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Does Financial Literacy Prevent Consumptive Behavior? A Perspective from Shopee PayLater Users

Audi Pratiwi¹, Wahyu Cahyati², Adinda Putri³, Dhiona Ayu Nani^{4*}

Student of Universitas Teknokrat Indonesia^{1,2,3,4}

Student of Universitas Gadjah Mada⁴

[*dhiona.ayu.n@mail.ugm.ac.id](mailto:dhiona.ayu.n@mail.ugm.ac.id)

Abstract

Financial literacy provides public financial education to take action and choose financial decisions wisely. However, this is in contrast to consumptive behavior based on a great desire to have something without considering needs. The emergence of Shopee PayLater facilitates online shopping actors to behave consumptively with the convenience and benefits offered. We investigate whether financial literacy is able to prevent Shopee PayLater users as online shopping actors to reduce their consumptive behavior. Data were obtained from questionnaires distributed to Shopee PayLater users with non-probability sampling method. Finding shows that financial literacy positively affects consumptive behavior. It implies that online shopping actors have not been able to apply their understanding of financial literacy to reduce their consumptive behavior. We suggest that despite users have been supported by financial literacy knowledge, various attractive offers that online shopping apps provide still enhance consumptive behavior.

Keywords: Financial literacy, consumptive behavior, Shopee PayLater, online shopping apps.

INTRODUCTION

The implementation of government rules during the occurrence of Covid-19 makes all aspects of daily activities carried out online and causes a high use of online shopping applications (apps). Shopee is one of the most frequently used online shopping apps for the public. In quarter 1 of 2020, there were 71.6 million visitors, 93.4 million visitors for quarter 2, 96.5 million visitors for quarter 3 and an increase in quarter 4 of 129.3 million visitors (iPrice, 2022). Apart from the circumstances that make people have no other choice but to purchase online, the features available in the Shopee apps are also a factor in the emergence of consumptive behavior. Shopee PayLater feature also contributes to the increase in consumptive behavior because it makes it easier for someone to make purchases with less funds but requires products available on Shopee. Shopee PayLater payment and billing system is similar to the payment method via credit card. After making a purchase transaction using Shopee PayLater, consumers will be required to pay bills according to the installment period selected when making payment transactions in Shopee apps.

Some of the conveniences offered by Shopee PayLater include the ease of confirming purchases with just by entering a pin, the number of discounts offers and free shipping promo, and no less tempting: that is the increasing credit limit for every consumer that make a transaction. Payment options also varies, ranging from 1 to 12 months payment, where the longer months will be the fewer costs incurred, even though the interest given will be higher. This is what makes consumers actively purchase and behave consumptively because they underestimate the number of installments paid per month, the long-term effect is that Shopee PayLater consumers become active creditors in Shopee.

Low financial management and literacy skills can trigger the emergence of consumptive behavior. A high level of financial literacy is a basic need for everyone to avoid financial problems. The low level of financial literacy gives a notion that there are problems in financial knowledge, perspective, and behavior. Financial difficulties do not only occur due to low income but arise in case of misslead in financial management. Financial literacy provides public financial education to take an action and

choose financial decisions wisely. Therefore, our proposed research question is: does financial literacy prevent consumptive behavior?

This study contributes to the existing literature by investigating the role of financial literacy in preventing consumptive behavior in the middle of massive promotions from online shopping apps. The remaining sections of this paper are organized as follows. Section 2 develops theoretical background. Section 3 discusses our research method. Section 4 reports and discusses the result, and last section concludes the finding.

THEORITICAL BACKGROUND

Consumptive behavior emerged after a period of industrialization where goods were mass-produced, thus companies need a wider range of consumers. The use of goods considered the most expensive will provide the greatest satisfaction, as well as the existence of a pattern of human life controlled and driven by all desires to fulfill the pleasure. Consumptive behavior is considered an act of using a product that is not based on rational considerations, but rather on irrational desires. Consumptive behavior can be prevented by financial literacy. According to the Financial Services Authority (OJK, 2013) financial literacy is the ability to manage money owned to live a more prosperous life in the future. Financial literacy program aims to educate people related to financial management to manage their fund wisely and overcome low financial knowledge to avoid investments misleading. Previous studies have found that lifestyle and financial literacy have a significant effect on the consumptive behavior of online shopping (Wahyuni et al., 2019; Susanti & Rikah, 2020; Ulfa et al., 2022; Sardiyo & Martini, 2022). We propose a hypothesis:

H: Financial literacy reduces consumptive behavior.

RESEARCH METHOD

This research is a quantitative study using primary data in the form of a questionnaire. Instruments were modified from Astuti (2013) and OJK (2016) No 76/POJK.07/2016. The sample selection criteria used non-probability sampling with purposive sampling method. The criteria of sample were Shopee apps users who purchase online goods with PayLater feature. To ensure this sample met the criteria, we used screening question "have you ever purchase goods at Shopee apps using PayLater?". The final sample were 100 Shopee PayLater users. We tested the hypothesis using Partial Least Square (PLS).

RESULTS AND DISCUSSION

Sample criteria were categorized based on gender, age, occupation, salary, and online purchase frequency in a month. The grouping of respondents' characteristics is described in the following table 1.

Table 1. Sample Criteria

		N	Percentage
Gender	Men	35	35%
	Woman	65	65%
Age	15-20	28	28%
	21-25	67	67%
	26-30	5	5%
Occupation	Student	81	81%
	Employee	4	4%
	Civil servant	4	4%
	Entrepreneur	1	1%
	Freelancer	10	10%
Salary	Rp 0-1,000,000	48	48%
	Rp 1,000,000-2,000,000	19	19%
	Rp 2,000,000-3,000,000	8	8%
	Rp 3,000,000- 4,000,000	5	5%
	Rp 4,000,000-5,000,000	17	17%
	>Rp 5,000,000	3	3%
Online purchase frequency in a month	1-5	69	69%
	6-10	15	15%
	11-15	4	4%
	>15	12	12%

Before testing the hypothesis, outer model was analyzed using validity and reliability tests. The result of validity and reliability tests were described in Table 2 and Table 3.

Table 2. Convergent Validity & Discriminant Validity

	Financial Literacy	Consumptive Behavior
FL1	0.776	
FL2	0.814	
FL3	0.817	
FL4	0.838	
FL5	0.882	
FL6	0.757	
FL7	0.821	
FL8	0.772	
CB1		0.807
CB2		0.821
CB3		0.822
CB4		0.845
CB5		0.719
CB6		0.707
Financial Literacy	0.810	
Consumptive Behavior	0.468	0.789

Table 2 shows that each indicator has met the convergent validity (>0.5). This suggests that the indicators contribute to the measured construct. Discriminant validity indicates the extent to which a construct differs from another. The measure used in discriminant validity is to compare the $\sqrt{\text{AVE}}$ of each construct with the correlation between the construct and the other construct. Table 2 shows that each construct has met the discriminant validity requirement that the $\sqrt{\text{AVE}}$ of each construct is greater than the correlation value. This suggests that each construct in this study is different from each other.

Table 3. AVE, Composite Reliability, Cronbach Alpha

	Average Variance Extracted	Composite Reliability	Cronbach Alpha
Financial literacy	0.657	0.939	0.927
Consumptive behavior	0.622	0.908	0.879

The AVE value indicates whether an item measures the construct. To qualify, the AVE value must be greater than 0.5. Table 3 shows that the AVE value of each construct is greater than 0.5. This indicates that each item measures a construct. To meet reliability, composite reliability and Cronbach Alpha each construct must be greater than 0.7. Overall, the results of validity and reliability show that the instrument is worth using.

Table 4. Goodness of Fit Index

	AVE	R ²
Financial literacy	0.657	
Consumptive behavior		0.219
Mean Score		
AVE x R ²		0.144
GoF = $\sum \sqrt{\text{AVE} \times \text{R}^2}$		0.379

Inner model testing is also known as structural model testing. This test is assessed based on the Goodness of Fit (GoF) index. The GoF index according to Tenenhaus et al. (2004) can be calculated manually by the formula $\sum \sqrt{\text{AVE} \times \text{R}^2}$. Three categories of GoF are low = 0.1; medium = 0.25; and high = 0.36. The GOF Index of Table 4 is 0.379 so it can be concluded that this research model is appropriate.

Table 5. Hypothesis Testing

	T-statistic	Coefficient	P-value
Hypothesis 1	6.844	0.468	0.000

After conducting outer and inner model tests, we test the hypothesis. Result from Table 5 shows that financial literacy positively affects consumptive behavior. This means that the higher the level of financial literacy, the higher the consumptive behavior of Shopee PayLater users. The same high level of financial literacy as consumptive behavior means that consumers have not been able to properly apply their understanding of financial literacy so that they still behave wasteful. This results are in line with research conducted by Riskayanti (2021) which found that financial literacy has a positive and significant effect on consumptive behavior. This is because respondents do have an understanding of financial literacy but do not apply it well. This is also supported by sample dominated by female

respondents who are more easily encouraged to behave consumptively. In addition, various attractive offers from Shopee apps with the PayLater feature also contribute greatly to consumers' interest in behaving consumptively.

CONCLUSION

We conclude that financial literacy has positive significant effect on consumptive behavior. This shows that even though people already understand about financial literacy, people still behave consumptively. In fact, an understanding of financial literacy does not guarantee a person not to behave consumptively. The convenience and offers provided by online shopping apps development companies attract consumer interest to purchase online goods as well as payment deferral to fulfill the needs. The implication of this study is that financial literacy educators should not only educate the public about the benefits of some online shopping apps features, but also the costs incurred from the features offered.

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