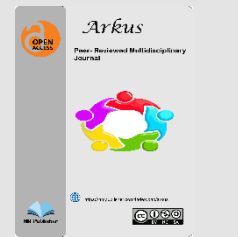




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How to Improve the Propensity to Indebtedness of Shopee Paylater Gen Z Users?

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ABSTRACT

Paylater payment methods in Indonesia can be financially harmful to society, especially the many cases of users, especially young people, who fail to pay their paylater. This research aimed to find the relationship between financial literacy, materialism, and compulsive buying to a propensity to indebtedness in Shopee gen-Z users. This study is casual research using a quantitative approach and is described descriptively. This study uses the population of generation Z Shopee Paylater users in Jabodetabek. The sample used was 170 generation Z Shopee Paylater users in Jabodetabek. Data was collected through a questionnaire. The analysis model used in this research is structural equation modeling (SEM). The results of the research that has been done state that there is an insignificant influence between financial literacy and propensity to indebtedness. Other results show a positive impact between materialism on the propensity to indebtedness, compulsive buying on propensity to indebtedness, and materialism on compulsive buying. In conclusion, financial literacy has a negative impact on materialism and compulsive buying.

1. Introduction

Technological developments have advanced the financial sector to provide technology-based financial services, which can generally be known as financial technology (fintech).¹ The public can be facilitated by using digital financial services offered by fintech because there is no need to come to the place.² The existence of Fintech also has a big role in increasing financial inclusion, especially by helping MSME sector business actors to get faster and easier access to financial services. Fintech can expand its reach to the community to increase productive credit in Indonesia.³ Not only providing productive credit services, but Fintech services also allow people to use loans for consumptive needs. A popular example of loans used

for consumptive needs is a service that is quite popular with the development of e-commerce in Indonesia that allows consumers to buy goods now and pay later, or this method is quite well known as "Paylater".

The concept of Paylater is a bit similar to credit cards because there is a limit on shopping. However, the Paylater payment guarantee is lower compared to credit cards. Usually, Paylater is provided on several platforms, such as e-commerce, marketplace, and online transportation. The use of Paylater is purely used for consumptive uses, so if not used wisely, it can have a negative impact on people's financial health if they do not know the risks of using it. On the other hand, the level of Paylater usage in Indonesia exceeds the use of credit cards. The high use of Paylater in

Indonesia is due to the increase in the number of transactions and the value of e-commerce transactions.

Good financial literacy is needed by the community because it is an indicator of an individual's knowledge and skills regarding finance to make wise financial-related decisions and be able to control personal finances regularly. A lack of financial literacy in an individual will make an individual manage their finances unwisely.³ There are many factors that affect financial literacy, some of which are compulsive buying, which is a condition where an individual who wants something will immediately buy goods regardless of the price and current financial condition. Another trait that can be used as an indicator of an individual's financial literacy assessment is materialism, which is a condition where a person wants to own luxury goods. If someone is able to control themselves and their finances not to buy luxury goods, it means that person has a low level of materialism behavior and high financial literacy so that they can avoid propensity to indebtedness behavior.⁴

Shopee, as one of the largest marketplace platforms in Indonesia, has the largest number of Paylater service users, so in 2020, the service users reached up to 1.27 million users with active borrowers of 67% or around 850 thousand total borrowers (DailySocial.id). The total accumulation of funds that have been issued for Shopee Paylater loans reaches up to IDR 1.5 trillion.⁵ This research aimed to find the relationship between financial literacy, materialism, and

compulsive buying to a propensity to indebtedness in Shopee gen-Z users.

2. Methods

This research is casual research using a quantitative approach and is described descriptively. The population in this study was all generation Z, namely those aged 17 to 24 years who live in Jakarta, Bogor, Tangerang, and Bekasi (Jabodetabek) and also use Shopee Paylater, and the sample used in this study was 170 respondents who were taken using one of the non-probability sampling techniques, namely the judgment (purposive) sampling technique. Data was collected through a questionnaire. The analysis model used in this research is structural equation modeling (SEM). The questionnaire in this study was previously tested for validity and reliability, and it was found that all items on each variable used were declared valid and reliable.

3. Results and Discussion

Based on Table 1, it can be concluded that the R-square (R^2) of the financial literacy variable explains the compulsive buying variable by 0.8174 or 81%, and the remaining 19% is explained by other variables outside the study. Financial literacy also explains materialism by 0.2238 or 22%, and the remaining 78% is explained by other variables outside the study. Finally, it can also be concluded that financial literacy explains the propensity to the indebtedness by 0.7974 or 79%, and the remaining 21% is explained by other variables outside the study.

Table 1. R-square value.

	R-square
Compulsive buying	0.8174
Materialism	0.2238
Propensity to indebtedness	0.7974



Figure 1. Hypothesis testing of structural models with bootstrapping.

The results of testing the first hypothesis in the study conducted using Smart-PLS software show that the relationship between financial literacy directly has no significant and negative effect on the propensity to indebtedness (Figure 1). The test conducted obtained a $p\text{-value} > 0.05$, which amounted to 0.0507. With the data collected, the test results in the study can state that the high or low propensity to indebtedness owned by generation Z (gen-Z) in the Jabodetabek area does not affect the decision to go into debt using Shopee Paylater to buy the desired item.

The results of this study also show the same results as research conducted by Marheni, which found that financial literacy does not have a significant effect on the propensity to indebtedness (3). So that the research conducted produces an insignificant impact when looking at the relationship between financial literacy and propensity to indebtedness directly.

The results of testing the second hypothesis show that materialism has a significant and positive effect on the propensity to indebtedness. The test conducted gave a $p\text{-value} < 0.05$ of 0.0005 with an influence level of 0.4294. So it can be said that materialism has a significant positive influence on generation Z Shopee Paylater users who live in the Jabodetabek area. This is in line with the opinion of Ponchio (2006) in Wahono and Pertiwi, who say that a high attitude of materialism also results in a high level of propensity

to indebtedness, where a person will have a high willingness to get luxury goods at all costs, even if by going into debt.⁴

The results of testing the third hypothesis illustrate the relationship between Compulsive Buying and Propensity to Indebtedness significantly and positively. The test obtained a $p\text{-value} < 0.05$ of 0.0006 with an influence level of 0.4509. By testing the collected data, the test results in the study state that the lower the level of compulsive buying owned by generation Z domiciled in Jabodetabek and using Shopee paylater, the lower the level of propensity to be in debt. This is in line with the opinion expressed by Carvalho et al. in Wahono and Pertiwi, which explains that if a person does not do compulsive buying, then that person's finances will be well maintained. The level of debt will tend to be low.⁴

The results of testing the fourth hypothesis show that the materialism relationship has a significant and positive effect on compulsive buying. The test carried out obtained the results of $p\text{-value} < 0.05$, which is equal to 0 with an influence level of 0.8635. The results show that materialism has a significant positive effect on compulsive buying on generation Z Shopee Paylater users who live in the Jabodetabek area. The lower the level of the materialism of generation Z Shopee Paylater users who live in the Jabodetabek area, the lower the compulsive buying

because they do not buy luxury goods, which means they do not buy goods excessively or compulsively. Low materialism will make an individual not make compulsive purchases of goods. This is in line with the opinion of Dittmar, who explains that a person who has a low level of materialism will have higher self-esteem and have control not to make compulsive purchases.⁶

The test results conducted for the fifth hypothesis show that Financial Literacy has a significant and negative effect on Materialism. The test conducted has a p-value <0.05, which is 0, and the level of influence is -0.4731. The results show that Financial Literacy affects Materialism significantly and negatively on generation Z Shopee Paylater users who live in the Jabodetabek area. The higher the level of Financial Literacy of generation Z Shopee Paylater users who live in the Jabodetabek area, the lower the level of materialism. This is in line with the opinion expressed by Roberts, who explains that having good financial literacy is basic in financial practice as an action that prevents materialistic behavior.⁶

The test results carried out on the sixth hypothesis describe the relationship between Financial Literacy, which has a significant and negative effect on Compulsive Buying. The test conducted resulted in a p-value <0.05, which is 0.0414, and an effect level of -0.08. The results show that financial literacy affects compulsive buying significantly and negatively on generation Z Shopee Paylater users who live in the Jabodetabek area. It can be said that the higher the Financial Literacy of generation Z Shopee Paylater users who live in the Jabodetabek area, the lower the level of compulsive buying. The research results obtained are in accordance with the opinion expressed by Grinstein-Weiss et al., which explains that financial literacy can be used to prevent an individual's behavior of making compulsive purchases by providing education related to finance from an early age so that when they have income, they can manage finances, and know which wants and needs are needs.⁷

4. Conclusion

Based on the results of the research that has been done, several conclusions are drawn. Namely, there is an insignificant influence between financial literacy and propensity to indebtedness. There is a positive impact between materialism on the propensity to indebtedness, compulsive buying on the propensity to indebtedness, and materialism on compulsive buying. While financial literacy has a negative impact on materialism and compulsive buying.

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