

# Analysis of the Paylater Feature as a Lifestyle Support for Generation Z

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## ABSTRACT

Every day, Generation Z's lifestyle is increasingly diverse, making it difficult to fulfill all their demands and desires. Starting from clothing needs to other needs that are considered less important can now be met thanks to the paylater feature. In fact, it makes Generation Z increasingly complacent because of the convenience offered by this paylater feature and the current consumptive tendencies of Generation Z. For this reason, researchers will examine the paylater feature based on the discussion that has been explained previously. The purpose of this study is to determine the extent of the influence of the paylater feature on the lifestyle of Generation Z. This study uses a qualitative descriptive method or is included in library research. The technique used in this study is a literature review of the opinions of several sources regarding the existence of paylater in supporting the lifestyle of Generation Z. In conclusion, the paylater feature has a major impact on the lifestyle of Generation Z. The paylater feature has proven to be an ideal alternative, especially for Generation Z in supporting their increasingly diverse lifestyle.

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## 1. INTRODUCTION

Technological advances have had a significant impact on users, including making transactions easier. Payment systems that previously relied on cash or bank credit cards have now been replaced by the emergence of fintech (financial technology). This financial technology, a product of technological advancements, will also create new applications, processes, business models, and even products with a significant impact on financial services providers [1]. Financial technology has made it easier for users to

easily delay payments. Buy now and pay later—the convenience of delayed payments can be enjoyed through the paylater feature. It's easy for someone to use the paylater option to buy anything quickly and simply, but with a payment plan that is set later and for a predetermined period. Paylater is a concept similar to a credit card that allows consumers to make payments in installments or on the due date of e-commerce purchases. The only difference between the two is the format and conditions. The presence of the paylater function reflects the evolving consumer patterns of society. Consumer

patterns that were previously based on conventional or face-to-face patterns have now shifted to purchasing through internet features [2].

Besides being simple and fast, the PayLater feature also offers consumers the opportunity to borrow money without having to use a bank account. PayLater services are also emerging, offered by digital platforms that have partnered with third-party installment providers [3]. Paylater is a credit-based payment mechanism that uses an advance payment system from the paylater app provider to pay the user's merchant bills. The consumer then pays the bill to the paylater program company within a specified timeframe, for example, within 14 or 30 days [4].

This is the reason why many people want to use this feature. One of them is Gen Z. This feature is considered a lifesaver because it quickly meets their needs and desires. Furthermore, the presence of paylater has an impact on the strategies e-commerce companies will use to attract customers. The paylater feature and e-commerce companies are closely related. E-commerce platforms that collaborate to provide products with paylater options will attract consumers to make purchases even with payment delays [5].

According to a study, Generation Z and Millennials are the generations that use PayLater the most. According to a survey conducted by Zigi and Katada Insight Center, PayLater is the preferred transaction method for Millennials and Generation Z [6]. Based on a survey of 5,204 respondents, 67.8% of Generation Z prefer to pay with digital wallets, also known as e-wallets, such as GoPay, OVO, ShopeePay, DANA, and LinkAja. Of that 67.8%, 13.8% use credit or pay later options. This percentage is quite remarkable compared to customers who use other payment methods, considering the potential for paylater users to increase in the future.

Every day, Generation Z's lifestyles are becoming more diverse, making it difficult to meet all their demands and desires. From

clothing to other less essential needs, these can now be met thanks to the paylater feature. This has even made Generation Z increasingly complacent due to the convenience offered by this paylater feature and their current consumerist tendencies. They are tempted by the "pay later" option provided by the paylater feature, and in certain situations, they are unable to pay expired bills. As a result, letting expired bills accumulate will increase the amount of payments that must be made. Understanding the paylater feature properly is crucial to prevent consumers from getting into debt or getting caught up in monthly payments. If implemented properly, the paylater feature can encourage increased financial inclusion in a country, especially Indonesia [7]. Therefore, researchers will examine the paylater feature based on the discussion previously outlined. The purpose of this study is to determine the extent to which the paylater feature impacts the lifestyles of Generation Z.

## 2. LITERATURE REVIEW

### 2.1 *Paylater as an Alternative to Support Generation Z's Lifestyle*

Recently, the buy now, pay later feature seems to have become popular among many groups, especially Generation Z. Various e-commerce and marketplaces are aggressively promoting the benefits of this feature to entice users to use this credit card-free option. Generation Z is a clear target for the buy now, pay later trend. Generation Z, who are still searching for their identity, are easily influenced by their peers and reference groups in making purchasing decisions. Generation Z is a generation that grew up with knowledge and is close to technology, the internet, and social media, which often gives rise to stereotypes of technology addicts, antisocials,

and even social justice fighters [8]. This problem is said to have successfully given birth to a hypercognitive generation that easily collects as many references as possible from various information sources and combines offline and online experiences [9].

On the other hand, some Generation Zers use the paylater feature to improve their lifestyle, creating a hedonistic impression. They choose to buy desired items rather than necessary items solely to look cool and trendy, without considering the exact reason for the purchase and how to pay on time. This poses a separate issue related to the availability of the paylater feature among Generation Z. Lifestyle has been shown to significantly impact people's impulse purchases. Lifestyle will ultimately influence the decision to purchase a product. Furthermore, impulse purchases can stem from a sense of encouragement and support from consumers after receiving stimulation in the shopping environment [10], [11]. Essentially, everyone, including Generation Z, has the right to use credit services like Paylater. However, it's important to emphasize that assessing an individual's ability to pay must be carefully considered to avoid late payments and increasing cash outflows.

## **2.2 Advantages and Disadvantages of Paylater as a Modern Payment Method**

As mentioned previously, the PayLater feature offers many benefits by making it easier for consumers to make payments later. In addition to the

convenience and efficiency of this PayLater feature [12], there are several advantages that can be used as an alternative in making payments, such as:

### **1. The process is much faster and more practical**

It's no secret that the "buy now, pay later" concept is quite practical, especially in urgent situations. For example, when the budget hasn't been met or the deadline has passed and needs are increasing. This feature is available as an alternative payment transaction and additional loan funds for other needs. The requirements for this feature are relatively easy for those who apply. Activation is also usually faster than applying for a credit card loan.

### **2. Times vary**

When using this paylater option, the selected payment term or tenor is also taken into account. Common term options offered by e-wallets and e-commerce platforms range from one month to a maximum of twelve months, with some even offering up to fifteen months. The shorter the term selected, the lower the interest rate. However, longer term periods will increase the interest rate.

### **3. Offering many attractive promotions**

Due to its rapid growth, most businesses are striving to outdo each other by offering various promotions to attract customers to their paylater features. It's no surprise, then, that many people are choosing to use the paylater

feature due to the many attractive promotions available.

Besides its many advantages, this paylater feature also has disadvantages, including the potential for loss if not used carefully.

1. Because of its convenience, this feature can encourage users to be wasteful. If not used wisely, people may believe they can achieve anything they desire immediately, even if they have no money at all and fail to consider the potential risks later. Because immediate desires are less of a priority than temporary ones, this feature can lead users to become complacent.
2. The convenience and efficiency offered by the PayLater feature poses its own financial risks. Purchasing anything seems like a simple process. Unwittingly, this can foster a habit of indebtedness. This is fine if the loan can be repaid on time. However, if the bill isn't paid on time, arrears will pile up, requiring the user to deal with debt collectors. Likewise, if a PayLater user manages to repay their debt on time, this will indirectly increase and foster a habit of re-incurring debt through the use of this tool.

### 3. METHODS

This research uses a qualitative descriptive method, which is included in library research. The author will collect data through written data sources by gathering various scientific references through books, national and international journals, reports, research results, and other related sources. The technique used in this research is a literature review of the opinions of several sources regarding the existence of paylater in supporting the lifestyle of Generation Z.

### 4. RESULTS AND DISCUSSION

Setting aside the question of how Generation Z lives today, it stands to reason that consumption levels will increase in response to the uncontrollable growth of human needs. People can do anything to achieve their personal goals, even in the worst-case scenario when their desires are too strong to support this increasingly varied lifestyle. Modern lifestyles are defined by a person's behavior, such as the activity of acquiring or consuming goods and services, as well as the decision-making process in choosing these activities. Impulse purchases can be made by customers with high purchasing power supported by the availability of funds and free time [13].

The paylater feature, abbreviated as BNPL (buy now, pay later), is a type of credit card that allows customers to pay in installments. The borrowing facility within this paylater feature is sometimes referred to as a credit limit, which is the maximum credit limit typically set by financial institutions or specific organizations to ensure the accuracy of credit agreements or maximize credit card usage. Various card-free credit applications are available, including:

The PayLater feature on Shopee allows loan limits ranging from IDR 750,000 (seven hundred and fifty thousand rupiah) to IDR 3,000,000 (three million rupiah), but under certain conditions, this limit can be increased to IDR 50,000,000 (fifty million) if the user has a high loyalty rating. Shopee PayLater charges a 1% handling fee for each

transaction made by each user and imposes a payment term of 5% of the invoice amount if payment is delayed. Available terms range from one month to twelve months. There are several requirements that must be met to be able to use the PayLater service on the Shopee platform. Among them are being an Indonesian citizen aged at least 17 years and having a National Identity Card (KTP), among other requirements that have been set. The Shopee PayLater feature can only be used once with this National Identity Card (KTP) due to special restrictions [14].

Lazada PayLater is described as a paylater feature with a relatively high limit due to its credit filtering system. The maximum limit set by Lazada PayLater ranges from IDR 1,500,000 (one million five hundred thousand rupiah) to IDR 5,000,000. The interest rate on Lazada PayLater is 0% if repayment is made within thirty days, or 2.95% per month with a credit term of 3.6 months for two months [15].

As explained above for the PayLater application, as its name suggests, this PayLater feature allows users to take advantage of temporary services and improvements, with the pretext of paying at the end of a specified period. The availability of this PayLater feature allows for comparisons between online shopping companies and peer-to-peer lending providers [7]. Peer to peer lending is defined as an information technology-based lending service that creates a platform or firm that connects lenders with loan seekers [16].

Also known as hedonic motives, hedonic incentives are present as one of the factors driving someone's desire to use the paylater option. When a person's hedonic urge is accompanied by a growing sense of pleasure from using the paylater feature, they will be compelled to use the paylater feature without first considering anything else, as long as it brings them joy and satisfaction [17]. In fact, a study states that hedonic motives, when viewed from an absolute perspective, can have a positive impact on interest in using the paylater payment method [18]. However, if hedonic motivation is excessive, it will

clearly have a negative impact on long-term user retention. Rather than benefiting both parties in the transaction, excessive hedonic motivation can actually result in losses and loss of life.

It appears that in many cases, the paylater feature has backfired on its consumers. Generation Z is the dominant group, as they haven't been able to utilize this feature effectively. Because the paylater system's requirements are simple and automatically linked, many members of Generation Z apply for loans despite having no income. This is unfortunate, as this paylater option is widely used by individuals as an alternative for those who are unbankable.

### Discussion

With its ease of access and processing, Generation Z utilizes this feature to support their shopping habits and lifestyle. However, the high use of paylater features to facilitate a consumptive lifestyle requires caution. This can trigger excessive consumer behavior and lead to financial problems later in life if not managed properly. On the other hand, the paylater feature also offers benefits in terms of cash flow management and ease of transactions for Generation Z. This aligns with the characteristics of Generation Z, who want everything to be fast and practical.

To support wiser use of paylater features, improved financial education and literacy are needed for Generation Z. They need to be taught how to manage their finances effectively, including how to use paylater facilities, to avoid financial problems later in life. Paylater service providers also need to play a role in promoting responsible use, for example by setting realistic credit limits and implementing rigorous creditworthiness analysis.

### 5. CONCLUSION

This bibliometric study has in conclusion, the paylater feature has had a significant impact on Generation Z's lifestyle. These transactions have become easier thanks to technological advances that enable online

payment activities. The paylater feature has proven to be an ideal alternative, especially for Generation Z, to support their increasingly diverse lifestyles. They utilize the paylater function to meet their needs and desires because it is easy to use. This convenience triggers several supporting factors that influence Generation Z's purchasing behavior, which is carried out with the pay later concept. One factor that encourages

Generation Z to use this paylater feature is their spontaneous buying mentality, which means they make purchases without prior planning. Furthermore, there is a hedonic motivation that arises accompanied by emotions of pleasure to utilize this paylater feature, so that someone is forced to use the paylater feature without first considering other things.

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