying.

c. For Future Research

The researcher hopes that the outcome could be a reference for future researchers who want to study the same topic which is using Shopee Paylater and lifestyle towards consumption behavior and impulsive buying.