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RESEARCH ARTICLE

THE USE OF PAY LATER ON CONSUMER DEBT LEVELS AND DEBT REPAYMENT BEHAVIOR: A POSITIVE ACCOUNTING THEORY APPROACH

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ABSTRACT

This research aims to analyze the effect of using PayLater services on consumer debt levels and debt repayment behavior, using the Positive Accounting Theory (PAT) approach. The research method used is quantitative descriptive using secondary data obtained from ResearchandMarkets.com and the Institute for Development of Economic Studies (Indef). The analysis was carried out to evaluate consumers' rational decisions in using PayLater, considering economic incentives, information asymmetry, and external factors such as macroeconomic conditions. Research findings show that using PayLater tends to be seen as a rational response to economic benefits, especially in avoiding high credit card interest. However, aspects of risk and information asymmetry can influence consumer decision-making. The high number of BNPL outstanding amounts and the high level of Non-Performing Loans (NPL) in Indonesia illustrates the potential for negative impacts, especially on the younger generation. The contribution of this research lies in an in-depth understanding of the factors that influence the use of PayLater from a Positive Accounting Theory perspective. The research results can provide insights for financial service providers and consumers to better understand the dynamics behind the use of PayLater services and help design more responsible policies in this sector.

KEYWORDS

PayLater, Consumer Debt, Positive Accounting Theory, NPL Level

1. INTRODUCTION

In the era of advances in financial technology, the Buy Now Pay Later (BNPL) service, or what is known as PayLater has become a popular alternative for consumers who want to obtain goods and services without immediate payment. This service allows consumers to purchase products or services and pay later within a certain time with various installment options. Even though it provides easy access to consumers, the use of PayLater also has an impact on consumer debt levels and debt repayment behavior.

PayLater's success in attracting consumer interest, especially the younger generation, raises questions about the impact of its use on individual financial conditions. Several aspects that need to be considered are the level of debt accumulated by consumers, as well as debt repayment behavior which may be influenced by ease of access through this service. Therefore, this study aims to investigate the effect of using PayLater on consumer debt levels and how debt repayment behavior develops in the context of utilizing this service.

The importance of understanding the impact of using PayLater is not only beneficial for individual consumers but also for financial service providers and regulators in developing policies that support sustainability and balance in the use of financial technology. By detailing PayLater's influence on consumer debt levels and debt repayment behavior, this research is expected to provide valuable insights to support the development of more responsible and sustainable financial services.

Utilizing PayLater services offers several significant benefits for consumers, financial service providers, and the economic ecosystem as a whole. First of all, for consumers, PayLater provides flexible and easy

payment options. By not having to pay in cash when shopping, consumers can immediately obtain the goods or services they want without having to wait for a salary or use savings. This provides great convenience and accessibility, especially for those who need instant financial solutions. In addition, this service also helps consumers manage their budget by allowing payments in installments, saving them from huge financial stress at one time.

For financial service providers, using PayLater can increase market share and revenue. This service attracts consumers who are looking for convenience and innovation in transactions. With the number of users continuing to increase, service providers can optimize their business models and create products that better suit market needs. Apart from that, PayLater also opens up opportunities to increase sales in various economic sectors, moving the wheels of the economy more dynamically.

However, the benefits of PayLater also raise several ethical and financial considerations, especially regarding the risk of debt accumulation. Therefore, it is important to conduct in-depth research regarding the impact of using PayLater on consumer debt levels and debt repayment behavior. With a better understanding, we can optimize the benefits of these services while minimizing the potential risks that may arise.

Although PayLater services offer several significant benefits, some negative impacts and problems need to be taken seriously. One of the striking negative impacts is the risk of debt accumulation. Ease of access without requiring collateral or strict credit checks may encourage users to accumulate debt without considering their repayment capacity. This can cause a heavy financial burden, especially if the user is unable to pay installments on time. This problem is further exacerbated by interest and late fees which can increase the amount of debt quickly.

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Apart from that, using PayLater can also trigger uncontrolled consumer behavior. The pay later feature can stimulate the desire to spend more than actual financial capabilities, especially among the younger generation who are susceptible to the temptation of impulse shopping. In the long term, this consumptive behavior can contribute to personal financial problems and cause mental stress due to increasing debt.

Another problem is the lack of consumer understanding of the terms and conditions of PayLater services. The high level of reliance on financial technology often means consumers are less careful in reading regulations, so they may not be fully aware of the risks and costs associated with using these services.

Overall, while PayLater provides convenience and accessibility, it is important to pay attention to and address its negative impacts. Better financial education, stricter regulations, and increased transparency in the provision of information to consumers could be important steps to address the problems that arise from utilizing these services.

Research on PayLater has a high urgency in explaining the impact and implications of using this financial service on consumers and the financial ecosystem as a whole. By involving aspects such as the impact on consumer welfare, consumer protection, financial service innovation, financial education, transaction safety, and contributions to academic literature, this research provides an important basis for effective policymaking. An in-depth analysis of the financial behavior of consumers using PayLater will provide a sharper understanding of the positive and negative impacts on personal financial management, debt levels, and repayment ability. The research findings can be a basis for regulators in designing regulations that can protect consumers and ensure fairness and transparency in financial services. By involving the financial industry in responding to these findings, this research also has the potential to encourage innovation in higher quality and more sustainable services. Financial education based on the results of this research will help consumers make wise financial decisions regarding the use of PayLater services. In addition, analysis of transaction security will ensure that consumers can carry out financial transactions safely and are protected from cyber threats. Ultimately, the research's contribution to the academic literature is an important aspect in enriching our understanding of this phenomenon and can be a starting point for further research in the fields of finance, behavioral economics, and financial technology. Thus, research on PayLater has a significant impact in shaping the direction and policies for the development of a healthy and sustainable financial ecosystem.

This research aims to investigate the impact of using PayLater services on consumer debt levels and debt repayment behavior. First of all, the research will analyze the extent to which the frequency of use of PayLater affects consumer debt levels. An in-depth understanding of the types of debt that generally arise as a result of using this service will also be the focus of research, whether it is consumptive or related to daily needs.

This research will examine the debt repayment behavior of consumers who use PayLater, including their propensity to pay on time, frequency of delinquencies, and strategies they employ in dealing with accumulated debt. Identification of factors influencing repayment behavior, such as income level and financial knowledge, will also be an integral part of this research.

By exploring an in-depth understanding of the impacts and behavior related to PayLater, this research aims to provide constructive recommendations for the development of more responsible services. The implications of the research findings are expected to make a positive contribution to the development of financial policies, service innovation, and more sustainable business practices in the financial industry. Thus, this research has relevance and potential to shape the direction of improvement and development in the financial services ecosystem.

2. THEORETICAL BASIS AND LITERATURE REVIEW

Positive Accounting Theory (Demski, 1988; Watts & Zimmerman, 1978), which was first developed by Ross L. Watts and Jerold L. Zimmerman in 1978 and expanded by Michael J. Demski in 1988, is an approach in accounting that focuses on describing and explaining the actual behavior of accounting practices. PAT is based on the assumption that individuals involved in the accounting process, such as company managers, act by considering their economic motivations and personal interests. This theory states that the accounting practices adopted by entities are driven by the desire to increase personal wealth, achieve certain goals, and respond to certain incentives.

Positive Accounting Theory (PAT) can be related to the use of PayLater on consumer debt levels and debt repayment behavior. In this context, PAT

can provide insight into the economic motivations and personal interests that may drive consumers to utilize PayLater services. First, PAT emphasizes that individuals, including consumers, tend to act by considering their economic interests. In using PayLater, consumers may be interested in accessing products or services without having to pay directly, creating temporary liquidity benefits. This economic motivation is by PAT principles which state that individuals will look for ways to increase their wealth.

Second, PAT also refers to the concept of agency, where there is a misalignment of interests between the party providing the service (PayLater provider) and the consumer as the service recipient. Consumers may have the motivation to take advantage of credit availability without considering the long-term impact on their debt. This is due to the PAT assumption that parties receiving services will act to maximize their interests. In the context of debt repayment behavior, PAT can explain that consumers will tend to pay their debts by considering economic incentives and motivation. If there are significant incentives or sanctions associated with debt repayment, consumers may respond by the economic principles contained in PAT.

Overall, linking PAT to PayLater use can provide insight into the dynamics of consumers' decisions in managing debt, the extent to which they consider incentives, and how personal economic interests may influence debt repayment behavior. This becomes important in the context of an increasingly digital economy and the development of alternative financial services such as PayLater. PAT assumes that an entity will choose accounting policies that can produce financial information that is favorable to the interests of management and shareholders. In this context, the main concept that emerges is the concept of agency, where managers as agents have interests that may not always be in line with the interests of capital owners or shareholders as principals. By describing actual behavior in accounting practices, PAT seeks to explain why and how an entity chooses a particular accounting policy. As a positivist approach, PAT does not assess whether the accounting practices adopted are morally good or bad but rather focuses on empirical analysis of the actual behavior of the entity. Thus, PAT provides a realistic view of the real world of accounting and is a basis for understanding the factors that motivate accounting choices made by various entities.

This section will begin with a brief review of previous research. The review will begin on the topic of responsibility in the world of financial technology, especially around Buy-Now-Pay-Later (BNPL) agreements, which have become the focus of attention (Gerrans et al., 2021). These agreements, characterized by their rapid emergence as short-term debt options, challenge existing regulations, as do other Fintech innovations. In particular, BNPL successfully avoids the legislative obligations of 'responsible lending,' which typically apply to similar short-term credit products. In contrast, BNPL relies on 'responsible spending' in providing an option that is potentially cheaper than alternatives such as credit cards. This article describes the dynamics of regulation and responsibility in the context of BNPL. A survey was conducted to explore whether certain demographic groups, particularly young people, have the inclination or skills for responsible use. This study examines preferences for BNPL compared to credit cards and considers the influence of financial literacy and personal characteristics, including the propensity to plan and save. Study findings suggest that higher financial literacy reduces the perceived benefits of BNPL, and conversely, lower financial literacy is associated with increased benefits and decreased perceived risks.

In the context of the relationship between regulation and responsibility in the world of fintech, especially in Buy-Now-Pay-Later (BNPL) agreements, attention to the use of pay later and their impact on consumer debt levels and debt repayment behavior becomes relevant. The use of paylaters, as an innovative form of financial service, has the potential to influence consumer debt patterns. As explained in the BNPL context, the use of paylaters as short-term debt options challenges existing regulations, such as legislative obligations regarding responsible lending. Linking this to consumer debt levels, the use of pay later, such as BNPL, could be a determining factor in household debt accumulation. The speed and ease of access offered by paylater services can trigger users to make more purchases than they should, causing significant debt growth. In particular, in the case of paylaters, where understanding of risks and responsibilities is often low, users tend to get into debt that is difficult to repay.

The use of Buy Now Pay Later/BNPL services has grown rapidly in recent years (Cook et al., 2023). Existing research has considered the regulatory challenges they pose, but further research is needed to illustrate their significance as a way to make debt normal and natural. In response to this, this article focuses on the marketing and branding landscape of BNPL services through an analysis of their websites and apps, an ethnography of a walk-in large shopping center, and interviews with BNPL customers. The

results show that BNPL services form a "feeling structure" reminiscent of digitally intimate online spaces, and claim that by creating a sense of excitement and fun, they differentiate themselves from other relatively "serious" financial services. Ultimately, we argue that this helps them present themselves as simply a "way of paying" rather than a form of credit, and argue that this represents a significant new step in the depoliticization of debt.

Although not directly discussing the use of pay later, the general concepts discussed regarding BNPL services can be related to the use of pay later in the context of consumer debt levels and debt repayment behavior. How BNPL services create a "feeling structure" that makes them feel fun and more differentiated from other financial services. In the paylater context, the freedom and convenience offered by such services may also provide users with an enjoyable experience. It is important to remember that the concept of debt depoliticization described in the article, where BNPL is positioned as simply a "way to pay" without serious debt burdens, can be linked to the behavior of pay later. Pay later users may feel tempted to use this service because of the ease of access and no interest charges, which can affect consumer debt levels.

To associate with debt repayment behavior, BNPL creates a structure of pleasant feelings, which may reflect a relaxed attitude towards debt. In the pay later context, this could reflect careless or less planned debt repayment behavior because users feel less burdened. Thus, although it is not directly addressed later, it can provide insight into how innovative financial services can influence consumers' debt-related perceptions and behavior.

In providing PayLater services, fintech companies must consider all possible risks before a unanimous decision is taken (Dominica and Pardameana, 2023). Therefore, we propose a unified decision framework derived from decision theory and Monte Carlo simulation techniques. Two schemes are formulated: (1) a decision-making scheme, and (2) a risk simulation scheme. Through experiments, the framework can estimate several alternative decisions and their impacts, analyze the causes of failures and delays in PayLater service development, and run Monte Carlo simulations for up to 10,000 trials. The results of this research will provide benefits to decision-makers in fintech initiatives before launching their PayLater products.

In the context of the use of pay later on consumer debt levels and debt repayment behavior, this analysis can help decision-makers in fintech to understand potential risks and their impact on consumer finances. For example, risk simulation results can provide an idea of how decisions regarding PayLater services can influence users' debt repayment behavior, both positively and negatively. Additionally, by understanding the causes of failures and delays, companies can take steps to minimize risks and increase the success of PayLater's service implementation.

We present the first economic research on 'buy now, pay later' (BNPL): an unregulated FinTech credit product that allows consumers to defer payments into interest-free installments (Guttman-Kenney et al., 2023). We study BNPL using UK credit card transaction data. We documented consumers loading BNPL transactions onto their credit cards. BNPL use on credit cards is most common among younger consumers and those living in the most deprived areas. Carrying 0% interest BNPL debt onto a credit card – where the interest rate is typically 20% and the amortization schedule spans years – casts doubt on these consumers' ability to pay off BNPL. This raises the regulatory question of whether consumers should be allowed to refinance their unsecured debt. In the context of pay later use on consumer debt levels and debt repayment behavior, this research may indicate that consumers who load BNPL transactions on their credit cards may face high risks regarding repayment capacity, especially if credit card interest is applied to BNPL debt. For example, this could reflect the behavior of consumers who may be trapped in debt due to the use of BNPL, especially if refinancing is carried out without careful consideration of risk and repayment capacity.

Finally, the literature review will briefly explain the uncertainty of privacy and trust recently proposed as crucial issues in consumer adoption of online services (Raj et al., 2023). We use the theory of extended planned behavior (TPB) to investigate how privacy concerns and trust influence consumers' attitudes toward Buy Now, Pay Later (BNPL) Services. We also tested the mediating role of trust in the relationship between privacy concerns and attitudes. The online survey was conducted among Indian undergraduate and postgraduate students, as BNPL is most popular among young consumers. We find that privacy concerns decrease consumers' trust and attitudes toward BNPL. Specifically, attitudes, subjective norms, and perceived behavior emerged as significant predictors of consumers' intention to use BNPL. A partial mediating role of trust was also found in the relationship between privacy concerns and

attitudes. This means that users who are concerned about the security of their data have less confidence that providers will protect their information. However, by increasing trust, user privacy concerns can be reduced in BNPL services.

In the context of pay later use on consumer debt levels and debt repayment behavior, this research highlights that privacy concerns can influence consumer attitudes and trust toward BNPL services. Thus, efforts to improve data security and build user trust can be key steps to reduce the risk of unwise use of BNPL, which may contribute to consumers' debt piles.

3. RESEARCH METHODS

This research adopts a quantitative descriptive method with a secondary data analysis approach, using information from two main sources, namely data from ResearchandMarkets.com and the Institute for Development of Economic Studies (Indef). Secondary data collected includes information related to the use of Buy Now Pay Later (BNPL) in the United States and Indonesia.

4. DISCUSSION

Online loan services and Buy Now Pay Later (BNPL) are increasingly becoming the main choice among young people. Data from ResearchandMarkets.com shows that approximately 51.6% of annual payments in the United States in 2023 will use BNPL, with average usage reaching US\$1,692 by young people. BNPL is preferred for clothing purchases, while baby boomers and seniors are more likely to use it for large-ticket items. In the UK, BNPL is widely used for purchasing groceries, clothing, and paying bills. In Indonesia, the Financial Services Authority (OJK) recorded that the outstanding amount of BNPL reached IDR 25.16 trillion per semester I-2023, with a Non-Performing Loan (NPL) level of 9.7%, exceeding the safe limit of 5%. Nearly half of BNPL users in Indonesia are aged 20-30 years, and their small loans can affect their credit scores (Princess, 2023). Even though it is popular with the millennial generation, the risk of using pay later unwisely remains a concern. Populix research shows that the majority of pay-later users have installments of less than IDR 1 million per month, reflecting good financial discipline. Even though the majority of Paylater users come from Java, with Shopee Paylater as the main choice, the high number of outstanding BNPL amounts and high NPL levels indicate a potential negative impact, especially on the younger generation (Respati and Djumena, 2023).

Although Buy Now Pay Later (BNPL) or pay later services provide easy access and are sought after especially by Generation Z and millennials to avoid credit card interest, there are concerns about the potential for increasing household debt piles, along with the expansion of their use. The zero percent interest offer is attractive, but the risk lies in impulse buying and using pay later for daily needs. Difficult economic situations can exacerbate repayment difficulties, especially with stagnant or reduced income. Financial planners warn that pay-later services are often used as an instant solution, with the risk of shifting to a consumerist lifestyle and accumulating debt that is difficult to overcome. Additionally, the ease of pay-later access has caused several users to fall into significant arrears, hampering their financial plans (CNN-Indonesia, 2022). Research from the Institute for Development of Economic Studies (Indef) shows that the risk of paying later becomes a serious debt trap, mainly due to a low understanding of the risks and a lack of effective mitigation. The increase in new pay-later customers during the pandemic, while the character of users who have difficulty paying tends to be younger, provides a serious picture of the impact on the finances of the younger generation. Therefore, a wiser approach to debt management and a better understanding of pay-later risks are needed to prevent prolonged debt traps. (BBC-Indonesia, 2022).

As a wise quote puts it, "Today's convenience should not come at the expense of future financial sustainability." This is what needs to be the main concern in incorporating the convenience of financial services such as pay later into everyday life.

4.1 Impact of Use

Consumer debt levels and debt repayment behavior can be influenced by various factors, including the use of PayLater services. PayLater is a financial service that allows users to make purchases and pay on a specified due date, often with certain conditions such as zero percent interest for a certain period. The impact of using PayLater services on consumer debt levels and debt repayment behavior can be investigated along several dimensions:

I. Causes of Increased Debt:

Using PayLater services can increase consumer debt levels because it provides easy and fast access to credit. Users may be prone to making impulse purchases or exceeding their repayment capabilities, which can lead to significant debt buildup.

II. Repayment Behavior:

Debt repayment behavior can be influenced by the payment and interest policies implemented in the PayLater service. Users may have difficulty paying their debts if there is a lack of understanding regarding additional fees or complex repayment terms.

III. Effect of Interest and Service Fees:

The interest rate applied to late payments or interest after the zero percent period may influence debt repayment decisions. Additional fees associated with using pay later may also impact user repayment behavior.

IV. Role of Economic Factors:

Economic conditions and consumer income can also play an important role in the impact of using PayLater on debt. If users are experiencing financial difficulties, they may have difficulty paying off debt, even if the amount is not very large.

V. User Profile:

Looking at user profiles, such as age, income, and previous financial experience, can provide insight into the extent of PayLater's impact on debt levels and repayment behavior.

VI. Financial Education:

Positive impacts can occur if users have a good understanding of the risks and costs associated with using PayLater. Financial education can help reduce unwise behavior in managing debt.

Analysis of the extent to which the frequency of PayLater use influences consumer debt levels can provide important insights into the relationship between the two variables. The following are several points that can be considered when carrying out this analysis:

I. Purchase Frequency and Debt Accumulation:

Note how the frequency of use of PayLater services is related to an increase in the amount of consumer debt. If users frequently use these services, does it have a direct impact on their debt buildup?

II. User Spending Patterns:

Analysis may include understanding the spending patterns of users who frequently use PayLater. Do they tend to make impulse purchases or direct use to immediate needs?

III. Timely Payment Rate:

Note the degree to which PayLater usage frequency correlates with on-time payment rates. Users who frequently use the service but have a high rate of late payments may show negative impacts.

IV. Correlation with Income:

The analysis can take into account whether the frequency of use of PayLater is correlated with the user's income level. Users with lower incomes may be more susceptible to debt accumulation.

V. Changes in Debt Levels over Time:

Investigate whether the frequency of use of PayLater contributes to changes in debt levels over time. Is there a significant increase in debt as usage frequency increases?

VI. User Profile Based on Usage Frequency:

Analysis can dissect user profiles based on the frequency of use of PayLater. Are there age patterns or specific characteristics associated with frequency of use and debt levels?

VII. Consumer Education and Awareness:

Consider the extent of consumer awareness and understanding of the risks and costs associated with frequent use of PayLater. Do more financially conscious consumers tend to have lower levels of debt?

VIII. Economic Factors and User Financial Conditions:

Analysis may include economic factors and general financial conditions that may influence the frequency of PayLater use and consumer debt levels.

Through a comprehensive analysis of these variables, a better understanding of the extent to which the frequency of PayLater use impacts consumer debt levels can be generated. The results of this analysis can provide a basis for developing more effective financial education policies or strategies.

4.2 Debt Repayment Behavior

The debt repayment behavior of consumers who use PayLater services can cover various aspects, from the tendency to pay on time to the strategies they employ in dealing with accumulated debt. First, in terms of paying on time, some PayLater users may tend to fulfill payment obligations according to the specified schedule. However, some consumers may also experience delays in payments, which may be influenced by factors such as financial constraints, changes in employment situations, or changes in personal economic conditions.

The frequency of arrears is a critical aspect of consumer debt repayment behavior. PayLater users who frequently experience late payments or are in arrears may indicate financial stress or a lack of discipline in debt management. This can create additional challenges in maintaining personal financial balance and preventing the buildup of uncontrolled debt.

The strategies adopted by consumers in dealing with accumulated debt can also vary. Some consumers may adopt a proactive approach by seeking alternative solutions, planning payments in a structured manner, or even discussing restructuring options with PayLater service providers. On the other hand, some may face difficulties in handling debt, and this can create the risk of increasing debt which can affect long-term financial conditions.

To further understand the debt repayment behavior of consumers who use PayLater, it is necessary to carry out an in-depth analysis of the external and internal factors that influence their financial decisions. This data can help financial service providers, governments, and related institutions to develop financial education strategies, consumer protection policies, and solutions that support consumer financial well-being.

4.3 Factors Affecting Debt Repayment Behavior

In identifying the factors that influence the debt repayment behavior of consumers who use PayLater services, several important aspects need to be considered. First, the consumer's income level can be a significant determining factor. Consumers with higher incomes may have better financial capabilities to pay debts on time and manage their financial obligations.

Additionally, consumers' financial knowledge can also play a key role. Consumers who have a good understanding of financial concepts, debt management, and the implications of late payments may be inclined to adopt more responsible repayment behavior. Conversely, a lack of financial knowledge can lead to an inability to plan effectively or make smart financial decisions.

Psychological and behavioral factors also need to be considered. For example, consumers' risk levels and risk tolerance can influence their decisions about managing debt. Impulsiveness or dependence on purchases based on emotional impulses can also have an impact on debt repayment behavior.

Macro and microeconomic conditions, such as interest rates, inflation, and job stability, also have the potential to influence debt repayment behavior. Consumers may respond to changing economic conditions with adjustments to their debt repayment strategies.

By identifying and understanding these factors, research can provide deeper insight into the complexities of the debt repayment behavior of consumers using PayLater services. Detailed analysis of the relationship between these factors can help formulate policy recommendations, financial education guidelines, and solutions that can support consumers' financial health.

4.4 Solution

To overcome the potential negative impacts and risks associated with using Buy Now Pay Later (BNPL) or later services, several solutions can be implemented:

- I. Financial Education: Conduct a broader financial education campaign, especially among the younger generation, to increase

understanding of the risks and consequences of using pay later. These programs can cover aspects such as debt management, financial planning, and understanding interest and related fees.

- II. **Usage Limits:** Set limits or restrictions on the use of pay later, especially for purchases of non-essential items or non-urgent needs. This can help prevent impulse purchases and ensure that the service is used wisely.
- III. **Payment Capability Evaluation:** Before providing pay-later access to users, financial services companies can evaluate payment capabilities more carefully. This can include an assessment of your income, credit score, and other financial responsibilities.
- IV. **Fee Transparency:** Increase transparency of fees related to pay later services, including interest and other fees. Clear information will help users make more informed decisions and be aware of the consequences.
- V. **Regulation and Supervision:** Implement stricter regulations and supervision of pay-later service providers to ensure compliance with responsible business practices and protect consumer interests.
- VI. **Debt Recovery Support:** Provides special programs and support for users experiencing payment difficulties, including debt restructuring options and financial recovery programs.
- VII. **Collaboration with Third Parties:** Collaboration with financial institutions and educational institutions to provide additional resources, training, and financial guidance for pay-later users.

Implementing these solutions can help reduce the risks associated with using pay later and ensure that these services provide benefits without compromising consumers' financial sustainability.

4.5 Constructive Recommendations

In developing a more responsible PayLater service, several constructive recommendations can be considered to ensure a balance between ease of access and financial risk management:

I. Financial Education:

Providing users with better access to financial education. This may include online tutorials, seminars, or financial education materials integrated into the PayLater application. By increasing users' understanding of financial risks and responsibilities, they can make smarter decisions in their use of services.

II. User Eligibility Evaluation:

Implement a more stringent user eligibility evaluation process. Conducting a comprehensive credit analysis, including an assessment of income and disclosure of financial information, can help ensure that users can repay without getting into unmanageable debt.

III. Usage Limits:

Set wiser usage limits based on the user's risk profile and financial condition. These limits can be adjusted based on income level, usage history, and other risk factors to reduce the potential for debt buildup.

IV. Notifications and Reminders:

Implement a proactive notification and reminder system. Providing users with reminders about payment due dates, late consequences, and other information can help prevent late payments and increase financial awareness.

V. Structured Repayment Solution:

Providing structured and flexible repayment solutions. Creating a repayment plan that can be tailored to the user's financial condition can help reduce financial stress and prevent debt buildup.

VI. Enhanced Payment Capabilities:

Collaborating with business partners to expand user payment capabilities. Collaboration with various service providers, including financial institutions and retail, can provide users with broader and more flexible payment options.

VII. Expense Control:

Provides better spending control features within the app. This may include giving users the ability to set monthly spending limits, disabling pay-later

features for certain categories of purchases, or enabling additional approvals for significant transactions.

By implementing these steps, pay-later service providers can support users in better managing their finances while still providing convenient access to loan services. It is hoped that these recommendations will create a more responsible and sustainable environment in the use of these financial services.

4.6 Positive Accounting Theory (PAT)

The use of PayLater in the context of consumer debt levels and debt repayment behavior can be analyzed through the lens of Positive Accounting Theory (PAT), which highlights descriptive and empirical aspects of the economic behavior of accounting agents. In the PAT view, individuals, including consumers who choose PayLater, are seen as agents driven by rational motivation. In this context, consumers' decisions to use PayLater can be interpreted as a rational response to economic incentives, such as avoiding high credit card interest rates.

The choice of PayLater as a credit alternative can also be understood as a form of performance measurement that is considered profitable by consumers. Ease of access and more flexible credit scoring in PayLater can be interpreted as positive factors in the PAT framework. However, information asymmetry regarding financial products may play a role, where consumers with limited financial knowledge may face challenges in evaluating the risks and consequences of using PayLater.

In the dimension of agency theory, the relationship between consumers and PayLater service providers can be seen as an agency relationship. Consumers as agents have incentives to optimize profits and manage risks, while service providers seek to maximize their profits. In addition, external factors such as macroeconomic conditions can influence consumer decisions in using PayLater.

The Positive Accounting Theory perspective provides insight into the use of PayLater, depicting consumers as rational agents who respond to economic incentives. While understanding these decisions as profitable performance measurements, aspects of risk and information asymmetry are also important to consider in broader evaluations of economic performance.

5. CONCLUSION

Overall, Buy Now Pay Later (BNPL) or pay later services have become a significant trend, especially among the younger generation. However, the potential negative impacts and risks of unwise use need serious attention. Data shows that in various countries, pay-later users tend to use it for practical and small purchases, but the risks increase when it is used for everyday items, and debt increases.

The high number of BNPL outstanding amounts, Non-Performing Loan (NPL) levels that exceed safe limits, and the risk of accumulating household debt in Indonesia indicate the need for a careful approach to the use of pay later. Users, especially the younger generation, need to gain a better understanding of the financial risks associated with these services. Financial education, usage limits, and cost transparency can be solutions to mitigate risk.

Additionally, service provider companies need to improve the evaluation of payment capabilities, provide better cost transparency, and implement responsible business practices. Strict regulations and supervision are also needed to protect consumer interests. Debt recovery support and collaboration with third parties can be additional steps to help users experiencing financial difficulties.

In dealing with the complexity of using pay later, holistic and sustainable solutions are the key to ensuring that this service provides benefits without compromising consumer financial stability.

LIMITATIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

Limitations of this research include limitations in respondent context, time, and resources. The focus on younger generations, especially millennials and Generation Z, limits the generalizability of these findings to broader segments of the population. Time and resource limitations can also limit the depth of analysis of consumer debt repayment behavior using PayLater services. Therefore, further research over a broader period could provide a deeper understanding of changes in repayment behavior over time. Additionally, additional variables such as income level, education level, and level of financial knowledge can be included to provide a more complete picture of the factors that influence consumer debt management.

Recommendations for future research include intergenerational comparative studies to understand differences in PayLater user behavior, analysis of the impact of financial education, and longitudinal research to track changes in debt repayment behavior over time. This study could also include legal and regulatory aspects as well as psychological factors to provide a more comprehensive view regarding the use of PayLater services. Thus, it is hoped that further research can provide deeper insight and support the development of more responsible policies and practices in the use of these financial services.

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