

## Antecedents and Consequences of Risky Indebtedness Behavior among Paylater Users in Generation Z

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### ABSTRACT

This research explores both the drivers and the outcomes of risky debt behaviour among Shopee Paylater users. Data were gathered from 403 Gen Z respondents in East Java who had previously used Shopee Paylater, and the analysis was conducted using the SEM-PLS method. Results reveal that financial anxiety, misconceptions about credit limits, and impulsive purchasing tendencies all exert a significant positive influence on risky debt behaviour. The study also finds that impulsive buying plays a mediating role between credit limit misunderstandings and financial anxiety in relation to risky debt. Moreover, risky debt behaviour shows a significant negative effect on financial well-being. Overall, the findings underscore how psychological traits and levels of financial literacy shape borrowing patterns, highlighting the urgency of fostering stronger self-control and promoting financial education among younger consumers

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## INTRODUCTION

Information technology has grown year by year and, as a consequence, consumer finance significantly affects contemporary life and the consumption pattern (Han et al., 2019). Consumer finance is now associated with an online consumer credit and is increasingly becoming the main mechanism of realizing credit in the everyday necessities (Hao et al., 2019). According to the information of the Financial Services Authority (OJK, 2024) most of the targets of Fintech Peer-to-Peer (P2P) lending services are Generation Z and Millennials. The latter should be aimed at this age group because this age demographic and population prefer PayLater services as they are convenient and simple to access (Fitriyah & Nadlifatin, 2024). As generations that play a crucial role in driving Indonesia's economic growth in the Society 5.0 era and shaping the nation's future (Kemenko Perekonomian, 2022), Generation Z and Millennials need to be aware of the risks of uncontrolled credit use—especially with PayLater schemes—which can negatively impact their financial well-being (Abrantes-Braga & Veludo-de-Oliveira, 2020). Therefore, strong financial management skills are very important, because they can improve financial health, build self-confidence, and reduce financial stress (Fawwaz & Pratikto, 2023).

Unfortunately, the rising popularity of PayLater has contributed to increasing debt levels among young consumers, who are often prone to impulsive spending (Restike et al., 2024). The phenomenon of "doom spending", impulsive buying as a form of self-reward in response to financial anxiety and uncertainty about the future has become increasingly influential in shaping Generation Z's consumption behavior (Akbar, 2024; Prinada, 2024). Doom spending may drive individuals to incur excessive debt, particularly through "Buy Now, Pay Later" (BNPL) services, thereby increasing their risk of falling into debt traps and worsening their future financial conditions (Whicaksono, 2024). This trend reflects a lack of financial management discipline, especially in controlling personal expenditures (Mardiati & Zen, 2022).

Data from the Financial Services Authority (OJK) show that the number of PayLater contracts in Indonesia has surged, growing at an average annual rate of 133.35% (OJK, 2024). This rapid expansion is driven in part by the proliferation of online credit platforms such as Shopee PayLater, Akulaku, and others. A recent survey by Populix (2023) found that Shopee PayLater was the most frequently used BNPL service in 2023, with 77% of respondents reporting usage, followed by GoPayLater (28%) and Akulaku PayLater (18%). However, this rapid adoption has been accompanied by a worrying increase in non-performing loans (NPLs), particularly within the P2P lending segment. As of August 2024, OJK reported that non-performing loans over 90 days past due (TWP 90) in the P2P lending market had reached IDR 17.85 trillion, with 53.2% of the total contributed by users aged 19–34 years (OJK, 2024). This high percentage indicates that many young users are struggling to meet their credit obligations, an alarming indicator of risky indebtedness behavior (Chai et al., 2023).



Figure 1. Non-Performing Loans by Age Group as of August 2024 (IDR billion)  
Source: (OJK, 2024)

The increase in PayLater usage can be attributed to a prevalent misunderstanding of credit limits, particularly the misconception that these limits signify additional disposable income (Abrantes-Braga & Veludo-de-Oliveira, 2019). Shopee and other PayLater platforms further exacerbate the misperception by automatically increasing users' credit limits in response to increased transaction frequency (Shopee, 2022). This policy can lead to more impulsive consumer spending (Gawior & Polasik, 2022). This impulsiveness is not only triggered by credit availability but also by financial anxiety, which can influence a person's tendency to make unplanned purchases (Orfei, 2023). In this situation, individuals experiencing financial anxiety tend to make emotional decisions as a stress-relief mechanism (Abrantes-Braga & Veludo-de-Oliveira, 2020). This can increase the risk of excessive debt (Leandro & Botelho, 2022). Lee et al. (2023) shows that people who experience financial anxiety tend to act more impulsively and manage their credit poorly, which ultimately, can be detrimental to their financial health (Vieira et al., 2023).

Risky debt behavior not only negatively impacts individuals but also those around them. Financial volatility can make it hard for them to concentrate at work, which can make the companies they work for, less productive (Kaur et al., 2021). Bad debts may create financial strain for lending institutions, as they struggle to meet their operational expenses (Sulasmiyati, 2020). When such situations persist, the impact can disrupt corporate supply chains, potentially leading to widespread job losses. In turn, these conditions may aggravate crime rates and intensify existing social issues (Mataru et al., 2023). For this reason, recognising and managing debt behaviour that poses risks to public health and the broader economy becomes an essential effort.

Abrantes-Braga & Veludo-de-Oliveira (2020); Tahir et al. (2023); Vieira et al. (2023) studied the aspects of how the aspect of risky borrowing can be perilous to one financially. The report by Azma et al. (2018) noted that whenever people feel financial anxiety, they will be less dedicated to paying back their debt. On the contrary, Sari et al. (2023) concluded that financial concerns did not necessarily translate into major shifts in the management of money. Furthermore,

Silaban et al. (2024) found that impulsive spending behavior had a positive and significant effect on the likelihood of engaging in risky debt. In contrast, Omar et al. (2014) reported an insignificant effect between impulsive buying and credit behavior among online loan service users. Given these inconsistencies, this study aims to verify the relationships among credit limit misconception, financial anxiety, and impulsive buying in influencing risky indebtedness behavior, as well as examine its ultimate impact on financial well-being.

Research on risky indebtedness behavior has largely focused on credit card users as the primary study population (Abrantes-Braga & Veludo-de-Oliveira, 2020; Gawior & Polasik, 2022; Wong & Lynn, 2020). This study aims to offer a novel contribution by focusing on PayLater users among Generation Z, ranging in educational background from junior high school to undergraduate level. Such an approach addresses the limitations of previous studies, which tend to be biased toward highly educated individuals due to their reliance on university graduate samples. By expanding the demographic scope, the findings of this study are expected to be more representative of a broader population. Moreover, previous studies typically measured financial well-being based on individuals' perceived financial readiness for emergencies, emphasizing emergency liquidity and monthly financial capacity. In contrast, this study employs a more comprehensive measurement of financial well-being, encompassing overall financial conditions, including financial security, financial tranquility, financial freedom, and satisfaction with financial management. These dimensions are intended to better reflect holistic financial stability. Therefore, this research is expected to provide more in-depth insights for stakeholders, particularly Generation Z, on how to avoid harmful borrowing behaviors and ultimately improve their financial resilience.

## LITERATURE REVIEW

### *Financial Behavior Theory*

Several theories in behavioral finance offer insights into how behavioral factors can influence individual decision-making. The following are some relevant theories applied in this study.

1. Projection Bias Theory (Loewenstein et al., 2003).

The theory of projection bias justifies why individuals derive their financial decisions usually with respect to their feelings or immediate desires rather than considering their long term financial interests. Individuals with such thinking tend to make wrong decisions when using money. According to Loewenstein et al. (2003), such a bias is among the key factors that make people behave unhealthily, such as overspending and making no financial calculations about their future financial condition. Individuals that prioritize their instant gratification over the drawing up of a decent plan might be jeopardizing their own financial stability in the future.

2. Behavioral Life Cycle Hypothesis (Shefrin & Thaler, 1988).

The behavioral life cycle hypothesis explains the effects of psychological differentials in making financial decisions especially in savings and expenditure. It is anchored in the concept of self-control, which indicates that

people are likely to pursue instant possessions even when wholesome financial balance is compromised. The want to enjoy money immediately, not saving it and using money in the future may be a problem to carry on with the budget especially when there is no system to save the money, or there is no individual vow to save. This leads to a result wherein most individuals attain to construct a routine of saving, even in cases where they are aware of the positive consequences of such a practice, as a long-term outcome.

3. Prospect Theory (Kahneman & Tversky, 1979).

The prospect theory challenges the conventional utility based perspective on decision-making in that, humans usually tend to act in ways that do not coincide with rational choice under the circumstances of risk and uncertainty. This mode of thinking is particularly useful in assisting decision making on debts since it demonstrates how individuals consider the merits or shortcomings. The theory is based on the idea of loss aversion. This shows that people care more about possible losses than possible gains because bad outcomes affect them more emotionally. Because of this, people may act differently when they are in debt because they want to avoid what they think will be bad financial situations, even if the promise of future gains is better.

*Financial Well-Being*

Financial well-being (FWB) is characterized as an individual's comprehensive contentment with financial stability and happiness, encompassing their ability to fulfill daily financial obligations, exercise prudent spending, save consistently, and achieve long-term financial goals (Vieira et al., 2023). It encompasses subjective assessments of an individual's capacity to maintain a preferred quality of life, both presently and in the future, along with their perceived flexibility in financial decision-making (Brüggen et al., 2017). Significantly, FWB is not solely predicated on income. Abrantes-Braga & Veludo-de-Oliveira (2019) assert that individuals across different income brackets may encounter differing levels of financial well-being, contingent upon their resource management skills. For example, someone with a small salary who effectively meets their requirements and maintains financial management may have a better level of well-being than someone with a larger income but is burdened with debt or financial stress. This study operationalized FWB by utilizing measurement items from Vieira et al. (2023), encompassing perceived financial security, peace of mind, financial autonomy, and satisfaction with personal financial management.

*Financial Anxiety*

Money may represent power, identity and social life of some people (Carruthers, 2010). This means of perceiving money may result in a financial anxiety which can be viewed as closely connected to stress and worry about the financial condition (Lee et al., 2023). Two points of view can be viewed on how to comprehend financial anxiety. On the one hand, there is the opinion according to which financial anxiety can be seen as one of the auxiliary effects of debt, which takes place when people are under the pressure of psychological stress because of the possible threat to their fiscal safety. Heo et al. (2020) stated that financial

anxiety is the psychophysiological disposition of uncertainty and uncertainty pursuant to making decision and decision management on financial resource including risk of using credit.

The second strategy states that worry brings in debt. Anxiety is taken to be an indication that one will end up in debt. According to this perspective, financial anxiety leads to behaviors to compensate for it, such as impulsive buying, which can lead to excessive borrowing (Abrantes-Braga & Veludo-de-Oliveira, 2020). Anxiety increases impulsive buying behavior (Cachón-Rodríguez et al., 2025; Lord et al., 2023). Highly anxious individuals find themselves hopeless about their ability to handle their finances hence becoming vulnerable to borrowing even more funds. This results in unreasonable financial behavior, which includes overuse of credit (Lee et al., 2023). Liu & Zhang (2021) went further to state that credit can be used to alleviate the research anxiety. On the same note, Azma et al. (2018) came to the conclusion that their anxiety is highly influencing the debt-related behavior. Thus, the hypothesis to be hypothesized in this study is the following one.

H1: Financial anxiety positively affect impulsive buying

H2: Financial anxiety positively affect risky indebtedness behavior

#### *Credit Limit Misconception*

Certain individuals can consider their credit limit as the portion of their disposable income (Abrantes-Braga & Veludo-de-Oliveira, 2019). This view promotes irresponsible spending on credit cards and subsequently results in impulse buying and the eventual engaging in risky debt activities. Wong & Lynn (2020) reveal that misconceptions about credit limits have a great impact on how people spend. A study conducted by Abrantes-Braga & Veludo-de-Oliveira (2020) also supports this conclusion because it confirmed that false interpretations about the credit limit can lead to impulsive purchases and also the dangerous management of debts. Some studies have also examined and contributed the positive relationship between credit cards and the amount of debt. According to Siyal et al. (2024) credit card use plays a significant part in creating debt traps whereby, due to the convenience of credit cards, people tend to expand their level of debts. Gawior & Polasik (2022) make similar conclusions and reveal that users possessing credit cards are more likely to make hasty purchases. They also discovered that the people on a budget tend to feel safe and content when dealing with a purchase through a credit card. In the given study thus, the research hypothesis is as given below.

H3: Credit limit missconception positively affect impulsive buying

H4: Credit limit missconception positively affect risky indebtedness behavior

#### *Impulsive Buying*

Impulse buying is the act of purchasing unnecessary items on a whim without planning, often triggered by an internal drive that provides instant gratification and emotional satisfaction (Zhang et al., 2024). While this behavior can provide momentary pleasure, it can have detrimental consequences, such as feelings of guilt, regret, and increased debt burden. Impulse buying, which falls

under hedonic consumption behavior, is common among online consumers, particularly in the era of rapid growth in e-commerce platforms that offer deferred payment options (Hamidah et al., 2024).

In the context of pay-later credit systems, impulsive buying is associated with problematic financial behavior, particularly misinterpretation of credit limits (Abrantes-Braga & Veludo-de-Oliveira, 2020). Kumar & Nayak (2024) found that impulsive buying driven by BNPL facilities significantly increased high-risk borrowing patterns. These results are supported by Silaban et al. (2024), who reported a positive and significant relationship between impulsive buying and risky debt behavior. Furthermore, impulsive buying has been shown to be a mediating variable between financial anxiety and risky debt behavior. This aligns with the findings of Abrantes-Braga & Veludo-de-Oliveira (2020), who showed that impulsive buying mediates the influence of financial anxiety and misconceptions about credit limits on risky debt behavior. Therefore, in this study, the following hypothesis is hypothesized.

- H5: Impulsive buying positively affect risky indebtedness behavior
- H6: Impulsive buying mediates the relationship between financial anxiety and risky indebtedness behavior
- H7: Impulsive buying mediates the relationship between credit limit misconception and risky indebtedness behavior

#### *Risky Indebtedness Behaviour*

Abrantes-Braga & Veludo-de-Oliveira (2019) showed that individuals with high levels of risky debt behavior tend to have debts beyond their ability to repay, thus reducing financial preparedness in the face of emergencies. In line with these results, Vieira et al. (2023) found that risky debt practices significantly weaken future financial preparedness because individuals prioritize current consumption over long-term savings. This is consistent with the opinion of Östergren et al. (2022) who emphasized that someone who is prudent in financial behavior, especially in managing expenses, can achieve and maintain financial well-being. Furthermore, Tahir et al. (2023) stated that individuals with financial rationality are better able to assess risky decisions, including taking on debt. Their findings suggest that individuals can improve their financial well-being by avoiding financial risks.

- H8: Risky indebtedness behavior negatively affect financial well-being

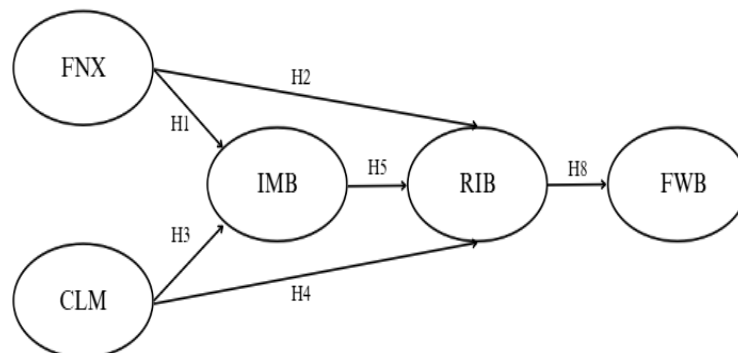


Figure 1. Conceptual Framework

## METHODOLOGY

The study's target population consists of Generation Z individuals in East Java, aged 19 to 27, with educational qualifications from junior high school to undergraduate level, who have utilized Shopee PayLater, possess purchasing power, and exercise complete autonomy over their personal budgeting decisions. The choice of Generation Z is predicated on their predominance in exceptional online loan statistics and their significant susceptibility to non-performing online credit (OJK, 2024). The study focused on Shopee PayLater users, as a 2023 Populix survey identified it as the most utilized Buy Now Pay Later (BNPL) platform among consumers (Populix, 2023). East Java Province was chosen because, according to the Financial Services Authority (OJK), it ranks third in the number of BNPL users, following West Java and DKI Jakarta (OJK, 2024).

According to the 2020 census by Statistics Indonesia (BPS), the Generation Z population in East Java totals 9,643,116 individuals (BPS, 2020). Employing a 5% significance level and the Slovin formula, the minimum requisite sample size was determined to be approximately 399.9, rounded to 400 respondents. A non-probability sampling method was employed, specifically purposive sampling. Data collection was conducted through the distribution of online questionnaires via Google Forms. The respondents' responses were quantified using a Likert scale from 1 to 10, with a score of 1 denoting "strongly disagree" and a score of 10 signifying "strongly agree." The implementation of the Likert scale in this study was informed by multiple factors: (1) simplicity of execution, (2) exceptional dependability in evaluating respondents according to their perceptions, (3) adaptability, and (4) appropriateness for diverse contexts (Soesetio et al., 2024). The data were analyzed using Structural Equation Modeling (SEM) based on the Partial Least Squares (PLS) approach with the help of SmartPLS software. The analysis encompassed the outer model, incorporating assessments of validity and reliability, alongside the inner model for hypothesis testing. At the conclusion of the survey period, a total of 496 responses were obtained.

At the end of the survey, there were 496 responses. However, 93 people were not included because they did not meet the eligibility requirements. For example, they had not used Shopee PayLater, were not between the ages of 19 and 27, or did not live in East Java. As a result, the final sample had 403 valid respondents.

## DISCUSSION RESULTS

### *Respondent Characteristics*

This study involved Generation Z respondents from East Java who had previously used Shopee PayLater, with the majority being female (276 respondents or 68.5%). The average respondent age ranged between 22 and 24 years, while the most common educational backgrounds were high school graduates (185 respondents or 45.9%) and D-IV/S1 (182 respondents or 45.2%). In terms of occupation, the majority of respondents were entrepreneurs (184 respondents or 45.7%) and private-sector employees (150 respondents or 37.2%), with only 30 respondents (7.4%) working as civil servants or employees of state-owned enterprises. In line with these job profiles, most respondents earned a monthly income between IDR 2,000,000 and IDR 6,000,000. Regarding marital

status, the majority of respondents were unmarried (88.8%), while 11.2% were married. The geographical distribution of respondents was dominated by participants from Tulungagung Regency (78 respondents), Malang City and Regency (61 respondents), and Surabaya City (49 respondents).

Table 1. Respondent Characteristics

<b>Characteristic</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Age</b>	19-21 years	124	30,8%
	22-24 years	171	42,4%
	25-27 years	108	26,8%
<b>Gender</b>	Female	276	68,5%
	Male	127	31,5%
<b>Education Level</b>	Junior High School	20	5,0%
	Senior High School	185	45,9%
	Diploma II	1	0,2%
	Diploma III	12	3,0%
	Bachelor's Degree (D4/S1)	182	45,2%
	Master's Degree (S2)	3	0,7%
<b>Source of Income</b>	Civil Servant / State-owned Enterprise	30	7,4%
	Private Sector Employee	150	37,2%
	Entrepreneur	184	45,7%
	Investor	39	9,7%
<b>Monthly Income</b>	< IDR 2,000,000	128	32%
	IDR 2,000,000 – 6,000,000	233	58%
	> IDR 6,000,000	42	10%

#### *Validity Test*

A validity test was conducted to examine the construct validity of the measurement items. An item is considered valid if it has a loading factor greater than 0.7 and an Average Variance Extracted (AVE) value above 0.5 (Hair et al., 2019). The analysis results shown in Figure 2 reveal that out of a total of 31 items, 3 items had loading factors below 0.7, specifically, one item each from the financial anxiety, risky indebtedness behavior, and financial well-being variables. Therefore, these three items were removed from the model. All constructs reported AVE values greater than 0.5, which confirms that convergent validity for the model has been achieved.

#### *Reliability Test*

The reliability test was used to assess the consistency of items within construct. A variable is considered reliable if its Cronbach's alpha value exceeds 0.6 and the composite reliability is above 0.7 (Hair et al., 2019). Both the composite reliability and Cronbach's alpha values for all constructs in this study met the required thresholds. Therefore, all variables were deemed reliable for further analysis.

Structur Equation Modelling

Table 2 presents a summary of the results of significance tests for both direct and indirect effects among the variables. The direct effect results indicate that all hypotheses are accepted, as each relationship among the variables has a significance value of less than 0.05. These findings confirm that financial anxiety has a positive and significant effect on both impulsive buying and risky indebtedness behavior. Similarly, credit limit misconception also exerts a positive and significant influence on impulsive buying and risky indebtedness behavior. Furthermore, impulsive buying significantly contributes to risky indebtedness behavior and significantly mediates the relationships between financial anxiety and credit limit misconception with risky indebtedness behavior. On the other hand, risky indebtedness behavior has a significant negative effect on financial well-being.

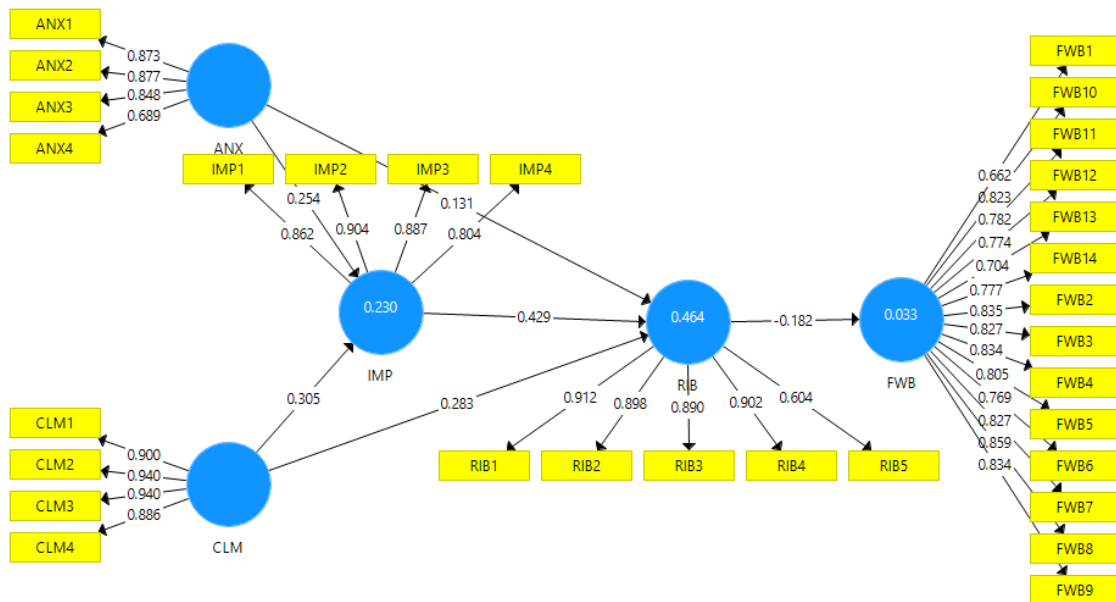


Figure 2. Confirmatory Factor Analysis in Outer Model

Table 2. Direct Effect and Indirect Effect Results

Hypothesis	Path Coefficient	P-Values	Lower Limit	Upper Limit	Conclusion
H1 ANX-IMP	0,229	0,000	0,138	0,322	Accepted
H2 ANX-RIB	0,128	0,002	0,050	0,208	Accepted
H3 CLM-IMP	0,322	0,000	0,219	0,417	Accepted
H4 CLM-RIB	0,262	0,000	0,179	0,339	Accepted
H5 IMP-RIB	0,442	0,000	0,358	0,527	Accepted
H6 ANX-IMP-RIB	0,101	0,000	0,060	0,147	Accepted
H7 CLM-IMP-RIB	0,142	0,000	0,094	0,192	Accepted
H8 RIB-FWB	-0,179	0,000	-0,303	-0,129	Accepted

Source: Data Processed

## DISCUSSION

### *The Relationship between Financial Anxiety with Impulsive Buying and Risky Indebtedness Behavior*

Based on the characteristics of the respondents, the majority are aged 22–24 years, an age range considered vulnerable to mental health issues and potentially prone to financial anxiety. Individuals in this age group are likely to face a quarter-life crisis, a period of uncertainty typically experienced during the transition from adolescence to adulthood in their 20s (Pamungkas & Hendrastomo, 2024). This crisis is triggered by various demands such as career, finances, education, and interpersonal relationships (Pamungkas & Hendrastomo, 2024). In addition, most respondents work as entrepreneurs, whose income tends to be more volatile compared to private or public employees. With an average income ranging from IDR 2,000,000 to IDR 6,000,000, this condition has the potential to cause greater financial pressure due to unstable income, which increases the risk of stress and financial anxiety. This is in line with one of the variable items indicating that individuals tend to feel pressured in financial matters. Furthermore, the respondents' answers show a tendency to agree with experiencing financial anxiety, although the responses remain in the moderate range.

According to the hypothesis testing results, financial anxiety has a positive and significant effect on impulsive buying, thus supporting the first hypothesis of this study. The hypothesis test shows a path coefficient value of 0.229 with an F-Square of 0.065. The pressure in making financial decisions, as reflected in the first item of financial anxiety, indicates that such anxiety pushes individuals to reduce stress through spontaneous consumption behavior. This finding is consistent with previous research by Cachón-Rodríguez et al. (2025) which stated that financial anxiety positively influences impulsive buying, as such behavior is perceived to help relieve anxiety. Based on respondent data, the average score for financial anxiety is 5.76. Although this figure is above 5 on a 1–10 scale, it still indicates a moderate level of financial anxiety. Gallagher et al. (2017) also suggested that anxiety can increase a person's tendency for impulsive purchases. This implies that some respondents recognize irrational elements in their shopping decisions, as described in the item: "I find myself sometimes buying things irrationally" This corresponds to the average score of 4.44 for impulsive buying, showing that Gen Z in East Java still maintains good control over their shopping behavior. Thus, moderate financial anxiety correlates with good shopping control. These results are in line with Lord & Olson (2023), who noted a positive relationship between anxiety and impulsive buying activity.

Financial anxiety also proves to have a positive and significant effect on risky indebtedness behavior, confirming the second hypothesis. Among all variable relationships, the F-Square value between financial anxiety and risky indebtedness behavior is the smallest at 0.024. Although there is a significant effect, the influence is small, as indicated by the F-Square. As described in the financial anxiety variable, feelings of pressure when making financial decisions, along with symptoms of anxiety and nervousness when discussing finances, can lead individuals to risky borrowing behavior. Financial pressure can drive poor decision-making, resulting in unmanageable debt and the imposition of penalties

or interest. Based on the data, the average score for financial anxiety is 5.57, indicating a moderate level among Gen Z in East Java. This suggests respondents are not experiencing severe financial anxiety. This moderate level corresponds with the average score of 3.08 in risky indebtedness behavior, indicating good debt management. Thus, moderate financial anxiety correlates with good debt control. This supports findings from Azma et al. (2018), which revealed that anxiety significantly affects one's debt behavior. These findings align with the Behavioral Life Cycle Hypothesis, which states that individuals with strong self-control and financial planning tend to make healthier financial decisions.

*The Relationship between Credit Limit Misconception with Impulsive Buying and Risky Indebtedness Behavior*

Based on the respondents' characteristics, the majority have at least a high school (SMA) or bachelor's degree (S1) educational background. This indicates a relatively good intellectual capacity, which contributes to their financial literacy, including an understanding of credit usage. In the description of the credit limit misconception variable, it was found that most Gen Z individuals in East Java sufficiently understand that credit limits should not be considered as income. Furthermore, most respondents are still able to avoid this misconception, as indicated by their tendency to disagree with the notion that credit limits are additional income.

This study reveals a positive and significant relationship between credit limit misconception and impulsive buying, meaning the third hypothesis is accepted. As indicated by the items in the credit limit misconception construct, individuals may perceive their credit limit as part of their regular income and include it in their budgeting. This creates the illusion that they have more money to spend, even though such funds must eventually be repaid. Fundamentally, any expenditure using credit constitutes debt. Misconceptions about credit limits can push individuals into risky indebtedness behavior, where they struggle to repay their debt because their monthly income is insufficient. As a result, late payments occur, leading to additional penalties. In more severe cases, individuals may fall into a cycle of borrowing to pay off previous debts, which further worsens their financial situation.

Based on the tabulated respondent data, the average score for credit limit misconception is 4.28, indicating that Gen Z in East Java generally understands that credit limits should not be viewed as income, and the majority are still able to avoid this behavior. This low level of credit limit misconception behavior aligns with the result for impulsive buying, which has an average score of 4.44, suggesting a low level of impulsive buying among Gen Z in East Java. Therefore, a low level of credit limit misconception behavior correlates with better spending control. These findings support (Abrantes-Braga & Veludo-de-Oliveira, 2020), which stated that credit limit misconception positively influences impulsive buying. Additionally, this result aligns with (Wong & Lynn, 2020), who found that for credit card users, credit limits have a positive influence on consumer purchasing behavior.

Credit limit misconception also has a proven positive and significant influence on risky indebtedness behavior. This confirms the acceptance of the

fourth hypothesis in this study. Credit limit misconception, characterized by viewing the credit limit as regular income, adding the limit to one's budget, and treating it as extra cash available to spend, can result in debt accumulation. Essentially, any money spent using credit is a debt that must be repaid. This behavior places individuals at risk of engaging in risky indebtedness behavior, where they are unable to repay their debts due to their monthly income being insufficient, eventually resulting in late payments and penalties. In worse cases, individuals may find themselves borrowing money to pay off existing debts.

The tabulated data shows that the average score for credit limit misconception is 4.28, again indicating that most Gen Z individuals in East Java understand that credit limits are not part of their actual income and are capable of avoiding this misconception. This low level of misconception aligns with a low average score of 3.08 for risky indebtedness behavior, categorizing them as having good debt behavior. Hence, a low level of credit limit misconception correlates with good debt control. This result supports the findings of Abrantes-Braga & Veludo-de-Oliveira (2020), which stated that credit limit misconception positively influences risky indebtedness behavior. According to Prospect Theory by Kahneman & Tversky (1979), loss aversion significantly affects individual decision-making. In this study, the low level of credit limit misconception among respondents indicates good financial knowledge. Thus, it can be concluded that good financial knowledge influences better decision-making, as individuals are likely to avoid situations involving potential financial losses.

#### *The Relationship between Impulsive Buying and Risky Indebtedness Behavior*

Based on the characteristics of the respondents, the majority are female, who tend to exhibit more impulsive buying behavior compared to males. Previous studies have shown that women are more susceptible to impulsive buying (Anggriani & Indasari, 2018). In addition, women are generally more influenced by emotional impulses in decision-making, while men tend to be more rational (Aggarwal, 2024; Ismiati et al., 2024). This pattern is also reflected in how women make shopping decisions, where emotional factors often play a more dominant role.

Referring to the results of the hypothesis testing, it is confirmed that impulsive buying has a positive and significant effect on risky indebtedness behavior. This means that the fifth hypothesis in this study is accepted. Based on the outer model analysis, the F-Square value for the relationship between these two variables is the highest at 0.265, which falls into the moderate effect category. Therefore, compared to the other variable relationships in this study, the influence of impulsive buying on risky indebtedness behavior is the strongest. Impulsive buying, which is characterized by spontaneous, unplanned purchases without long-term consideration, even irrational purchases can place an individual at risk of engaging in indebtedness behavior. Risky indebtedness behavior is marked by difficulty in repaying debt, the imposition of late fees, borrowing to pay off existing debt (a cycle of "digging one hole to fill another"), and accumulating debt that exceeds one's income.

Based on the tabulated data, the average score for impulsive buying is 4.44, which indicates a low level of impulsive buying behavior among Gen Z in East Java. This reflects that the respondents in this study generally have good control when it comes to shopping activities. The low level of impulsive buying behavior aligns with the result for risky indebtedness behavior, which has an average score of 3.08, categorizing them as having responsible debt behavior. Therefore, low impulsive buying behavior correlates with good debt control. This finding is in line with a study conducted by Silaban et al. (2024), which found that compulsive buying has a positive and significant effect on indebtedness behavior, where students showed low levels of impulsive buying that corresponded with low levels of debt behavior. This finding is also supported by the Projection Bias Theory proposed by Loewenstein et al. (2003), which states that decisions made without long-term goals in mind often result in suboptimal decisions and excessive spending.

Impulsive buying also plays a mediating role between financial anxiety and risky indebtedness behavior. This means that the sixth hypothesis in this study is accepted. When someone experiences financial anxiety, they tend to use coping mechanisms, as explained in the relationship between financial anxiety and impulsive buying, to alleviate their anxiety. This can ultimately lead to risky indebtedness behavior due to poor control over spending activities. The indirect relationship between credit limit misconception and risky indebtedness behavior, in which impulsive buying also acts as a mediator. This confirms the acceptance of the seventh hypothesis in this study. When individuals perceive their credit limit as spendable money, they tend to spend freely. This can lead to excessive shopping activity due to the perception of having extra cash on hand. The negative consequence is that shopping bills accumulate into debt that must be repaid. Difficulty in repaying the accumulated debt leads individuals into risky indebtedness behavior. In this study, the mediating role of impulsive buying is classified as complementary (partial mediation). This occurs because both the direct and indirect effects are significant. Complementary mediation arises when the path coefficient of both the direct and indirect effects has the same direction, both being positive (Hair et al., 2021). This finding is consistent with research conducted by (Abrantes-Braga & Veludo-de-Oliveira, 2020), which stated that impulsive buying mediates the relationship between financial anxiety and risky indebtedness behavior as well as the relationship between credit limit misconception and risky indebtedness behavior.

#### *The Relationship between Risky Indebtedness Behavior and Financial Well-Being*

Based on the hypothesis testing results, it is confirmed that risky indebtedness behavior has a negative and significant effect on financial well-being. This means the eighth hypothesis of this study is accepted. Unlike the relationships between other variables, the hypothesis testing result shows a path coefficient value of -0.179 for the relationship between these two variables, indicating a negative association. Although the F-square value of 0.034 falls into the small effect category, there is still an observable influence of risky indebtedness behavior on financial well-being. Risky indebtedness behavior,

characterized by difficulties in repaying debts, incurring late payment penalties, borrowing to pay off previous debts, and accumulating debt exceeding income, can negatively impact a person's financial well-being. Such harmful financial behavior contradicts the sense of security, peace of mind, freedom, and financial satisfaction that are central to the concept of financial well-being.

The mean score for the risky indebtedness behavior variable is 3.08, signifying relatively sound debt behavior among Gen Z individuals in East Java. This indicates that participants in this study demonstrate effective regulation of their borrowing practices. This minimal engagement in risky indebtedness behavior contrasts with the average financial well-being score of 7.13, indicative of a commendable level of financial health. Consequently, it can be inferred that Generation Z in East Java exhibits commendable financial management practices and is adept at circumventing precarious indebtedness, thereby enhancing overall financial well-being. The findings suggest that minimal engagement in risky indebtedness behavior is associated with elevated financial well-being. The findings correspond with the research conducted by Vieira et al. (2023), which similarly identified that hazardous indebtedness behavior adversely impacts financial well-being. It further bolsters the concept of financial well-being, which posits that detrimental financial conduct, such as incurring debt, can adversely affect financial well-being (Brüggen et al., 2017). In this context, debt is demonstrated to adversely affect an individual's financial well-being.

## **CONCLUSION AND RECOMMENDATION**

This study finds that financial anxiety and misconceptions regarding credit limits significantly and positively affect risky indebtedness behavior. This indicates that psychological traits and financial literacy significantly influence the financial management practices of Generation Z in East Java. Impulsive buying behavior mediates the relationship between financial anxiety and misconceptions regarding credit limits, influencing risky indebtedness behavior. This underscores the necessity of strong self-control among consumers to mitigate harmful behaviors associated with risky indebtedness. This study's results indicate that risky indebtedness behavior significantly adversely affects financial well-being. Individuals who effectively manage their debt behavior generally achieve improved financial well-being. In contrast, individuals who engage in excessive borrowing are more prone to experiencing poor financial well-being. To achieve sustainable financial well-being, it is essential for Gen Z to understand their psychological state, comprehensively comprehend credit guidelines, and possess strong self-control to avoid impulsive behaviors.

## **FURTHER RESEARCH**

This study is limited to independent variables involving internal factors such as financial anxiety, credit limit misconception, and impulsive buying. Therefore, future research could consider external variables, such as family values.

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