

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The companies that opened up new opportunities in the financial industry have been impacted by technological advancement. One invention where technology and finance have been integrated to offer benefits to consumers is fintech. Along with lifestyle shifts towards an entirely online lifestyle, numerous financial product and service efforts emerged. Paylater is one of the most well-known services. Paylater is a service that allows consumers to make e-commerce purchases in installments without using a credit card.

Electronic commerce includes the payment system as a component. There are numerous payment methods enabled by E-Commerce that customers can use to pay their invoices. One of the available payment options on well-known e-commerce sites like Shopee, Tokopedia, and Lazada is "Buy Now, Pay Later." Additionally, customer needs suggest an increasing desire for other payment methods beneath the growth of E-Commerce transactions (Kemppainen in Pratika et al. 2021)

Credit cards are frequently contrasted with Buy Now, Pay Later. With the use of this payment option, customers can choose to pay off their debt early. The site is accessible to users thanks to a variety of payment methods. Prika et al. (2002). In a recent study by Backman (2021), 62% of Buy Now Pay Later users in the US thought that credit cards might be

replaced by the service. After making a purchase transaction using Shopee PayLater, the user will be obliged to pay the bill in accordance with the installment period selected when making a payment transaction in the Shopee app. Shopee rewards active users of the Shopee programme with fast borrowing cash at a very low interest rate through the Shopee PayLater function. Later, a credit limit will be assigned to each chosen active user, and its amount will be based on how often their purchases are.

Paylater is a financial service provided by e-commerce and one of the fintech developments that offers advantages to users. PayLater makes it simpler for customers to transact by enabling instalment purchases of goods and services without the use of a credit card. The term Buy Now, Pay Later (BNPL), which originally referred to sale instalment loans, is used frequently to describe this payment option. PayLater, a handy payment option that is growing in popularity, enables customers to manage their finances.

2.2 Theories

2.2.1 Technology Acceptance Model (TAM)

In this study, the Technology Acceptance Model (TAM) serves as a foundation for determining how those characteristics affect consumers' intentions to utilise PayLater when they shop online. The measurement was carried out by evaluating the impact of impulsive purchasing and consumption on the utilisation of the Paylater service.

2.3 E-Commerce

According to Chong (2008), Chaffey (2007), Rainer & Cegielski (2011), Rayport & Jaworski (2002), e-commerce is the process of integrating all of a company's processes, activities, and services towards the buying and selling of products as well as the exchange of information and money with the company's partners over computer networks and electronic technologies. Today, one of the most widely used platforms is e-commerce. E-commerce provides a wide range of goods that could fulfil all of human needs and wants. E-commerce develops in tandem with online shopping and internet development. In 1979, Michael Aldrich transformed their television and connected it to real-time, multi-user telephone transactions, establishing the first online store (Miva.com, 2011). These developments herald the start of e-commerce, which simplifies our daily life.

E-Commerce is an English term that etymologically combines the letters E, which stand for electronics, and the word commerce. When translated into Indonesian, the words Electronic and Commerce both refer to electronic devices. Therefore, it may be said that e-commerce refers to business transactions carried out through linked electronic media and the internet. E-commerce can be defined as the process of customers and businesses purchasing and selling goods

through the internet while using computers to facilitate the transaction. The internet and the world wide web are both media that can be used in e-commerce activity.

E-commerce is the networking of the internet to conduct more localised online buying operations, with digital money transfers serving as the primary mode of exchange. E-commerce might alternatively be defined as all types of trade or commerce of products and services (trade of goods and services) conducted through electronic media. It is evident that e-commerce is a component of e-business and that activity commerce is an element of business activity. B2B (business to business), B2C (business to consumer), and C2C (consumer to consumer) are three different types of electronic commerce (Khurana, 2019). E-commerce's growth is adequately encouraging. The digital archipelago analysis by McKinsey & Company projects that between 2017 and 2022, the internet commerce industry would grow by about eightfold. Shopping is significantly simpler with web-enabled PCs, laptops, or mobile devices. Customers can shop anywhere while relaxing in their homes thanks to this innovative method of shopping (Aonerank, 2019). There are many causes for the increase in interest in online buying. The most typical one is that both customers and retailers enjoy their shopping. A win-win scenario is one in which both parties gain something. The categorisation of e-commerce benefits as listed by Franco, et al. (2016) is summarised below.

2.4 Impact of Impulsive Buying on E-Commerce

When customers engage in impulsive buying behaviour, they make purchases without any thought or planning and decide to buy the product as soon as they see it. This behaviour is also known as an unexpected purchase (Purba & Dewi, 2015). Instead than being influenced by societal influences, impulsive buying is driven by personal feelings.

It entails making decisions quickly and seeking immediate fulfilment. Impulsive purchases may lead to disappointment and regret, among other undesirable outcomes. Because they are made without prior planning, impulsive purchases are distinct from routine purchases. In the world of physical retail, an impulse buy is one that is purchased on the spur of the moment and frequently appeals to a sense of rapid gratification. E-commerce makes it difficult to elicit that sense since there is no immediacy; regardless of whether a purchase is intended or not, customers must wait for it to come in the mail.

The online credit system without a card adds interest to the online purchasing procedure. Using a quick and simple process, payments are processed more quickly. The degree of customer purchases is increased with this system's simplicity and comfort, which can result in impulsive buying (Hilmi & Pratika, 2021). The paylater function on e-commerce platforms or online shopping applications, according to Sari (2021), encourages impulsive purchases. According to studies by Hilmi and Pratika (2021), Mitchell and Qadar (2019), as

well as Sari (2021), consumers' impulsive online purchases are influenced by their intention to use paylater.

2.5 Impact of Consumptive Behavior on E-Commerce

Consumptive behavior is the selection, acquisition, use, and disposal of goods and services by individuals or families. How customers interact with the market is influenced by a variety of psychological, sociological, and cultural factors. It is a multi-stage process that involves identifying issues, gathering information, examining options, choosing to buy, and then reviewing the overall experience. During these phases, consumers may be influenced by a variety of factors, such as their own opinions and values, societal mores, advertising campaigns, product attributes, and environmental factors.

For business to develop effective marketing strategies and deliver goods and services that customers demands, understanding consumer behavior is crucial. Markets must analyse and comprehend data on customer behaviour in order to spot trends and patterns, estimate demand, and make intelligent decisions regarding product distribution. Consumptive behaviour can also be understood as an opulent way of life. Consumer behavior is the act of consistently exceeding existing demands through intense consumption of products or services of whether the benefits of such consumption are limited to meeting personal or social needs.

According to Resstiani's research, students become consumptive when they engage in shopping activities since it gives them a place to vent. Particularly if students from outside the region have parents with higher average incomes, they become consumptive when studying in cities through becoming familiar with metropolitan life, including its amenities and the effects of social demands. Individual summative is using consumption of things seen as symbols to enhance one's perception of oneself. The sign being discussed here could be any kind of self-esteem or social status symbol.

2.6 Conceptual Framework

The development of e-commerce today and its transformation is greatly facilitated by the existence of technology. As a result of e-commerce, new payment system trends have emerged to meet the requirements of online buying transactions. The digital payment system, which was initially only capable of transfers between accounts, has undergone many changes. Digital payment systems are no longer dominated by the banking industry, which is now known as financial technology (Fin-Tech). Various start-up companies come up with fresh ideas and take this opportunity to comply consumer needs. One of the interesting ideas of FinTech is the implementation of pay later system.

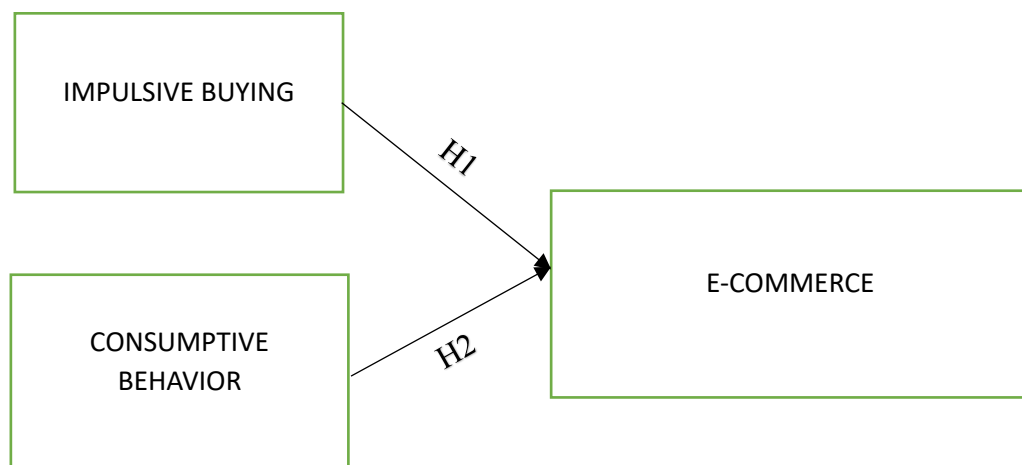
This system has been widely implemented in various countries, including Indonesia. This alternative allows consumers to own

products or services right away with the ability to pay them later. Relatively similar to credit card, this payment can also be repaid several times according to the condition of consumers.

In other words, this strategy enables customers to make purchases for both urgent and non-urgent goods or services as quickly as feasible without worrying about having to pay cash. The availability of this pay later stimulates changes in customer behaviour in purchase decision-making, especially when shopping online, much like the function of a credit card.

Compared to credit cards, which include banks in the payment process, pay later offers a more alluring option for paying the expenses. The impulse to make impulsive purchases since there is no immediate need to pay for what they buy is the change in consumer behaviour that is most likely to occur. This study concentrates on the effects of the pay later system's introduction in online buying in Palembang as a result.

Figure 2.1 Conceptual Framework of The Impact of Using Paylater Payment on E-Commerce in Indonesia



2.7 Hypotheses Development

Research Hypothesis :

H1 : There is an affect of impulsive buying of using paylater payment on e- commerce

H2 : There is an affect of comsumptive behavior of using paylater payment on e-commerce

2.8 Conclusion

The temptation to use buy now, pay later had a positive effect on internet purchasing choices. These results suggest that customers'greater desire to use the "buy now, pay later" feature will boost their likelihood to make purchases online.

This is related to the straight forward and utility of the Buy Now, Pay Later function, which encourages people to adopt technology. Because it is immediate and doesn't take much time, Buy Now, Pay Later is practical. Additionally, a lot of online shopping websites todayprovide the Buy Now, Pay Later feature, which increases how useful itis seen to be. while someone opts to use buy now pay later, they are already aware of the risks associated, allowing them to use buy now pay later to make their own decisions while making online purchases. Additionally, the credit limit of the user affects their propensity to use this feature in the future, enabling them to make decisions based on their emotions when making online purchases.