

# CHAPTER I

## INTRODUCTION

### 1.1 Background of Study

There is rapid advancement in information and technology around the globe including in Timor-Leste. Timor-Leste is the youngest country in Asia and home to one of the youngest populations in the world (wfuna.org, 2019). Even though Timor-Leste is still a young country, the Timorese were also experience a new way of fulfilling their needs, not only in a traditional way but also in a modern way (Timorese known as people of Timor-Leste) through technology. As Timorese used to buy products in a physical store, now they can also buy them through online shopping, as there are two alternatives (website and social media such as gybsee.com, Facebook, Instagram, and WhatsApp). This condition could potentially open the opportunities for every party to create their own online business. It is supported by Liao & Cheung (2001) that stated the internet opens a lot of business opportunities for those who want to create an online business. Nowadays, there is a growing number of online businesses that offer their products and services through the internet in Timor-Leste, it happens as there are a lot of sellers because there are also a lot of buyers that are connected to the internet and have access to online shopping (Almeida, 2018).

In online shopping, sellers attract consumers by promoting their products through social media. The common social media used by Timorese are Facebook, Instagram, WhatsApp and Tiktok. Social media is a place where consumers can find their desired product by simply opening the advertisement that was promote by the sellers. A most known account with a variety of products and has many followers in Timor-Leste are Chaikery and Gybsee. Chaikery owned by a young Timorese offer consumer any kind of products, such as vouchers (Netflix, Spotify, FreeFire, PubG UC, Mobile Legend Diamond, and WeTV), skincare, fashion, makeup, perfume, and electronics. In another store, Gybsee, was establish in 2020. There are various product such as books, electronic devices and accessories, fashion, music accessories, supplement, beauty and personal care, and others. In

addition, Gybsee give more information to the customer while all products that they posted, provide the status of ready items. However, they did not interested in opening an offline store, a point to introduce to the consumers to buy stuff through online shopping (Gybsee.com, 2023).

The online shopping environment does have a good impact, opens opportunities for any business, and makes it easier for everyone who involve in online shopping environment. On the other hand, it also has the potential to lead consumers to a consumptive behavior, which can cause unfavorable behavior or unfavorable financial conditions. Ministry of Tourism, Commerce and Industry (MTKI), Mr. Domingos da Costa Soares, stated online business activity is one of the distractions in this millennium (Almeida, 2018). The benefit for people that access online shopping can make them unaware about having a consumptive lifestyle, which can lead to uncontrolled spending (Parasayu, 2021). People who have a consumptive lifestyle tend to use money inappropriately, such as spending money on things that they want rather than they need, and are tempted by promotions offered by the online shop. Zahra & Anoraga (2021), stated consumptive behavior is the behavior of consuming products that are actually less or not needed (especially in relation to the response to the consumption of secondary products, namely, products that are not really needed). Moreover, Triyaningsih (2011) stated that most people who have consumptive behavior experience some factors below:

1. Affected by the appearance of the product or product packaging as well as advertisements that appear in the media.
2. Has the desire to follow the trends and fashions that exist in society
3. Get social appreciation for their style.

The factors that shape this consumptive behavior also face by Timor-Leste's population (World Bank Group, 2022). As shown in the table below, the level of private consumption has always increased from year to year, however it decrease during a situation of the pandemic in 2020 and 2021, but then, the percentage returned to increase after the situation becomes normal.

**Table 2.1: Economic Forecast**  
(Percent)

	2018	2019	2020	2021	2022f	2023f	2024f
Real non-oil GDP growth	-0.8	2.1	-8.6	2.9	3.0	3.0	3.0
Private Consumption	2.6	3.7	-2.5	-2.7	3.1	3.7	3.8
Government Consumption	-1.0	3.2	4.9	3.5	5.7	2.3	1.9
Gross Fixed Capital Investment	-1.8	-17.4	-42.5	-13.0	28.0	11.8	14.0
Export, Goods and Services	8.4	-17.2	-51.1	151.9	12.2	13.8	14.0
Import, Goods and Services	2.3	-6.5	-8.5	-9.1	10.3	6.4	7.0
Inflation (Consumer Price Index)	2.2	0.9	0.5	3.8	7.5	3.5	2.5
Fiscal Balance (Percent of non-oil GDP)	-28.7	-29.9	-25.6	-47.0	-54.0	-53.8	-53.7
Current Account Balance (Percent of non-oil GDP)	-12.1	7.8	-19.1	2.8	-13.5	-35.7	-39.3

Source: World Bank Group (2022)

The study conducted by Triantha (2020) stated, there are some indicators that could minimize the impact of consumptive behavior. It is because people who has the financial literacy tend to process the economic information to make a wise financial decision in term of the consumption. In line with that, (Lusardi & Mitchell, 2014) also described financial literacy as an ability to be able to process economic information and make wise decisions based on available information regarding financial planning, wealth accumulation (through investment), debt management and also retirement planning. In a contrary, people who have a lack of knowledge in managing proper finances, have low financial literacy, could lead them into consumptive activities and could also lead them to the failure in managing their finances.

Therefore, we need financial literacy to help people manage finances in a good and directed manner. As explained in the Program for International Student Assessment (PISA) (2012) that financial literacy is a way that can be used as a reference, for knowledge and understanding of the concept of good and effective financial management (OECD, 2012). Financial literacy is not a new thing for the Government of Timor-Leste, some of the institutions also have had a movement since 2018 which focuses on financial opportunities and risks, as well as how to manage them through savings, insurance, and financial education. It is back then in 2014, Banco Central Timor-Leste (BCTL) undertook a leadership role to introduce the National Financial Education Awareness campaign focusing on three key pillars: Plan, Save, and Protect (Pedro, 2015). There are two definitions of financial literacy, first, financial literacy is the ability to make informed judgments and make effective decisions about the use and management of money

(Noctor, Stoney, Stradling, 1992); second, defines that financial literacy is the ability to understand and apply financial concepts (Grable, Park & Joo, 2009).

Understanding financial literacy will affect managing and making financial decisions. Financial Literacy should be instilled from an early age, which is reinforced by the statement of Lusardi, Mitchell, & Curto (2010), that financial literacy is an important component in making good financial decisions so that many generations of teenagers hope to have an understanding of more financial knowledge. The National Strategy for Financial Literacy (NSFL) defines financial literacy as “a combination of financial awareness, knowledge, skills, behavior and attitude necessary to make sound financial decisions and ultimately achieve individual financial wellbeing” (Financial Inclusion Report, 2018). Financial knowledge is an essential component in financial decision-making (Ning Tang, 2015). Financial behavior is a behavior related to financial applications, which relates to treating, managing, and using financial resources, such as making budgets, controlling spending, saving money (Nababan & Sadalia, 2012). Financial attitude has an effect on determining one's financial behavior, someone who has a financial attitude will show a good mindset about money, so that they are able to control their consumption, then are able to set aside money for savings and investment, and balance expenses (Herdjiono & Damanik, 2016). Financial inclusion helps the people learn to save, increase investment, raise productivity, and manage risks. This is important because it will lead to consumption smoothing, increased income, and better standards of living.

Based on the previous explanation, the opportunity to access and use financial services coupled with financial literacy empowers the people, providing the necessary financial knowledge to uplift their lives and break away from the cycle of poverty. In Timor-Leste context, Guntur & Soares (2022) stated 49.9% of population live below the poverty line, and almost half of the population cannot read. Poverty reduction and increased standards of living will also bring positive outcomes for investment in education, health, and enterprises. Moreover, Trivedy (2021) also highlights the need to improve financial literacy in Timor-Leste. However, due to a lack of awareness and knowledge, a large proportion of the



population is unable to access formal financial literacy that provides them with the means to create sustainable livelihood opportunities, make better choices to improve their lives.

Based on the discussion above, the author conducted a study entitled “The Influence of Financial Literacy on Online Consumptive Behavior: Study in Timor-Leste.

## **1.2 Research Question**

Based on the description above, the researcher formulates the problem of this research as follows:

1. What is the financial literacy level of Timorese?
2. Does financial literacy influence the consumptive behavior of Timorese in Timor-Leste?
3. Does financial knowledge influence the financial literacy of Timorese in Timor-Leste?
4. Does financial behavior influence the financial literacy of Timorese in Timor-Leste?

## **1.3 Objectives of Research**

The purposes of this study are:

1. To measure the financial literacy level of Timorese in Timor-Leste.
2. To determine the influence of financial literacy on consumptive behavior of Timorese in Timor-Leste.
3. To determine the influence of financial knowledge on financial literacy of Timorese in Timor-Leste.
4. To determine the influence of financial behavior on financial literacy of Timorese in Timor-Leste.

## **1.4 Research Benefits**

This study aims to increase understanding and become a source of knowledge for readers and hopefully can support accounting knowledge,

especially the influence of financial literacy on online consumptive behavior throughout Timor-Leste.

a. For Author

1. The study results are expected to increase knowledge for writers about the influence of financial literacy on online consumptive behavior: study in Timor-Leste.
2. The research results are also used to fulfill the final undergraduate examination requirements at the International Accounting Study Program, Faculty of Economics, Andalas University. It can increase student motivation to improve competence to know how to manage finance better.

b. For Other Parties

The results of this study are useful for other parties to be a source of information related to the financial sector and increase motivation to increase competence to know how to manage finance better.

## **1.5 Writing Systematics**

Writing systematics consists of five chapters:

### **CHAPTER I INTRODUCTION**

This chapter explains the background, problem formulation, objectives, and benefits of research and research systematics.

### **CHAPTER II LITERATURE REVIEW**

This chapter will present the theoretical basis, literature review, review of previous research, a conceptual framework of research, and development of hypotheses.

### **CHAPTER III RESEARCH METHODOLOGY**

This chapter describes the research design, place and time of research, research subjects and objects, data collection techniques, required data, research population and samples, as well as instrument testing techniques and data analysis techniques.

### **CHAPTER IV RESULTS AND DISCUSSION**

This chapter describes will present the research results and other factors that may influence the findings.

## CHAPTER V CONCLUSION

This chapter will give the conclusions, limitations, and suggestions for this research.

