

CHAPTER I

INTRODUCTION

1.1 Background

Financial well-being is essential for individuals, communities, and countries (Brüggen et al., 2017). Financial well-being is not a new term; in general, well-being encompasses broad aspects of the overall quality of life (Hicks et al., 2013; Rahman et al., 2021). In an individual context, financial well-being defined as a situation where people have enough money to live their present lives comfortably, but still have choices for their lives in the future (Rusyniuk et al., 2024). The income and wealth allocation of citizens will affect and be linked to the economic strength of a country (Bilan et al., 2020). Furthermore, it concluded that financial well-being is connected to the achievement of several “UN Sustainable Development Goals (SDGs)”, which are SDG 1: zero poverty, SDG 3: decent health and wellness, SDG 10: reduced inequality, and SDG 16: strengthened institutions at all levels (Fu, 2020)

According to the Sustainable Development Goals, which provide a framework for addressing fundamental challenges such as poverty and inequality, their achievement is crucial to deal with the complex economic conflicts in developing countries (Putra & Suflani, 2022). As one of the developing countries, financial well-being becomes an essential aspect in the lives of Indonesians, especially for Gen Z, who are currently at a productive age and dominate the Indonesian population (Siregar et al., 2024). Gen Z refers to individuals born between 1997 and 2012, and currently, they represent Indonesia's largest generational group, making

up 27.94% of the population, which is 74.93 million people (BPS, 2021). Unlike other generations, Generation Z grew up in an environment filled with smartphones, high-speed internet, and social media (Turner, 2015). As the first generation to be raised with technology, Gen Z has unique challenges in managing finances at a time when technology and social circumstances are rapidly evolving (Oberoi & Puranik, 2024).

In today's modern era, Gen Z, a digital generation with numerous conveniences and extensive access to information, is highly vulnerable to being influenced by trends, especially modern consumption trends (Abed & Alkadi, 2024; Puiu et al., 2022). One trend widely followed by Gen Z today is the Fear of Missing Out, or FoMO (Sa'idah et al., 2025). Fear of Missing Out, or commonly known as FoMO, is a psychological condition in which individuals worry about missing out on opportunities or experiences that others are enjoying, often triggered by social media posts (Savitri, 2019). FoMO can have a profound effect on various aspects of the lives of young people, such as Gen Z (Hidayati et al., 2025). Research shows that FoMO can significantly influence the behavior of consumers, especially when it comes to decisions about purchasing goods on credit or in installments (Przybylski et al., 2013). They also discovered that the Fear of Missing Out (FoMO) phenomenon contributes to individual consumptive and impulsive behavior, especially within younger generations such as Gen Z, who tend to be easily influenced and do not want to miss the trend (Rinonce & Jannah, 2025).

Other than that, rapid developments in digital technology, especially in the fields of financial technology (fintech) and e-commerce, further strengthened this trend by introducing various conveniences in transactions (Aseng, 2020). One of

the conveniences offered by fintech in terms of financing, which is also the most popular payment/lending option for young people, is Buy Now Pay Later (BNPL) services, also known as pay later (Abed & Alkadi, 2024). Pay later is a popular payment option, especially among Gen Z, because it offers a simple concept to meet consumer needs and desires without having to wait for sufficient funds (Husna, 2023).

As one of the most prominent fintech services, pay later offers convenience for consumers to purchase goods or services with payments that can be postponed in the form of instalments or within a certain period (Pratama et al., 2024). These conveniences are often used as quick solutions to fulfil desires that arise from social pressure and the desire not to be left behind by trends, especially by young people (Sudrajat, 2022). Additionally, pay later is one of the financings that is in demand because it is easy to access, easy for bureaucracy, the disbursement process is fast and one of its advantages is that this service is attached to the marketplace, which pay later has been adapted by various online marketplaces and increased during the COVID-19 pandemic (Maurizka et al., 2021). This is proven by the data from the Indonesian Fintech Association that shows the use of pay-later services increased by more than 50% during the pandemic, with most users coming from the millennial generation and Gen Z (Lauria, 2022). However, it doesn't just survive during pandemic. Due to the many interesting offers made available to consumers, the popularity of buy now pay later (BNPL) in Indonesia has been increasing for some time now (Juita et al., 2023b).

In an additional survey conducted by IDN Research Institute in Indonesia Gen Z Report 2024, to 50 respondents, 46% of Gen Z admitted to using the paylater

feature. In using paylater feature, there are different reasons from Gen Z Indonesia and most of them use it because they do not have a budget at the time of purchase (39.1%), the survey also shows that notifications and deals from shopping applications are important in driving the use of pay later services, whether in the form of push notifications or requests or deals when users are on the checkout page (IDN, 2024). The widespread adoption of pay-later services by Gen Z today cannot be separated from the easy access to digital financial services that technology has facilitated (Nwoke, 2024).

Given the many findings about the influence of various digital financing alternatives and modern consumption on individual finances, consumers must possess adequate knowledge and skills to manage their finances effectively and avoid potential risks (Ayuandika & Akbar, 2025). This is particularly important for Gen Z, which includes financial literacy as a key concern (Dewi & Muchtar, 2023; Khan et al., 2024). In Indonesia, the financial literacy level, especially among Gen Z, remains relatively low. The National Survey of Financial Literacy and Inclusion results, conducted by the Indonesian Financial Services Authority, showed that Indonesia's financial literacy index in 2023 is 65.43%, while the financial inclusion index in 2024 is 75.02% (OJK, 2024). Despite an increase in the financial literacy index in 2024, from Figure 1.1 can be seen that the overall financial literacy level of Gen Z is still low compared to the Millennial generation. The disparity between financial literacy and financial inclusion indicates that even though more and more people have access to financial products, many of them do not understand the system well and have not been able to utilize it optimally. As a result, personal

financial management is often neglected, as financial literacy is required for effective financial management (Lusardi & Mitchell, 2014).

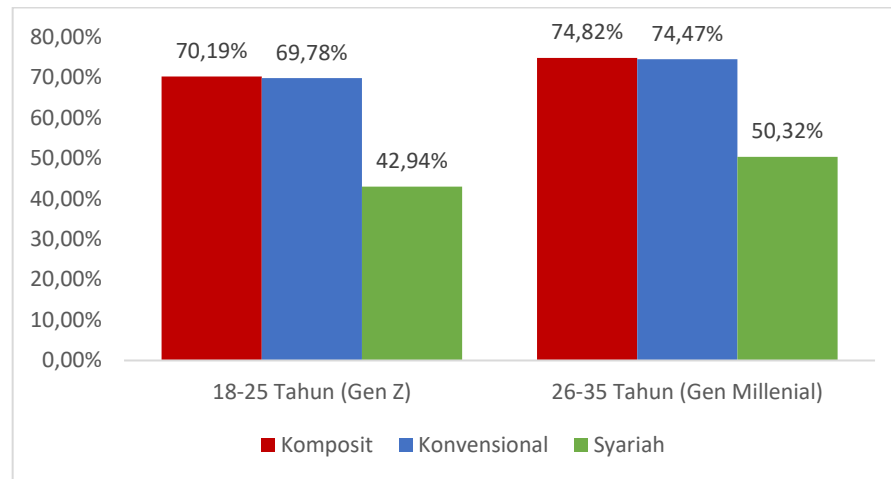


Figure 1. 1 Comparison of Financial Literacy Index between Two Generations in Indonesia

However, in this era of digitalization, financial literacy alone isn't sufficient (Koskelainen et al., 2023). All aspects of life are progressively moving towards digital development, especially in finance, as evidenced by the rise of financial technology (Gomber et al., 2017). Financial technology (fintech) merges technology with financial products and services, evolving from traditional business models to online platforms, which initially required face-to-face interactions and the handling of cash can now be completed through remote transactions in seconds (Winarto, 2020). Since individuals now conduct their financial services and transactions online, knowledge of financial literacy must be supplemented by digital financial literacy (Koskelainen et al., 2023).

Achieving financial well-being also requires the necessary knowledge and skills in the field of financial management (Koskelainen et al., 2023). Anyone can attain

financial well-being by managing their money effectively (Siregar et al., 2024). Related to the statement from Gutter & Copur (2011), which states that financial management and financial well-being are intertwined; if financial management is poor, then financial well-being will not be achieved, and vice versa. If financial management is good, then financial well-being will be achieved. One way to apply the concept of financial management at the individual level is through personal financial management, which involves financial planning, management, and control activities (Thi et al., 2018)

Indonesia is currently one of the world's developing countries. Based on data gathered by the International Monetary Fund (IMF) in 2018, Indonesia is placed fourth in terms of population, with a nominal 266 million people, and 16th in terms of economy (Pangestu & Karnadi, 2020). Due to the rapid economic development, individuals may soon be required to be more responsible in their financial planning (Katnic et al., 2024). In the context of the Indonesian economy, such challenges as inflation, unemployment, economic inequality, and welfare impact further add to the complexity of achieving financial wellbeing (Yumna et al., 2015). Therefore, financial well-being becomes a critical issue for young and productive generations such as Gen Z to support their individual quality of life and ensure Indonesia's future economic stability (Siregar et al., 2024).

Previous research on the financial well-being of Generation Z in Indonesia has predominantly focused on aspects of financial literacy, saving behavior, and daily financial management. Such studies include those conducted by Abdurrahman & Nugroho (2024), Al-Ichwani & Rahayu (2025), Putra et al. (2024), Ramadhini et al. (2023), Respati et al. (2023), and Siregar et al. (2024). The findings show that

although Gen Z has extensive access to digital financial information, many still face challenges in managing their finances wisely, mainly due to their lack of experience and the influence of their social environment. However, not many studies have comprehensively linked the influence of modern consumption trends, such as the consumptive lifestyle phenomenon, use of buy now pay later (BNPL) services, and FOMO trend, with their level of financial well-being. The dynamics of consumption influenced by trends that emerge with the development of technology and social media are very relevant in Gen Z's daily life today (Abed & Alkadi, 2024).

Based on the description above, the author conducted this study to determine the influence of the modern consumption trends, namely Fear of Missing Out (FoMO) and Buy Now Pay Later (BNPL) use, on financial well-being for Gen Z in Indonesia. Then, researchers want to see if customers' financial literacy and skills, such as personal financial management and digital financial literacy, influence financial well-being for Gen Z in Indonesia.

1.2 Problem Formulations

Based on the background outlined above, the research problems formulated in this study are:

1. Does the Fear of Missing Out (FoMO) influence Gen Z's Financial Well-being in Indonesia?
2. Does the Buy Now Pay Later (BNPL) Use influence Gen Z's Financial Well-being in Indonesia?
3. Does Digital Financial Literacy influence Gen Z's Financial Well-being in Indonesia?

4. Does Personal Financial Management influence Gen Z's Financial Well-being in Indonesia?

1.3 Objectives of Research

Based on the formulation described above, the objectives to achieve from this study are:

1. To empirically test whether there is an influence of Fear of Missing Out (FoMO) on the Financial Well-being of Gen Z in Indonesia
2. To empirically test whether there is an influence of Buy Now Pay Later (BNPL) Use on the Financial Well-being of Gen Z in Indonesia
3. To empirically test whether there is an influence of Personal Financial Management on the Financial Well-being of Gen Z in Indonesia
4. To empirically test whether there is an influence of Digital Financial Literacy on the Financial Well-being of Gen Z in Indonesia

1.4 Research Benefit

With the conduct of this study, it is hoped that the study results can provide benefits, including

- a. For Author

The results of this study are expected to broaden the author's understanding about the influence of current consumption trends, such as FoMO and BNPL, and personal financial aspects, such as Digital Financial Literacy and Personal Financial Management, on Financial Well-Being, especially for Gen Z in Indonesia.

b. For Other Parties

This research can contribute to knowledge sources, serve as reference material, and become part of the literature for future studies.

1.5 Systematic of Writing

In this study, the authors are divided into five chapters, which are divided into several sub-chapters with the following writing systematics:

CHAPTER I INTRODUCTION

The first chapter outlines the research background, formulates the problems, states the objectives and benefits of the study, and presents the research structure.

CHAPTER II LITERATURE REVIEW

Chapter two begins with a discussion of the theoretical foundation, followed by a literature review, an examination of previous studies, the conceptual framework of the research, and the development of hypotheses

CHAPTER III RESEARCH METHODOLOGY

This chapter outlines the research design, sources and techniques of data collection, population and sample along with the sampling techniques, operational definitions of research variables, data processing tools, data analysis methods, and the hypothesis testing procedure.

CHAPTER IV RESULTS AND DISCUSSION

This chapter explains how the research results have been analyzed based on the data and information collected, and also contains answers to the hypotheses developed.

CHAPTER V CONCLUSION

This chapter presents the study's conclusions, outlines its limitations, and offers recommendations that may serve as input for future study.

