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# Paylater Lifestyle: Financial Solution or Debt Trap for the Younger Generation

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**ABSTRACT**

*Paylater services have grown rapidly in Indonesia along with the increasing penetration of digital and e-commerce. Ease of access and more flexible requirements make it the main choice for the younger generation to meet consumer needs. However, uncontrolled use of Paylater can pose financial risks, such as debt accumulation, declining credit scores, and inhibiting the ability to save. The younger generation, who are still in the stage of building personal finances, are very vulnerable to these negative impacts. Studies show that most Paylater users are aged 20-30 years, with the majority using this service for online shopping and lifestyle. Dependence on Paylater reflects a weak awareness of long-term financial consequences. Without a good understanding of the fee and interest structure, many users are trapped in debt that is difficult to repay. This phenomenon is exacerbated by a culture of impulsive consumption driven by aggressive marketing strategies from e-commerce platforms. If not balanced with adequate financial literacy and strict regulations, Paylater risks exacerbating individual financial crises. Therefore, increasing financial literacy and stricter policies are urgently needed to ensure responsible use of Paylater, as well as to protect consumers and the stability of the financial sector.*

***Keywords**: Paylater; Impulsive Consumption; Young Generation,*

## INTRODUCTION

In recent years, Paylater services have grown rapidly in Indonesia, along with increasing digital and e-commerce penetration. Ease of access and more flexible requirements compared to credit cards make it the main choice for the younger generation in meeting consumer needs. Data from Bank Indonesia (BI) shows that Paylater transactions have experienced a significant spike in recent years, indicating a shift in people's preferences in making transactions. In addition, financial technology (fintech) companies and large marketplaces such as Shopee, Gojek, and Tokopedia are increasingly aggressively promoting this service through various incentives such as cashback and zero percent interest, which encourages more users to rely on this debt-based payment system.

However, the convenience offered by Paylater also carries the potential for great financial risk, especially for the younger generation who do not yet have mature financial management. The Financial Services Authority (OJK) has warned that uncontrolled use of Paylater can increase the number of bad debts, which ultimately impacts individual credit scores and the stability of the financial sector. A study by Sonia (2021) shows that around 45% of Paylater users in Indonesia are young people aged 20-30 years, with most of them using this service for consumptive needs such as online shopping and lifestyle. This condition shows the urgency to increase financial literacy so that the younger generation does not fall into unhealthy consumption patterns and dependence on short-term debt.

The dependence of the younger generation on Paylater services not only reflects changes in consumption patterns but also indicates a lack of awareness of long-term financial consequences (Krisanti & Wahyuni, 2023). Many young people are trapped in the illusion of easy transactions without considering the financial burden that will come, especially if they do not have a stable source of income. Research conducted by the Institute for Development of Economics and Finance (INDEF) shows that more than 30% of Paylater users have difficulty paying installments on time, which has the potential to increase the number of bad debts and worsen the financial condition of individuals. This is exacerbated by the low financial literacy among the younger generation, where many of them do not understand the concept of interest, late fees, and their impact on their credit scores in the future.

Furthermore, this consumer trend is also closely related to the culture of "instant gratification" which is increasingly rooted in the digital era. E-commerce platforms and social media play a major role in shaping impulsive consumption patterns through aggressive marketing strategies such as flash sales, exclusive discounts, and FOMO (Fear of Missing Out)-based promotions. According to research by Syuhada et al (2024), purchasing decisions made by the younger generation are spontaneous, driven by emotional factors and momentary urges. In this context, the Paylater service is not just a transaction tool, but also a facilitator for unhealthy consumption patterns. Without strict regulations and massive financial education, there is a great risk that Paylater will actually become a tool that deepens an individual's financial crisis, instead of being a wise financial solution.

If not balanced with good financial management, excessive use of Paylater can create a cycle of debt that is difficult to break. This phenomenon is further exacerbated by the fact that many Paylater users do not fully understand the fee structure charged, including hidden interest rates, late fees, and penalties for default. According to data from the Financial Services Authority (OJK), the number of bad debts in the fintech lending sector, including Paylater, has increased in recent years, indicating that more and more users are having difficulty paying off their debts. In the absence of a strong self-control mechanism, the younger generation is vulnerable to long-term financial problems, which have the potential to hinder their personal economic stability in the future.

Furthermore, the negative impact of dependence on Paylater is not only limited to individuals, but can also affect the wider economy. If the level of bad debt continues to increase, Paylater service providers will face financial pressure that can lead to restrictions on credit access for the community (Johnson et al., 2021). In the long term, this can disrupt the fintech ecosystem and create instability in the digital financial industry. Therefore, stricter regulations from the government and financial institutions are needed to ensure that Paylater services are not misused by consumers or service providers. In addition, financial literacy education must be a priority, so that the younger generation can understand the consequences of every financial decision they make, so that Paylater truly becomes a responsible financial solution, not just a debt trap that plunges them into economic difficulties.

The lack of financial literacy among the younger generation not only causes high levels of uncontrolled use of Paylater, but also increases the risk of individual financial instability in the long term (Amelia et al., 2023). A study by the Financial Services Authority (OJK) shows that only 38% of Indonesians have adequate levels of financial literacy, while the rest still do not understand the basic principles of financial management, including the risks of using credit services such as Paylater. As a result, many young people are trapped in impulsive consumption patterns without careful calculation of their financial capabilities. Without a good understanding of the consequences of debt accumulation, they tend to continue using this facility until they finally face difficulties in payments, which has an impact on poor credit scores and limited access to financial services in the future.

Therefore, increasing financial literacy is a crucial step in overcoming this problem. The government, financial institutions, and fintech platforms have a responsibility to educate the public, especially the younger generation, about the importance of healthy debt management. Educational programs such as financial awareness campaigns, integration of financial literacy into the education curriculum, and transparency in conveying information related to interest rates and additional fees from Paylater services need to be strengthened. According to the World Bank report (2023), countries with higher levels of financial literacy tend to have populations with more responsible consumption habits and lower levels of problematic debt. If these steps are implemented seriously, Paylater can be optimally utilized as a helpful financial solution, not as a tool that worsens the financial conditions of the younger generation.

## METHODS

This study uses a qualitative method with a literature study approach to analyze the phenomenon of Paylater usage among the younger generation and its impact on their financial condition. Literature studies were chosen because they allow for in-depth exploration through various academic sources, official reports, and relevant secondary data. Data sources were obtained from various scientific journals integrated in databases such as Scopus, Dimensions, Google Scholar, and DOAJ, as well as reports from the Financial Services Authority (OJK), Bank Indonesia (BI), and the Institute for Development of Economics and Finance (INDEF). In addition, credible news articles and reports from fintech and e-commerce companies were also used to understand the development of regulations and marketing strategies for Paylater.

Data analysis was conducted using the content analysis method to identify consumption patterns, financial literacy, and debt risks due to the use of Paylater. The source triangulation technique was applied to increase the validity of the findings by comparing information from various references. The results of this study are expected to provide insight into the impact of Paylater on the younger generation and become the basis for increasing financial literacy and formulating stricter policies related to digital financial services so that they can be used wisely and sustainably.

## RESULTS AND DISCUSSION

### The Impact of Paylater Usage on the Financial Stability of the Younger Generation

1. **Consumption Patterns and Dependence on Term Payments**

Paylater or a term payment system offers convenience in shopping without having to pay in full up front, which encourages consumers, especially the younger generation, to purchase goods or services that may not be immediately affordable. Although it provides flexibility, the use of Paylater without careful financial planning can lead to unwise consumption patterns and dependence on the term payment system. This is relevant to research conducted by Mezza et al (2024), which found that the younger generation is more likely to make impulsive consumption decisions influenced by easy access to credit, such as a term payment system, without considering their ability to pay in the future. This study shows that the ease of payment offered by a system such as

Paylater can increase consumption of goods that are not affordable in the short term, but risks causing financial dependence in the long term.

Reliance on installment payments often leads to uncontrolled debt accumulation. This is in line with the findings of Van Dinh (2024) in his research on consumer behavior and debt among young consumers in Indonesia. They stated that the use of consumer credit, especially installment-based credit, can worsen financial conditions if not accompanied by good financial planning. When someone continues to add installments without completing the previous ones, they are trapped in a cycle of debt that is difficult to break. In this case, the role of poor financial planning is often a major factor, leading to difficulties in managing installments.

In addition, research by Prihatni et al (2024) found that installment payments, especially those accompanied by interest and late fees, can worsen an individual's financial condition by creating significant psychological stress. Consumers who are late in paying installments will be charged high interest, which worsens their debt. In the long run, this habit can add to the psychological burden of financial stress, which in turn affects their quality of life and mental health. This study reveals that stress due to recurring debt can affect an individual's overall well-being, with a greater impact on those with low or unstable income levels.

Excessive consumption patterns due to dependence on a fixed payment system can also hinder the achievement of long-term financial goals. Financial literacy shows that individuals who do not have a good understanding of personal financial management are more likely to fall into excessive consumer behavior (Jafar et al., 2023). Without wise debt management, they will find it difficult to save or invest for the future, and are more vulnerable to being trapped in prolonged financial difficulties. Therefore, more mature financial planning is needed to avoid this detrimental consumer trap.

To address this issue, better financial education is essential. Research by Poddala & Alimuddin (2023) shows that better financial education can improve individuals' ability to manage their debts and expenses wisely. This education not only helps individuals to understand how to manage expenses and debts, but also to make wiser decisions regarding the use of fixed payment systems such as Paylater. In addition, a study by Ashar & Azriana (2024) also supports the importance of budget management in improving financial well-being, by showing that those who are more disciplined in following a monthly budget have higher levels of financial well-being.

Overall, although Paylater provides convenience in shopping, using this system without proper financial planning can trigger dangerous consumption patterns and dependence on fixed payments. Previous research supports this understanding, showing that dependence on fixed payment systems can worsen financial conditions, create debt that continues to accumulate, and disrupt psychological and physical well-being. Therefore, it is important for consumers to have a good understanding of financial management in order to make wise financial decisions and avoid dependence on fixed payment systems.

### 2. Long-Term Impact on Access to Financial Services

Uncontrolled use of Paylater services can have a negative impact on an individual's credit history, which risks reducing their access to formal financial services in the future. Credit scores, which are used by financial institutions to assess a person's eligibility for loans or credit, are greatly influenced by late or unpaid installment payments (Susanto, 2025). When someone fails to fulfill their Paylater payment obligations, their credit score will decrease, which makes financial institutions reluctant to provide loans or other financial facilities. Research conducted by the Financial Services Authority (OJK) and

Bank Indonesia shows that the increase in Paylater use is directly related to the increase in bad debt rates. In a study published by OJK, it was found that around 25% of Paylater service users had difficulty paying installments on time, which contributed to the high number of bad debts in the fintech sector (OJK, 2020). In addition, a study by Fisher and Spector (2019) revealed that uncontrolled use of digital lending services, such as Paylater, has the potential to lower credit scores due to high default rates and unmanaged consumer behavior.

When someone becomes more dependent on Paylater without proper financial management, the risk of getting trapped in mounting debt increases, worsening their financial condition. This hinders personal financial development because funds that could have been used for saving or investing are instead diverted to paying installments. Research by Fatmawati & Suwardi (2024) shows that the increasing use of Paylater and similar services worsens an individual's financial condition, which in turn reduces their ability to make long-term financial plans, such as investing or saving for big goals. In this context, the use of Paylater becomes an obstacle to personal financial development, because dependence on digital installments prioritizes short-term consumption rather than growing assets or reserve funds for the future.

The younger generation, who are still in the process of building their personal finances, are particularly vulnerable to these impacts. Reliance on Paylater can prevent them from accessing large loans needed to achieve long-term financial goals, such as buying a house, vehicle, or education. Research by Nugrahanti et al (2024) states that unwise use of digital credit facilities can make it difficult for the younger generation to get loans with low interest rates, so they have to rely on loans with high interest rates or even cannot access credit facilities at all. In this condition, they have difficulty achieving financial progress due to limited access to credit facilities.

As a mitigation measure, it is important for individuals to have a good understanding of financial management and the importance of paying installments on time. Education on wise financial management will help prevent dependence on Paylater, protect credit scores, and open access to greater financial services in the future. Research by Faradila (2023) underlines the importance of digital financial literacy as an effort to reduce the negative impacts of uncontrolled use of Paylater. This education can help direct individuals to use financial services more wisely and avoid the risk of getting caught in detrimental debt.

## The Importance of Financial Awareness and Regulation in Using Paylater

### 1. Strategies to Increase Financial Awareness Among the Younger Generation

Low financial awareness among the younger generation is a major challenge in using Paylater services wisely. Many of them do not yet understand the long-term consequences of debt management, including high interest rates and the risk of getting caught in excessive debt. A study by Surya & Evelyn (2023) shows that low levels of financial literacy can cause individuals to make poor financial decisions, including unwise debt management. In this context, it is important to have more intensive educational efforts regarding personal financial management. One step that can be taken is to integrate financial literacy into the formal education curriculum, such as in economics or even as a separate subject. Research by Azizi et al (2024) suggests that financial education in schools has been shown to improve personal financial management skills and reduce excessive spending among students. In this way, the younger generation will be better prepared to face future financial challenges and understand the importance of wise debt management.

In addition, a national campaign on debt management and interest risk is also very necessary. Research conducted by Munir (2023) states that a campaign that educates the public about debt and interest can increase understanding of the dangers of high-interest debt and improve individuals' ability to make wiser financial decisions. This campaign can be carried out through various media such as social media, public advertisements, and mass media that explain the negative impacts of excessive debt and provide healthier solutions in managing personal finances. This approach will create awareness throughout society, especially the younger generation, about the importance of being wise in managing debt.

Equally important, counseling through digital platforms that are often used by the younger generation can be an effective means of disseminating information about financial management. Research by Menberu (2024) revealed that financial counseling provided through digital technology, such as mobile applications and social media, has great potential to reach young audiences and deliver information in a more interesting and interactive way. Through mobile applications, webinars, and social media, the younger generation can access easy-to-understand information on how to manage debt and use Paylater services wisely. This digital approach allows for more interactive and accessible counseling at any time, making it the right way to equip them with financial knowledge. With this increase in financial awareness, it is hoped that the younger generation can manage their personal finances wisely, avoid excessive debt, and reduce dependence on debt-based payment systems, so that they can make healthier financial decisions in the future.

Overall, these studies support the idea that financial literacy education, debt management campaigns, and digital outreach can increase financial awareness among young people. With these approaches, young people will be better prepared to face existing financial challenges, including in the use of Paylater services, and can make wiser decisions about managing their finances.

**2. The Role of Strict Regulation in Supervising Paylater Services**

Strict regulation in supervising Paylater services is not only intended to protect consumers, but also to create a safer and more responsible digital financial ecosystem. Previous research shows that consumers' ignorance of hidden fees and high interest rates can cause them to get trapped in uncontrollable debt. For example, a study conducted by Cintya & Nisa (2024) found that less transparent Paylater services can lead to increased debt levels among users who are unaware of the long-term consequences of deferred payments. This study emphasizes the importance of transparency in fees and interest to prevent misuse of digital financial services, which are often used by individuals with low financial literacy.

Furthermore, Argawandani & Nisa (2024) in their study on the impact of regulation on the fintech industry, stated that strict regulations, especially those related to restrictions on the amount of loans and supervision of service providers, can reduce the risk of default. These restrictions are important, especially for new users, who often do not have experience in managing digital loans. They found that such restrictions can prevent excessive adoption of services and reduce the potential for debt problems, which according to Rizk (2021) shows that the implementation of strict regulations in countries with rapidly developing digital payment systems, such as in Southeast Asia, has contributed significantly to reducing consumer debt rates. Countries such as Indonesia and the Philippines, which have stricter regulations on fintech, show lower bankruptcy rates among Paylater service users compared to countries that have less supervision of similar services. This study indicates that loan restriction policies and checking consumers' financial backgrounds before providing access to services can effectively reduce the risk of getting caught in excessive debt.

In addition, the importance of regulation in maintaining the stability of users' personal finances is also emphasized by Wiyata & Kusuma (2024) in their research on financial stability in the digital financial system. They argue that Paylater services, although they provide convenience, can be very risky for individuals who do not have sufficient understanding of financial management. With regulations that limit access to loans for new users and provide better financial education, the risk of financial loss can be significantly reduced. Overall, previous research supports that strict regulation in supervising Paylater services plays a very important role in protecting consumers from potential abuse and uncontrolled debt problems. With transparency of fees, restrictions on the amount of loans, and supervision of service providers, consumers can be wiser in using this service without causing long-term financial problems.

## CONCLUSION

The use of Paylater provides convenience for the younger generation in shopping, but risks damaging financial stability if not managed wisely. Without mature financial planning, this system can encourage impulsive consumption patterns and dependence on installment payments. Uncontrolled debt accumulation can lower credit scores and limit access to formal financial services in the future. It also adds psychological pressure and hinders the ability to save and invest in the long term. The younger generation who are building their personal finances are very vulnerable to these negative impacts. Therefore, higher financial literacy is needed to help them manage their finances wisely. Financial education in schools, debt management campaigns, and digital counseling can help increase financial awareness. With a better understanding, the younger generation can make wiser financial decisions, avoid excessive debt, and build stable finances. Strict regulations are also important to protect consumers from misuse of Paylater services. Countries with stricter regulations have been shown to have lower bankruptcy rates among their users.

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