

The Role of Loss Aversion and Emotional Involvement in Shaping Generation Z's Consumptive Behavior in Using Paylater Services

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ABSTRACT

The rapid advancement of digital technology has significantly transformed consumption patterns, particularly among Generation Z, who are highly familiar with digital financial services such as paylater. While this service offers transactional convenience through deferred payments, it also carries the risk of fostering uncontrolled consumer behavior. This study aims to analyze the role of loss aversion and emotional involvement in shaping the consumptive behavior of Generation Z in the use of paylater services. A qualitative approach was employed, using a case study of students at Universitas Semarang. The findings indicate that loss aversion motivates individuals to make purchases to avoid the perceived loss of opportunity, while emotional involvement amplifies consumptive tendencies through the influence of trends and social pressures. These insights expected to contribute to the consumer psychology literature and provide practical recommendations for service providers and educational institutions to improve financial literacy among the younger generation.

Keywords: Consumptive Behavior, Paylater, Loss Aversion, Emotional Involvement, Generation Z

INTRODUCTION

The advancement of digital technology has brought about major changes in people's consumption patterns, especially among Generation Z. Digital-based financial services such as Paylater offer easy transactions without direct payments, but at the same time pose the risk of excessive consumer behavior. Gen Z, who was born and grew up in the digital era, is very susceptible to emotional and psychological influences in financial decision making. The growth of e-commerce has changed the payment method which was previously limited to cash, paper, and cards, now a new electronic-based payment system has been introduced. Sari (2021) On January 3, 2022, data from the Financial Services Authority (OJK) noted that there were 103 companies organizing peer-to-peer lending financial transactions that already had official permits.

One of the main concepts that plays a role is loss aversion, which is the tendency to avoid greater losses than to pursue profits. In the context of Paylater, this arises when consumers do not want to miss out on promo opportunities even though they have to bear the burden of debt. In

addition, emotional involvement is an important factor when purchasing decisions are influenced by trends, social media, or peer pressure. This study is important to conduct considering the potential psychological and financial impacts arising from digital-based consumer behavior.

LITERATURE REVIEW

Consumptive Behavior

Consumptive behavior is an activity where someone buys goods or services in very large quantities without any consideration (ardiyansyah, 2023) Usually this kind of activity can also be interpreted as a person's habit of buying or using goods and services excessively, beyond their needs or economic capabilities. This behavior is often driven by the desire to show social status, follow trends, and just to get pleasure at that time which is not based on need alone. Based on the views of Dharmmesta & Handoko (2011), consumer behavior reflects the difficulty of consumers in distinguishing between needs and wants. Meanwhile, Hidayah (2015) explains that consumer behavior arises from the urge to buy goods that are not really needed in order to obtain personal satisfaction. From the opinions of the experts that have been presented, it can be concluded that consumer behavior is the act of buying and using goods or services excessively, without careful thought.

Paylater

Paylater is a payment system with a deferred method, where consumers can buy goods now and pay for them later, usually with additional interest. According to Sekar Putih Djarot, Spokesperson for the Financial Services Authority (OJK), Paylater refers to a payment or loan service that must be repaid at a certain time in the future. . Several large e-commerce companies have launched this feature, such as Shopee which introduced the PayLater service in 2019, with a loan limit that can now reach IDR 15 million. In addition to Shopee, GoPay also provides the GoPay Paylater feature, although only GoPay Plus users can access it. As the number of Paylater users increases, more and more e-commerce applications and platforms are offering this service to the public.

Gen-Z (Born 1997 to 2012)

Gen-Z is often referred to as the "digital generation" because of their heavy reliance on digital technology in their development and growth process. Technological skills are one of the main characteristics of this generation. The internet plays a crucial role in their lives, influencing the way they communicate, access information, and interact socially (Mauliddiyah, 2021; Rakhmah (2021). This change reflects the rapid development of global technology. Gen-Z tends to want immediate gratification and is closely connected to the internet for various purposes, such as social, educational, and information seeking. Their dependence on the digital world often hinders their ability to communicate directly. For Gen-Z, the internet is not only a source of information, but also a tool for entertainment, relaxation, and overcoming boredom or filling free time. Smartphones play an important role in bringing them into an interesting visual world, providing flexibility and mobility (Mujahidah, 2020). For Gen-Z, the internet functions not only as a source of information, but also as an entertainment platform, a means of relaxation, and a way to overcome boredom or fill free time. Smartphones are the main tool that connects them to an interesting visual world. (Sitepu & Fadila, 2024)

Loss Aversion

According to Pradhana (2018), loss aversion is a concept that shows that individuals feel happy when they get money, but suffer greatly when they lose money. (Humairo & Panuntun, 2022). Loss aversion is a psychological tendency in which a person is more afraid of experiencing losses than getting equivalent profits. Daniel Kahneman and Amos Tversky in their prospect theory reveal that individuals tend to focus more on avoiding losses than on gaining profits. Ariely, in his book *Predictably Irrational*, explains that loss aversion makes it difficult for individuals to let go of goods or money, so they tend to maintain consumptive habits even though they are irrational.

METHODOLOGY

Research Design

This research uses a qualitative approach. Where this research uses a natural setting with the intention of interpreting the phenomena that occur and is carried out by involving existing methods. In order for the research results to be used to interpret existing phenomena, an approach using analysis techniques is needed, in this case a critical reasoning approach is used. The data used in this study consists of primary data and secondary data. Primary data is data obtained directly from the original source. This type of data can be in the form of individual or group opinions, results of observations of an event or activity, and test results. In this study, primary data collection was carried out using the interview method, online using Whatsapp. Secondary data is data obtained from various written sources such as books, articles, journals, scientific papers, or publications from the internet that provide additional information for this study. This data is collected through library studies or literature relevant to the problems being studied.

RESULTS AND DISCUSSION

Findings/Results

Consumer Behavior

Interview results show that the majority of respondents, who are Paylater service users, have been using it for almost a year on their own initiative. The main reason they chose this service is the ease of transactions and various attractive promos offered. The use of Paylater is often directed to meet lifestyle needs, especially fashion purchases and urgent needs, but it also triggers impulsive consumption behavior. Respondents admitted that they sometimes make purchases without planning because they are tempted by promos. Even though there is regret after buying useless items, they still continue to use this service, focusing on urgent needs, such as data packages.

Loss Aversion

Several respondents expressed concerns about interest or additional fees that may arise if they are unable to pay on time. This reflects an element of loss aversion, where fear of financial loss influences their decision to use the paylater feature. Respondents tend to immediately buy goods or products for fear of missing out on the opportunity to get a discount or low price.

Financial risks

Most respondents are aware of the potential risks of using Paylater, such as mounting debt and high interest due to late payments. Careful financial management is key to minimizing negative impacts. They demonstrate responsibility by reducing other expenses to ensure Paylater bills are paid on time.

FOMO

The use of PayLater is also influenced by social support and the desire to follow trends. Despite awareness of the risks, some respondents feel dependent on this service. Overall, Paylater provides benefits when used for urgent needs, but can be dangerous if used for extravagant purchases. Therefore, it is important for users to control and prioritize its use wisely. Respondents also revealed that the use of Paylater is also influenced by their desire to follow trends and meet social demands, especially because they are active in an organization that encourages them to appear more fashionable and follow a certain lifestyle.

Paylater Benefits

Respondents revealed that the main motivation for using Paylater was to meet urgent needs, especially when emergency funds are empty and it is difficult to find loans from friends or family. This shows that Paylater provides a practical and efficient solution for respondents, who prioritize needs over wants alone. Interviews show that most respondents use Paylater because of the convenience and promotional offers. They are attracted to discount and cashback opportunities, and are more motivated to buy because they are afraid of "missing an opportunity". This is a manifestation of loss aversion. The fear of losing drives consumer behavior, even when the item is not urgently needed. Emotional involvement is also seen to be strong. Informants admitted to using Paylater to be able to buy trending items, or to appear "not left behind" in the social environment. Social media, especially TikTok and Instagram, play a big role in shaping consumption drives. Positive emotions such as happiness, and negative emotions such as fear of being left behind, appear together and influence purchasing decisions.

This finding is in line with the Prospect Theory (Kahneman & Tversky), as well as consumer behavior studies that state that shopping decisions are often influenced by emotional factors, not just rational ones. Within the framework of the Technology Acceptance Model (TAM), the perception of convenience also helps strengthen the acceptance of Paylater, while the Theory of Planned Behavior (TPB) explains that subjective norms from the environment also direct consumption behavior. However, some respondents are also aware of financial risks such as inflated bills or late interest, although they are not always able to avoid them. This shows a gap between awareness and self-control.

Discussion

The high consumer behavior among Gen Z, coupled with the loss aversion they often experience, can affect the acceptance of PayLater. Although they may feel anxious about losing the money they have spent (especially if they have not been able to pay on time), in the short term, they are more interested in the short-term benefits of convenience and immediate satisfaction obtained from using Paylater. This creates a dilemma for them, where factors such as positive attitudes towards Paylater (as part of technological progress) and social norms that support the use of Paylater may outweigh concerns about greater losses in the future.

Consumptive behavior in using Paylater Based on interviews conducted with respondents, it is seen that the majority of Paylater users tend to be influenced by promotional and discount factors in making purchasing decisions. Respondent 1, an 18-year-old student, said that the fear of missing the opportunity to get goods with attractive discounts drove him to buy goods that were not actually planned before. She admitted that, even though the item was not needed at that time, the fear of missing out on discounts or limited stock led her to make an immediate purchase. This

impulsive consumption phenomenon is exacerbated by the fact that some Paylater users, as expressed by Respondent 2 (a 20-year-old student), often feel the need to immediately buy a product when there is a big discount. This feeling is further strengthened when items that are on sale or discounted are considered an opportunity that is too good to miss. In fact, this purchase often does not match real needs or a previously planned budget. Loss aversion is very clear in the tendency of users to immediately buy goods for fear of missing out on the opportunity to get a cheap price or discount. As explained by Respondents 1 and 2, the fear of missing out on the opportunity to buy goods at a discount or special price leads them to make hasty purchasing decisions, without considering long-term needs or the impact on their finances. Respondent 2 even said that he felt "forced" to buy the item because he felt he would not get the same opportunity if he postponed the purchase. This loss aversion phenomenon was also found in Respondent 3, a 25-year-old entrepreneur, who admitted that even though he did not actually need the item at the moment, the urge to take advantage of promotions or the opportunity to get a cheap price sometimes overpowered his rational considerations. In this case, even though he had more mature experience in managing business finances, the loss aversion trait still emerged, influencing his personal decision to buy unplanned items.

In addition, the phenomenon of loss aversion also greatly influences consumption decisions, where consumers tend to be afraid of missing out on the opportunity to get cheap prices, which drives them to buy goods impulsively. Therefore, it is important for users to increase financial awareness and have a better financial management strategy, so that the use of Paylater does not lead to bigger financial problems in the future. Lifestyle is the way a person lives and interacts with their surroundings. It also includes how they manage their time and money. Technological developments affect lifestyle, and often, millennials, especially students, tend to abuse this lifestyle. They prefer to seek temporary entertainment or pleasure, such as spending time with friends, buying things to follow trends, or wanting to be the center of attention. This lifestyle often focuses on fulfilling temporary desires, which leads to consumer behavior, especially among students. They often prioritize desires over needs, which encourages them to shop without careful consideration.

Dynamics of Loss Aversion in Paylater Purchasing Decisions

The findings of this study reveal a complex phenomenon in Generation Z's consumer behavior, especially in the context of using Paylater services. The concept of loss aversion proposed by Kahneman and Tversky (1979) is clearly manifested in the behavior of Paylater users, but with a different nuance from classical theory. In the context of this study, loss aversion is not only related to direct financial losses, but more to the fear of losing opportunities (opportunity loss) that are considered profitable. The identified phenomenon shows cognitive distortions in the decision-making process of young consumers. When faced with limited promotions or discounts, respondents tend to experience increased anxiety that drives impulsive decision-making. This is in line with prospect theory which explains that individuals tend to be more sensitive to potential losses compared to equivalent benefits. However, in the context of this digital consumption, the perceived "loss" is the loss of the opportunity to get goods at a cheaper price, not an actual financial loss.

The Paradox of Instant Gratification versus Financial Awareness

This study identifies an interesting paradox in Gen Z's consumer behavior. On the one hand, they show awareness of the potential financial risks of using Paylater, but on the other hand, the urge to gain instant gratification often overpowers rational considerations. This phenomenon can be explained through the dual-process theory proposed by Kahneman (2011), where the emotional and intuitive fast thinking system (System 1) dominates the more analytical and rational slow thinking system (System 2). This finding has important implications for understanding financial literacy in the digital era. Although Gen Z is often considered a tech-savvy generation with broad access to information, their ability to apply financial knowledge in real consumption situations is still limited. This shows that financial literacy is not only about theoretical knowledge, but also the ability to control impulse buying in an environment full of consumer stimuli.

The Influence of the Digital Environment on Consumer Behavior

The digital context in the use of Paylater creates a consumption environment that is fundamentally different from conventional transactions. In the digital environment, consumers do not feel the 'pain of payment' directly because there is no physical exchange of money. This phenomenon, known as 'payment depreciation', makes consumers tend to ignore the long-term financial consequences of their purchasing decisions. Furthermore, e-commerce platform algorithms that display promotions and discounts personally based on users' browsing and purchasing history create an artificial illusion of scarcity and urgency. This marketing strategy indirectly exploits consumers' cognitive biases, especially loss aversion, to encourage impulsive purchases. These findings underscore the importance of stricter regulation of digital marketing practices that can harm young consumers.

Socio-Economic Implications of Gen Z's Consumptive Behavior

The consumptive behavior found in this study cannot be separated from the broader socio-economic context. Gen Z grew up in an era where consumption not only functions to fulfill needs, but also as a form of expression of identity and social status. Social media exacerbates this phenomenon by creating pressure to always appear 'up-to-date' with the latest trends. The research findings show that the decision to use Paylater is often driven by the desire to maintain a certain lifestyle despite inadequate financial capabilities. This reflects the gap between consumption aspirations and the economic reality experienced by many young individuals. This phenomenon has the potential to create a cycle of consumptive debt that can have a negative impact on long-term financial well-being.

Theoretical Relevance and Research Contribution

The findings of this study provide important contributions to the consumer behavior literature, particularly in the context of fintech and the digital economy. This study expands the understanding of how classical economic psychology theories such as loss aversion and prospect theory adapt in the new digital consumption environment. The main theoretical contribution of this study is the identification of specific psychological mechanisms underlying the use of buy-now-pay-later services among young consumers. The findings suggest that loss aversion in the digital context is not only related to direct financial losses, but also to perceived opportunity costs, which are often manipulated through sophisticated marketing strategies. Overall, the findings of this study underscore the urgency of developing a more holistic approach to understanding consumer

behavior in the digital era, which considers not only economic factors but also psychological, social, and technological aspects that interact to shape individual consumption decisions.

CONCLUSION

Based on the analysis conducted, several main conclusions that can be drawn are Consumptive Behavior and Loss Aversion in Gen-Z. Gen-Z in Indonesia shows a high tendency for consumptive behavior, especially in the context of using Paylater services. They tend to choose to buy goods or services without having to pay directly at that time, which provides instant gratification even with financial burdens in the future. This phenomenon can be associated with the principle of loss aversion, where Gen Z avoids feelings of loss now (for example, paying for goods directly) and prefers to postpone payments even though there is a greater financial risk in the future. The Gen-Z generation tends to use the paylater feature because of the fear of missing out which is related to loss aversion behavior. They prefer to use paylater to avoid feelings of missing out on opportunities such as discounts, promotions, or instant access to products/services. This study suggests that paylater service providers consider educational features and payment reminders to encourage healthy consumption behavior. Educational institutions can also play an active role in improving students' financial literacy, including psychological control in digital consumption. Further research is recommended to expand the number of respondents and test the relationship between variables quantitatively. While this study provides valuable insights, there are some limitations that need to be acknowledged. This study focused on a relatively small sample and was limited to a specific demographic group. Future research needs to explore variations in consumer behavior across more diverse socio-economic groups to gain a more comprehensive picture. In addition, longitudinal research is needed to understand the evolution of consumer behavior and the long-term impact of Paylater usage on individuals' financial health. Future research can also explore the effectiveness of various educational interventions to improve financial literacy and self-control skills in the context of digital consumption. Overall, the findings of this study underscore the urgency of developing a more holistic approach to understanding consumer behavior in the digital era, which considers not only economic factors but also psychological, social, and technological aspects that interact to shape individuals' consumption decisions.

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