



The Analysis of the “Buy Now, Pay Later” Use Intention in Indonesia

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ABSTRACT: The Rapid technological and informational advancements have an effect on the financial industries. One of its offerings is financial technology, sometimes known as fintech. In 2018, a number of fintech startups introduced products that enable clients to make installment payments without credit cards. This is referred to as Buy Now, Pay Later (BNPL). Then, numerous technology firms, such as Traveloka, Shopee, and Gojek, embrace this approach to round out their payment alternatives. The market for BNPL in Indonesia is quite promising. Demand for BNPL is quite high, as seen by the rapid expansion of BNPL providers in Indonesia. Many companies, including Traveloka, Gojek, Shopee, and others, demonstrated a rise in BNPL product usage. Using the Technology Readiness and Acceptance Model, this study examines the Buy Now, Pay Later usage intent (TRAM). This study concludes that technology readiness, perceived usefulness, and perceived simplicity of use influence the intention to use a BNPL product, with perceived usefulness having the most direct impact on users' intentions.

KEYWORDS: Buy Now Pay Later, TRAM Model, Technology Adoption, Technology Readiness, Use Intention.

INTRODUCTION

The Rapid technological and informational advancements have an effect on the financial industries. One of its offerings is financial technology, sometimes known as fintech. Zopa, a British financial services company that offered peer-to-peer lending via technology, created the notion of fintech (Otoritas Jasa Keuangan). In 2018, numerous fintech companies introduced products that enable clients to make installment payments without credit cards. This is referred to as Buy Now, Pay Later (BNPL). Then, numerous technology firms, such as Traveloka, Shopee, and Gojek, embrace this approach to round out their payment alternatives.

BNPL offers the same functionality as credit cards, which simplifies payment. BNPL has the same level of dependability as credit cards because it is governed by the Indonesian Financial Services Authority (OJK). The market for BNPL in Indonesia is quite promising. Demand for BNPL is quite high, as seen by the rapid expansion of BNPL providers in Indonesia. BNPL from Traveloka, for instance, has multiplied by ten since its initial release in 2018. (Walfajri, 2019). BNPL from Gojek also demonstrates exceptional performance by expanding by 14 times (Fadila, 2020). Shopee manages Rp1.5 trillion in loans with a success rate of 95 percent and has 1.27 million users and 850 million debtors (Sari, 2020).

Even in the pandemic era, the number of BNPL users is rising. Kredivo and Katadata Insight Center research indicates that the use of BNPL is increasing throughout the pandemic era, with 55 percent of new users during the same time frame (Jamaludin, 2021).

In 2021, BNPL in Indonesia is anticipated to increase by 72.8% and reach \$1,537 million. In Indonesia, BNPL industry growth stays robust over the medium to long term. The use of BNPL payments is anticipated to increase gradually, with a CAGR of 29.2 percent between 2021 and 2028. In addition, by 2028, Indonesia's Gross Merchandise Value (GMV) will increase to \$9,222 million from \$887.7 million in 2020.

The poor credit penetration in Indonesia is also related to the quick increase in BNPL. The other drivers include the growing demand for consumers to have access to credit and the shift in consumer behavior toward online shopping. These elements are anticipated to contribute to BNPL's growth throughout the coming years.

According to the survey conducted by Kredivo and the Katadata Insight Center, in 2020, 55 percent of new e-commerce customers in Indonesia will select BNPL when making online purchases.

In Indonesia, the occurrence of BNPL payment becomes an attractive topic of discussion. What elements have contributed to the phenomenal expansion of BNPL in Indonesia? The answer to this topic will benefit many parties, including companies as providers and the government as authorities. By knowing the significant factors that influence the adoption factor of BNPL, companies can analyze their strategy in order to expand more with existing products or even establish a strategy for the creation of new BNPL-related products or features. On the other side, the government has a greater understanding of market behavior thanks to BNPL users, which is useful for creating regulations to curb undemanded behavior.

This study used the technology readiness and acceptance model, or TRAM for short. It is a combination of the two distinct models, as its name suggests. TRAM is the most current innovation to combine system-specific characteristics:

- H1: Consumers' technology readiness is positively correlated with their intentions to use BNPL.
- H2: Consumers' perceptions of usefulness about BNPL are positively correlated with their intentions to use it.
- H3: Consumers' perceptions of ease of use about BNPL are positively correlated with their intentions to use it.
- H4: Consumers' perceptions of ease of use about BNPL are positively correlated with their perceptions of usefulness about it.
- H5: Consumers' technology readiness propensities are positively correlated with their perceptions of usefulness about BNPL.
- H6: Consumers' technology readiness propensities are positively correlated with their perceptions of ease of use about BNPL.

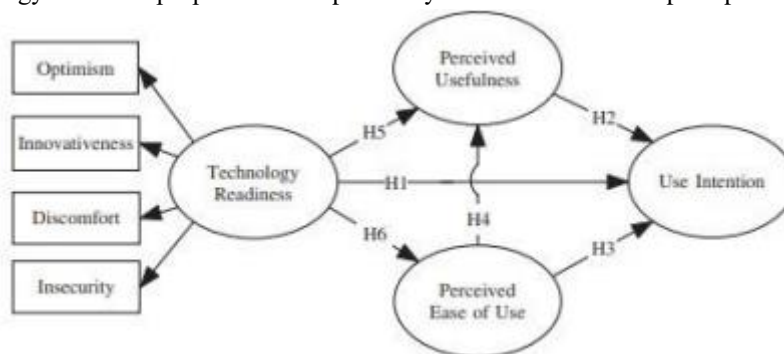


Figure 1: Research Framework - TRAM Model

RESEARCH METHOD

This research is categorized as descriptive, which means it describes and explains itself as data-processing research that aims to propose prospective answers to existing issues or problems (Fox and Bayat, 2008). Additionally, it focuses on discovering the causes or processes behind an event. Typically, the observation conducted for this study comprises the use of survey tools to collect data and the use of numerous factors for analysis (Gall and Borg, 1989). The questionnaire's primary data collection was the most crucial source of information. In Indonesia, users of BNPL goods were invited to complete a questionnaire, which was subsequently made available to them online. A questionnaire would be implemented using a Google form-based online questionnaire. Geographically distant areas are well-served by the usage of online questionnaires. In addition, respondents will have the option of taking their time when completing the questionnaire. The Likert scale answer type allowed respondents to indicate whether they accepted or disapproved of a statement of agreement or disagreement on a scale from 1 to 6. This assisted in removing the chance of responders providing a neutral response.

RESULTS AND DISCUSSION

This study starts its data analysis with the Outer Model to assess validity and reliability. Validity evaluations utilize the Fornell-Larcker criteria. The Fornell-Larcker hypothesis states that a final variable will share more variation with its associated indicators than with any other latent variables. Each latent variable's AVE value must be greater than the value of the other latent variables with which it has the highest R² value. The instrument is legitimate since, as indicated in Table 1, the AVE root is bigger than the correlation between constructs.

Table 1 Fornell-Larcker Criteria:

NO	TR1 (Optimism)	TR2 (Innovative- ness)	TR3 (Discomfort)	TR4 (Insecurity)	Y1 (PU)	Y2 (PEU)	Y3 (UI)
TR1(Optimism)	0.933						
TR2(Innovativeness)	0.753	0.886					
TR3(Discomfort)	-0.578	-0.655	0.884				



TR4(Insecurity)	-0.708	-0.667	0.791	0.860		
Y1(Perceived Usefulness)	0.379	0.404	-0.237	-0.258	0.738	
Y2 (Perceived Ease of Use)	0.380	0.351	-0.313	-0.334	0.616	0.749

Then, Average Variance Extracted can be applied for assessing convergent validity (AVE). If an indicator's AVE value is greater than 0.50, it is considered to have convergent validity and a high level of validity (Chin, 1995). Table 2 demonstrates that the AVE value of the research model for all research variables is more than 0.5, indicating that the AVE value for evaluating convergent validity has been fulfilled and further testing can proceed. In addition, table 2 also demonstrates the reliability of this research. The study model's composite reliability value indicates that each variable has a composite reliability value greater than 0.70. Based on these data, it is possible to conclude that the research model has satisfied the composite reliability value and that this study is dependable.

Table 2: Convergent Validity - AVE Value & Reliability

NO	Cronbach's Alpha	Rho A	Composite Reliability	Average Variance Extracted (AVE)
TR1(Optimism)	0.852	0.855	0.931	0.871
TR2(Innovativeness)	0.727	0.734	0.880	0.785
TR3(Discomfort)	0.719	0.721	0.877	0.781
TR4(Insecurity)	0.649	0.652	0.850	0.740
Y1 (Perceived Usefulness)	0.792	0.797	0.857	0.545
Y2 (Perceived Ease of Use)	0.805	0.813	0.865	0.561
Y3 (Use Intention)	0.730	0.731	0.832	0.552

Next in the analysis process is the inner model or structure model. The structural model (inner model) describes the causal relationship between latent variables based on the substance of the theory based on the route coefficient shown in Figure 2 below:

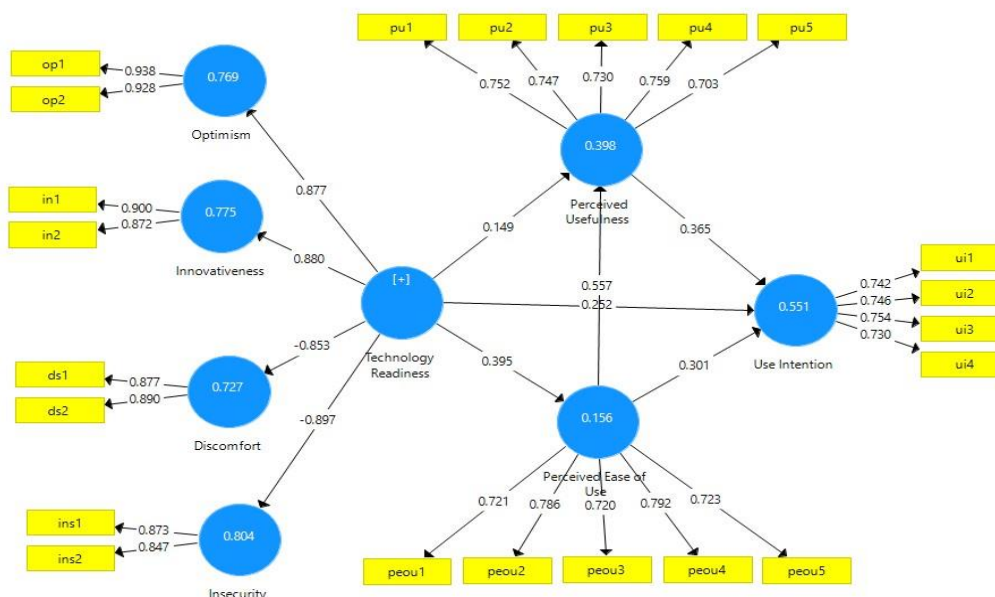


Figure 2: Path Coefficient



- With a coefficient of 0.252, technology readiness has a considerable effect on use intention. The positive coefficient value of 0.252 indicates that the variable of technology readiness has a positive effect on the variable of use intention.
- With a value of 0.365, perceived usefulness has a considerable effect on usage intention. The positive coefficient value of 0.365 indicates that the perceived usefulness variable has a positive influence on the usage intention variable.
- With a coefficient of 0.301, perceived ease of use has a considerable effect on use intention. The positive coefficient value of 0.301 indicates that the perceived ease of use variable has a positive influence on the usage intention variable.
- With a coefficient of 0.557, perceived ease of use has a considerable impact on perceived usefulness. The positive coefficient value of 0.557 indicates that perceived ease of use has a positive influence on perceived usefulness.
- With a coefficient of 0.149, technology readiness has a considerable impact on perceived usefulness. The positive coefficient value of 0.149 indicates that technology readiness has a positive influence on perceived usefulness.
- The coefficient for technology readiness's influence on perceived ease of use is 0.395%. The coefficient has a positive value of 0.395, indicating that the technology readiness variable has a positive influence on the perceived ease of use variable.

CONCLUSION

The technology readiness, perceived usefulness, and perceived ease of use influence the use intention to use a BNPL product, with perceived usefulness accelerating the use intention the most with a coefficient of 0.365 and t statistic of 5.141. With a coefficient of 0.557 and a t statistic of 7.828 however, the strongest link is between perceived ease of use and perceived usefulness.

Table 3: Hypothesis Testing

NO	HYPOTHESIS	COEFFICIENT VALUE	T-STATISTICS	P-VALUES	DECISION
H1	Consumers' technology readiness is positively correlated with their intentions to use BNPL.	0.252	3.493	0.001	Significant
H2	Consumers' perceptions of usefulness about BNPL are positively correlated with their intentions to use it.	0.365	5.141	0.000	Significant
H3	Consumers' perceptions of ease of use about BNPL are positively correlated with their intentions to use it.	0.301	3.711	0.000	Significant
H4	Consumers' perceptions of ease of use about BNPL are positively correlated with their perceptions of usefulness about it.	0.557	7.828	0.000	Significant
H5	Consumers' technology readiness propensities are positively correlated with their perceptions of usefulness about BNPL.	0.149	2.492	0.013	Significant
H6	Consumers' technology readiness propensities are positively correlated with their perceptions of ease of use about BNPL.	0.395	3.746	0.000	Significant

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