International Journal of Economics, Business and Innovation Research
https://e-journal.citakonsultindo.or.id/index.php/IJEBIR
E-ISSN : 2964-0865
IJEBIR

Pay Later Usage Behavior of Generation Z: Testing the Influence of Financial Literacy, Financial Self-Efficacy, and Financial Well-Being

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Abstract

This study aims to determine the effect of financial literacy, financial self-efficacy, and financial well-being on Generation Z's use of pay later services. This research conducted using a quantitative approach through an electronic questionnaire using Google Forms, targeting Generation Z from major cities on the island of Java. The testing conducted using Structural Equation Modeling (SEM) analysis with the Partial Least Square SEM (PLS-SEM) method using the SmartPLS application. The results of this research indicate that financial literacy has a negative effect on the use of pay later, while financial self-efficacy and financial well-being do not have an effect on the use of pay later.

Keywords: Financial Literacy, Financial Self-Efficacy, Financial Well-Being, Pay Later, Generation Z.

INTRODUCTION

The impact of technological advancements in the digital era is increasingly felt across various fields, one of which is the financial sector. Technological progress in the financial sector is marked by the emergence of various digital-based financial service innovations designed to facilitate individuals' access to financial facilities, including banking services such as savings, loans, deposits, and payment services.

One of the digital payment innovations currently experiencing rapid growth is *Pay Later*, also known as *Buy Now, Pay Later* (BNPL). *Pay Later* is a payment service that allows individuals to purchase goods or services now and pay later in installments over a

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predetermined period (Ashby et al., 2025). The use *of Pay Later* in Indonesia has been increasing year by year. According to databoks (2023), the use *of Pay Later* in Indonesia is dominated by people aged 26–35 years (43.9%) and those aged 18–25 years (26.5%), often referred to as Generation Z. This generation is often known as the Digital Generation because they have been exposed to technology from an early age, which has transformed how they communicate, learn, shop, work, and socialize. This has fostered a practical mindset rooted in technology, leading to higher levels of consumption and financial management that rely on technology compared to previous generations.

This study examines the influence of financial literacy, financial self-efficacy, and financial well-being on Generation Z in the use of *pay-later* services. This study offers a new contribution by combining three variables to observe the financial behavior of Generation Z in Indonesia regarding the use of financial services. Unlike studies conducted by Aisjah (2024), Filotto et al. (2024), Mappadang et al. (2025), and Simiyu et al. (2025) which each study separately measured only one variable, such as *financial self-efficacy* by Aisjah (2024) and Simiyu, Kumar and Kivuyo (2025), financial literacy by Filotto *et al.* (2024) and financial well-being by Mappadang et al. (2025) for the use of *pay later* services.

LITERATURE REVIEW

Pay later also known as *Buy Now Pay Later* (BNPL), is a payment service that facilitates consumers in making purchases in installments without using a credit card (Budiman et al., 2023). In online purchases, BNPL services are integrated into one of the payment types that consumers can choose when making payments to make purchases quickly (Kumar et al., 2024). Therefore, it can be concluded that *Pay later* or BNPL is a payment method that can be used to make *online* and *offline purchases* now and paid later in installments over a certain period without the need for a credit card. The use of *pay later services* in Indonesia is used for *online* and *offline transactions* which is dominated by the 18-25 year old age group or often known as Generation Z (databoks, 2023). This shows that Generation Z is a generation that utilizes technology in their daily lives. The use of *pay later* services or *Buy Now Pay Later* (BNPL) is not only influenced by increasingly advanced technological factors, but there are several factors that influence the increasing use of *pay later services* such as behavioral, structural, psychological, financial, and also social interaction factors (Pham et al., 2024; Simiyu et al., 2025).

Financial literacy is one of the prerequisites for avoiding financial problems. Financial literacy refers to the ability, knowledge, and confidence in making financial

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decisions (Khawar & Sarwar, 2021). Individuals lacking financial knowledge and skills will face difficulties in managing their finances. Research by Filotto et al. (2024) found a negative correlation between financial literacy and the use of BNPL. The lower a person's literacy level, the higher the inclination to use BNPL services. This finding aligns with Constansje et al. (2023), who state that as financial literacy increases, the tendency toward risky credit behavior decreases. However, this does not align with the results of surveys conducted by databoks (2023) and Otortias Jasa Keuangan (2025), which indicate that BNPL service users are predominantly individuals aged 18–35, who have the highest financial literacy index ranging from 73.22% to 74.04%.

H1: Financial literacy has a negative effect on the use of *pay-later services*.

Financial self-efficacy is considered a self-regulatory process that predicts behavior. In the studies by Constansje et al. (2023) and Simiyu et al. (2025), it is shown that financial self-efficacy has a strong positive relationship with the intention to use *pay-later* services. Thus, individuals with high levels of financial self-efficacy have a stronger intention to use *pay-later* services. However, this finding is inconsistent with the research conducted by Aisjah (2024), which indicates that financial self-efficacy has a negative correlation with the intention to use *pay-later* services.

H2 : Financial self-efficacy has a positive effect on the use of *pay-later services*.

Financial well-being describes an individual who is capable of budgeting, planning, and currently has savings that can be used to anticipate future financial difficulties (Mappadang et al., 2025; Powell et al., 2023). Research findings Mappadang *et al.* (2025) indicate that the use of BNPL services has a negative and significant correlation with financial well-being. This aligns with research conducted by Powell *et al.* (2023), which shows that low usage of BNPL services has a significant impact on financial well-being. The less an individual utilizes *pay-later* services in their daily life, the greater their financial well-being.

H3 : Financial well-being has a negative effect on the use of *pay-later services*.

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E-ISSN : 2964-0865
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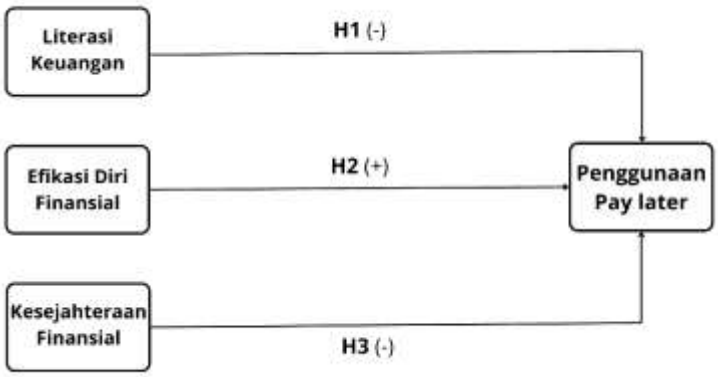


Figure 1: Research Model

RESEARCH METHOD

This study uses primary data sources obtained directly from stakeholders using a quantitative approach through a survey strategy with a questionnaire. The researcher will distribute a list of questions via an electronic Google Form questionnaire, which will be shared online with Generation Z users of *pay-later* services through various social media platforms such as WhatsApp, Instagram, and X. This method was chosen because it aligns with the characteristics of Generation Z, who actively use the internet in their daily lives. The study employs the Structural Equation Modeling (SEM) statistical analysis technique, specifically the Partial Least Squares SEM (PLS-SEM) method, using the SmartPLS software. The PLS model consists of two analyses: *the Measurement Model*, also known as the Outer Model, aims to measure the validity and reliability of the relationships between variables and research indicators; and *the Structural Model*, also known as the Inner Model, which describes the interrelated relationships among variables within the research model.

RESULT AND DISCUSSION

A total of 134 respondents met the data collection criteria. The following are the results of the data collection:

Table 1: Respondent Characteristics

Description	Number	Percentage
Gender		

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Man	27	20%
Woman	107	80%
Total	134	100%
Province of Domicile		
DKI Jakarta	17	13%
Banten	7	5%
West Java	26	19%
Central Java	44	33%
Special Region of Yogyakarta (DIY)	34	25%
East Java	6	4%
Total	134	100%
Work		
Students	63	47%
Employees	62	46%
Businessman	1	1%
Freelance	2	1%
Housewife	6	4%
Total	134	100%
Monthly Income		
less than Rp. 2,500,000	54	40%
Rp2,500,000 - Rp4,999,999	51	38%
Rp5,000,000 - Rp7,499,999	21	16%
Rp7,500,000 - Rp9,999,999	4	3%
Rp. 10,000,000 and above	4	3%
Total	134	100%
Source of Income		
Personal	74	55%
Parents/Spouse	60	45%
Total	134	100%

Based on the data collected above, the majority of respondents were women as many as 107 respondents or 80%, with Central Java being the most represented region at 44 respondents or 33%, and the dominant occupation being students at 63 respondents

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or 47%, with the majority having a monthly income of less than Rp2,500,000 at 54 respondents or 40% who were dominanted from personal income sources.

This study uses variables such as Financial Literacy (FL), Financial Self-Efficacy (FSE), Financial Well-Being (FWB), and Use of *Pay Later* (PPL) with descriptive statistical values for each variable as follows:

Table 2: Descriptive Statistics of Research Variables

Variable	Number of Respondents	Min	Max	Mean	Standard Deviation
FL	134	1,00	9,00	5,58	1,88
FSE	134	5,00	25,00	19,90	3,46
FWB	134	5,00	25,00	16,51	4,36
PPL	134	1,00	5,00	1,69	1,08

The financial literacy variable has a minimum value of 1.00 and a maximum value of 9.00. The mean value of this variable is 5.58 with a standard deviation of 1.88, indicating that the data distribution of the financial literacy variable is 1.88 across 134 respondents. The financial self-efficacy and financial well-being variables both have a minimum value of 5.00 and a maximum value of 25.00. The mean values for each variable are 19.90 and 16.51, respectively, with standard deviations of 3.46 and 4.36 respectively, indicating that the data dispersion for the financial self-efficacy variable is 3.46 and for financial well-being is 4.36 among the 134 respondents. The *pay later* usage variable has a minimum value of 1.00 and a maximum value of 5.00. The mean value of this variable is 1.69, with a standard deviation of 1.08, indicating that the data dispersion for the *pay later* usage variable is 1.08 among the 134 respondents.

The results of the hypothesis testing can be seen from the results of the significance test of the coefficients explaining the relationship between each variable, as indicated by the path coefficients determined by the P-values below:

Table 3: Path Coefficient Values

Variabel	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
FL -> PPL	-0,144	-0,161	0,086	1,672	0,096
FSE -> PPL	-0,103	-0,105	0,109	0,952	0,373

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FWB -> PPL	-0,084	-0,104	0,118	0,712	0,470

Financial literacy shows a significant negative effect on the use *of pay later*, as seen from the original sample value of -0.144 and the P-value of 0.096 with a significance level of 0.10 or 10%. Therefore, it can be concluded that financial literacy has a significant negative effect on the use of pay later. Meanwhile, Financial Self-Efficacy and Financial Well-being each show non-significant negative coefficients regarding the use of pay later as indicated by the original sample values of -0.103 and -0.084, and P-values of 0.373 and 0.470 respectively at a 10% significance level (α = 0.10). This means that neither financial self-efficacy nor financial well-being has a significant effect on the use of pay later.

The Effect of Financial Literacy on the Use of Pay Later

Financial literacy showed a significant negative effect on pay later usage. This aligns with the first hypothesis and is consistent with research conducted by Liu and Zhang (2021); Constansje, Kurniasari, and Abubakar (2023); and Filotto *et al.* (2024), which stated that financial literacy is a crucial factor in financial decision-making. Individuals with low financial literacy tend to use *pay later* more frequently. Therefore, this proves that the higher a person's financial knowledge, the wiser they will be in making financial decisions.

The Influence of Financial Self-Efficacy on the Use of Pay Later

This study found that financial self-efficacy does not have a significant influence on the use of pay later services. This finding does not align with the second hypothesis, and the results of this study are inconsistent with previous research conducted by Aisjah (2024), which stated that financial self-efficacy had a negative influence on pay later usage and Simiyu, Kumar and Kivuyo (2025) found that financial self-efficacy had a positive influence on pay later usage. These results are actually consistent with research by Kusairi, Ahmad and Kae (2020) which stated that financial self-efficacy had no effect on some financial decisions. However, they did not explain the reason for the insignificant results. The researchers suspect that a person's level of self-confidence does not influence the use of *pay later* , because the measurement scales for financial self-efficacy and *pay later use* are quite different. Financial self-efficacy uses a scale up to 25, while *pay later use* only uses a scale up to 5. This is reinforced in this study , where financial well-being, which uses a scale of 25, also did not prove to have a significant effect. Meanwhile, the financial literacy variable, which uses a maximum scale of 5, was shown to have a significant effect in this study .

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The Effect of Financial Well-being on the Use of Pay Later

This study proves that financial well-being does not have a significant influence on the use *of pay later* . These results do not align with the third hypothesis and the results of this study differ from previous studies conducted by Mappadang *et al.* , (2025) and Powell *et al.* , (2023) which stated that financial well-being has a significant influence on the use *of pay later* where the lower a person's level of financial well-being, the higher the use *of pay later*. This indicates that a person's level of financial well-being does not affect the use of *pay later*. The research speculate, in addition to measurement scale issues such as in the financial self-efficacy variable, the ineffectiveness of financial well-being on the use of *pay later* is due to validity weaknesses in the measurement of the financial well-being variable. It is likely that respondents have not yet achieved financial well-being, leading to biased responses.

CONCLUSION

This study found that financial literacy has a negative influence on the use of *pay later* services meaning that individuals with low levels of financial literacy are more likely to use *pay later* services, whereas those with high levels of financial literacy tend to make wiser financial decisions, such as regarding the use of *pay later* services. This finding aligns with statements made by Constansje et al. (2023), Filotto et al. (2024) and Liu & Zhang (2021) which indicate that individuals with low financial literacy are more likely to use *pay later services*.

Meanwhile, this study found that financial self-efficacy does not influence the use of pay later services, meaning that self-confidence levels do not affect certain financial decisions such as the use of pay later services. This is likely due to differences in the measurement scales between variables, where financial self-efficacy uses a scale of 25 compared to a scale of 5 for pay later usage.

This study also found that financial well-being does not influence the use of *pay-later services*, meaning that whether a person's level of financial well-being is high or low does not affect their use *of pay-later services*. This is likely due to differences in the measurement scales of the variables and also weaknesses in the validity of the financial well-being measurement, which may allow for response bias among respondents who have not yet achieved financial well-being.

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