

# Determinants of Credit Default Among Generation Z Paylater Users in Pangkal Pinang City, Indonesia

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The author(s) declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

## ABSTRACT

**Purpose:** This study aims to analyze the influence of financial literacy, individual income, and ease of access on credit default among Generation Z paylater users in Pangkal Pinang City.

**Research Method:** A quantitative associative approach was employed using data from 122 respondents selected through purposive sampling. Data were analyzed using multiple linear regression with SPSS 25.

**Results and Discussion:** The results show that financial literacy and ease of access have a significant negative effect on credit default. In contrast, individual income does not have a significant effect. Simultaneously, all variables significantly influence credit default, explaining 15.6% of the variance. These findings indicate that credit default behavior is associated with financial understanding and accessibility factors, although the explanatory power of these factors remains limited.

**Implications:** The findings provide indicative insights to help financial service providers and regulators enhance transparency and support financial education on digital credit usage. Future research is recommended to include behavioral and contextual variables.

**Originality:** This study contributes to the BNPL credit risk literature by providing empirical evidence from a local Indonesian context and highlighting behavioral and accessibility dimensions among Generation Z users.

**Keywords:** financial literacy; individual income; ease of access; credit default; paylater.

## 1. Introduction

The digital economy has revolutionized people's transaction behavior through the convenience of Buy Now, Pay Later (BNPL) services. However, this convenience does not always lead to positive outcomes. If the use of paylater is not accompanied by good financial literacy, it tends to lead to risky credit behavior that contributes to payment defaults (Davila & Hilliard, 2024; Surya & Evelyn, 2023). Therefore, financial awareness is considered crucial and needs to be cultivated to prevent risky financial behavior (Cabueñas et al., 2025; Murta & Gama, 2022). Unfortunately, based on field conditions in Indonesia, a contradictory empirical gap has been identified. Theoretically, good financial literacy should lead to wiser financial decisions (Chen & Volpe, 1998). However, in reality, Millennials dominate credit default in Indonesia at 52.91%, followed by Generation Z at 42.27%, with the total amounting to IDR 1.2 trillion (Amara, 2025). Ironically, a report (Otoritas Jasa Keuangan & Badan Pusat Statistik, 2024) shows that the financial literacy index for Generation Z and Millennials is high (70.19%–74.82%). This gap between



knowledge and behavior indicates that financial literacy alone is not sufficient to ensure financial health in the digital age.

This finding is supported by the results of a preliminary survey of 33 respondents in Pangkal Pinang. Although the majority of respondents (93.3%) reported understanding the terms and interest risks, 20% admitted to missing a payment. The pre-survey findings also highlight that the primary driver for using paylater services is not urgent need, but rather convenience factors such as promotions/discounts (60%) and instant disbursement (26.7%). Furthermore, the majority of respondents' income falls within the range of IDR 1,500,000 to IDR 3,500,000, suggesting that financial constraints, combined with ease of access, increase the likelihood of credit default.

Pangkal Pinang, as the capital of Bangka Belitung Province, is a strategic location to study as part of early risk mitigation efforts. Although this province has a high financial literacy index (62.34%) with a relatively stable NPL rate below 5% (Bank Sumsel Babel, 2024; National Council for Inclusive Finance, 2022), indications of impulsive behavior among the younger generation remain a threat to regional financial stability. Therefore, this study aims to analyze the influence of financial literacy, individual income, and ease of access on credit default among Generation Z paylater users in Pangkal Pinang City. Using multiple linear regression analysis of data from 122 respondents, this study aims to identify the dominant factors triggering payment defaults and provide recommendations for mitigation strategies for regulators and pay-later service providers.

The remainder of this paper is organized as follows. Section 2 provides a literature review and hypothesis development. Section 3 presents the research method and design. Section 4 provides a discussion. Section 5 is Concluding Remarks and Recommendations.

## 2. Literature Review and Hypothesis Development

### 2.1 Theoretical Framework

This study integrates Human Capital Theory, the Technology Acceptance Model, and the Relative Income Hypothesis to explain how financial literacy, income capacity, and technology accessibility interact to shape borrowing behavior and ultimately determine the likelihood of credit default in paylater usage. From the perspective of Human Capital Theory, individuals invest in financial knowledge and skills to improve their ability to evaluate credit decisions and manage financial obligations under varying economic and technological conditions (Becker, 1964; Uttari & Yudiantara, 2023). Financial literacy represents a form of human capital that enables individuals to manage financial obligations, control cash flow, and avoid excessive debt accumulation, thereby reducing the likelihood of credit default (Chen & Volpe, 1998). In this context, individuals with higher financial literacy are better able to regulate borrowing decisions despite high accessibility to digital credit and social consumption pressures. Furthermore, the use of paylater services is explained through the Technology Acceptance Model, which emphasizes perceived usefulness and perceived ease of use. Ease of access, including flexibility in time and place, significantly influences financial technology usage behavior (Davis et al., 1989; Isnaini & Istiyanto, 2023; Revythy & Tselios, 2019).

Higher accessibility and ease of use increase adoption; however, they may also encourage excessive utilization and reduce users' awareness of financial risk, which can lead to repayment difficulties. However, this massive adoption of technology is also influenced by social factors, as explained by the Relative Income Hypothesis. It is known that one's social group often influences public



use of technology, as people tend to follow their group's behavior. Additionally, social groups influence public consumption and debt. (Duesenberry, 1949) argued that this behavior is driven by social comparison to maintain one's social status within a social circle. When absolute income is no longer sufficient, people tend to take on debt (Bisset & Tenaw, 2020; Sreenivas et al., 2025). Within this framework, social comparison pressures interact with access to technology to encourage the use of credit beyond individuals' financial capacity, particularly among those with low financial literacy. Therefore, credit default (NPL) emerges as the outcome of an integrated mechanism in which limited financial literacy weakens decision-making control, high levels of technology accessibility increase borrowing intensity, and social comparison pressures drive consumption beyond income capacity, ultimately leading to repayment failure.

## 2.2. Financial Literacy and Credit Default

Financial literacy is the ability to manage financial activities, encompassing a general understanding of savings, loans, insurance, and investments (Chen & Volpe, 1998; Silalahi et al., 2022). This knowledge significantly influences an individual's decision-making and financial behavior (Lusardi & Mitchell, 2014). Within the framework of Human Capital Theory, financial literacy represents a critical cognitive asset that enables individuals to evaluate credit decisions, align borrowing with income capacity, and manage financial risk effectively. Individuals with low financial literacy tend to exhibit risky credit behaviors, such as indifference toward debt repayment and greater debt accumulation (Artavanis & Karra, 2019; Davila & Hilliard, 2024; Surya & Evelyn, 2023). These risky behaviors become more pronounced in environments characterized by high accessibility to digital credit services, where perceived ease of use and usefulness encourage frequent borrowing, and social comparison pressures further amplify consumption beyond actual financial capacity. Conversely, good financial literacy serves as a deterrent to credit default (Cabueñas et al., 2025; Murta & Gama, 2022). Conversely, individuals with higher financial literacy are better able to control borrowing behavior despite the ease of access to pay-later services and social consumption pressures, thereby reducing the likelihood of repayment failure and preventing the transition into non-performing loan (NPL) status.

## 2.3. Individual Income and Credit Default

Income is the primary source of an individual's financial capacity to meet obligations and support consumption. Income level influences financial management behavior (Erwantiningsih et al., 2024; Nisa & Haryono, 2022). From the perspective of Human Capital Theory, income reflects the outcome of individuals' economic capacity, which determines their ability to sustain consumption and meet financial obligations, including repaying credit. This vulnerability becomes more critical in the presence of easily accessible digital credit services, where high perceived ease of use and usefulness encourage borrowing beyond repayment capacity. The disparity between income and the living standards of their social environment can drive individuals to go into debt to maintain their lifestyle (Bisset & Tenaw, 2020; Okumuş et al., 2024). Consistent with the Relative Income Hypothesis, such income disparity, combined with social comparison pressures, encourages individuals to increase consumption through credit instruments, even when their income is insufficient, thereby increasing the risk of repayment failure and transition into non-performing loan (NPL) conditions.



## 2.4. Ease of Access and Credit Default

Ease of access to digital financial services encompasses learnability and flexibility (Davis et al., 1989). Within the Technology Acceptance Model framework, perceived ease of use and flexibility increase users' willingness to adopt and repeatedly utilize digital credit services, particularly when supported by simple procedures and minimal requirements (Pattinama, 2024; Revythi & Tselios, 2019). However, the impact of such accessibility is highly dependent on individuals' financial literacy, where those with limited financial knowledge are more likely to misinterpret ease of access as an indicator of affordability, leading to poor borrowing decisions. However, technical conveniences such as loose limits and tenor settings without strict selectivity can reduce the psychological barriers to borrowing.

This condition becomes more critical when combined with social comparison pressures, in which individuals are encouraged to maintain consumption patterns aligned with their social environment despite limited income. Therefore, ease of access serves as an enabling factor that amplifies borrowing behavior, which, when interacting with low financial literacy and insufficient income, increases the likelihood of excessive debt accumulation and weak repayment capacity, ultimately leading to credit default or non-performing loan (NPL) conditions (Jørgensen, 2014).

## 2.5. Synthesized Influence on Credit Default

Non-performing loans (NPLs, collectibility grade 5) are a formal measure of credit default, defined as the failure to meet repayment obligations for more than 180 days, reflecting an objective and institutionally recognized condition of financial distress (Otoritas Jasa Keuangan, 2018). The occurrence of NPL can be explained by integrating Human Capital Theory, the Technology Acceptance Model, and the Relative Income Hypothesis, which collectively describe how financial literacy, income capacity, technology accessibility, and social comparison interact to shape borrowing behavior and repayment outcomes.

Low financial literacy, combined with limited economic capacity and high exposure to easily accessible digital credit services, increases the likelihood of excessive borrowing and weak repayment discipline, which ultimately leads to credit default. The interaction among financial literacy, income adequacy, and technology use behavior determines an individual's ability to manage debt obligations and avoid transitioning to non-performing loan status. Empirical studies indicate that inadequate financial literacy, income instability, and uncontrolled use of digital credit are significant drivers of repayment failures and increased NPL risk (Murta & Gama, 2022; Nisa & Haryono, 2022; Widiawati et al., 2024). Therefore, credit default (NPL) emerges as the outcome of an integrated mechanism in which low financial literacy reduces decision-making control, limited income constrains repayment capacity, high levels of technology accessibility facilitate excessive borrowing, and social comparison pressures drive consumption beyond financial means, ultimately resulting in repayment failure.

**H1:** *Financial literacy has a negative and significant effect on credit default.*

**H2:** *Individual income has a negative and significant effect on credit default.*

**H3:** *Ease of access has a positive and significant effect on credit default.*

**H4:** *Financial literacy, individual income, and ease of access have a simultaneous effect on credit default.*



## 3. Research Method

The population in this study comprises Generation Z users of pay-later services residing in Pangkal Pinang. Given that the exact population size is unknown, the sample was determined using the formula by Lwanga and Lemeshow (1991) with a 95% confidence level and a 10% alpha level. Based on the calculations, a minimum sample size of 96 respondents was determined. However, during data collection, 122 valid respondents were obtained and used in the final analysis. The sampling technique employed was non-probability purposive sampling. Respondent criteria included: (1) residing in Pangkal Pinang City; (2) being part of Generation Z; (3) having used a paylater service at least once; and (4) being at least 18 years old at the time of data collection. This age restriction was implemented to ensure that all respondents were legally capable of providing informed consent and making financial decisions independently. The data was distributed across the 7 subdistricts in Pangkal Pinang City.

Primary data was collected using a structured online questionnaire distributed from October 2025 to April 2026, with each item measured on a 1–5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Prior to participation, all respondents were provided with an informed consent statement explaining the purpose of the study, the voluntary nature of participation, data confidentiality, and anonymity. Respondents were required to confirm their consent before proceeding with the questionnaire. This study adhered to general ethical research principles, ensuring that no personal identifying information was collected and that all responses were used solely for academic purposes. Secondary data from official reports by the Otoritas Jasa Keuangan Indonesia (OJK), the Katadata Insight Center, and other relevant agencies supported the contextual analysis.

This study involves four main variables, including financial literacy (X1), individual income (X2), and ease of access (X3) as independent variables, and credit default (Y) as the dependent variable. Financial literacy (X1) was measured using 8 items adapted from Chen and Volpe (1998) and Silalahi et al. (2022), covering four dimensions: (1) general financial knowledge, (2) savings and loans, (3) insurance, and (4) investment. Individual income (X2) was measured using 4 indicators reflecting absolute and relative income conditions, adapted from Erwantiningsih et al. (2024) and Nisa and Haryono (2022). Respondents were asked to assess whether their income was adequate to meet their daily needs and financial obligations. Ease of access (X3) was measured using 5 items adapted from Davis et al. (1989), Pattinama (2024), and Revythi and Tselios (2019), focusing on perceived ease of use and flexibility. Credit default (Y) was measured using 5 self-reported indicators reflecting repayment difficulties, adapted from Murta and Gama (2022), Nisa and Haryono (2022), and Widiawati et al. (2024), aligned with the concept of non-performing loans (NPL).

Data analysis was conducted using IBM SPSS Statistics version 25 through several stages, including descriptive statistics, validity tests, and reliability tests. Subsequently, classical assumption tests, multiple linear regression analysis, and hypothesis testing were performed.



## 4. Results and Discussion

### 4.1 Analysis Results

#### 4.1.1 Analysis Results

Primary data collection was conducted using a structured questionnaire distributed both online and offline to Generation Z in Pangkal Pinang. Of the 255 responses received, 133 met the criteria. After data cleaning and outlier removal, 122 valid responses were obtained for further analysis in SPSS version 25.

**Table 1. Respondent Profile**

Description	Answer	Total	Percentage (%)
Subdistrict	Bukit Intan	21	17.2
	Gabek	19	15.6
	Gerunggang	17	13.9
	Girimaya	15	12.3
	Pangkal Balam	18	14.8
	Rangkui	16	13.1
	Taman Sari	16	13.1
		122	100.0
Income or Pocket Money	Over IDR 5.000.000	4	3.3
	Less than IDR 1.500.000	58	47.5
	IDR 1.500.000 – IDR 3.500.000	39	32.0
	IDR 3.500.000 – IDR 5.000.000	21	17.2
		122	100.0
Type of Paylater Used	Akulaku	3	2.5
	GoPay Paylater	9	7.4
	Home Credit	1	.8
	Kredivo	8	6.6
	Lainnya	4	3.3
	Lazada Paylater	3	2.5
	LinkAja Paylater	2	1.6
	Ovo Paylater	1	.8
	Shopee Paylater	100	82.0
	Tiktok Paylater	28	23.0
	Tokopedia Paylater	2	1.6
	Traveloka Paylater	1	.8
		162	132.8

**Source:** Survey Data (2026)

Table 1 presents the profile of respondents from seven subdistricts in Pangkal Pinang City, with the largest proportion from Bukit Intan Subdistrict (17.2%). Based on income level or monthly allowance, the majority of respondents fall into the group earning less than IDR 1,500,000 (47.5%). Furthermore, regarding service preferences, respondents were allowed to select more than one paylater platform (multiple-response format), resulting in a total percentage exceeding 100%. Shopee Paylater is the dominant platform, with 82.0% of respondents reporting they use it, followed by TikTok Paylater (23.0%) and GoPay Paylater (7.4%).



4.1.2 Descriptive Statistics, Validity, and Reliability Tests

Based on Table 2, X1 has a mean of 66.91 and a standard deviation of 6.709. This indicates that, in general, Gen Z paylater users in Pangkal Pinang tend to possess a relatively high level of financial literacy. Furthermore, X2 has a mean of 31.25 and a standard deviation of 4.687. This indicates that the majority of respondents hold a fairly positive view of their ability to meet daily needs, both in absolute and relative terms. As for X3, it shows a mean of 32.80 with a standard deviation of 3.967. This indicates that the majority of respondents find paylater services very easy to understand, use, and manage. Furthermore, Y has the lowest mean among the variables, at 17.94, with a standard deviation of 7.885. This finding suggests that although there are indications of payment delays, overall, the majority of paylater users among Generation Z in Pangkal Pinang City still exhibit fairly good payment tendencies and have not yet fallen into the category of credit default.

**Table 2. Results of Descriptive Statistics, Validity, and Reliability Tests**

Variable	Min	Max	Mean	Std. Deviation	r-count	r-table	Cronbach's Alpha
Financial Literacy (X1)	45	80	66.91	6.709	.339	.178	0.859
Individual Income (X2)	20	40	31.25	4.687	.435	.178	0.811
Ease of Access (X3)	16	40	32.80	3.967	.474	.178	0.853
Credit Default (Y)	8	36	17.94	7.885	.727	.178	0.943

**Source:** Data Analysis using SPSS version 25 (2026)

Next, based on Table 2, the results of the validity and reliability tests are presented. The table r-value was determined using the formula  $df = N - 2$  (i.e.,  $122 - 2 = 120$ ), yielding a table r-value of .1779, which was then rounded to .178. The range of r-counts per variable is as follows: X1 (0.339 to 0.632), X2 (0.435 to 0.580), X3 (0.474 to 0.726), and Y (0.727 to 0.888), all of which are greater than the table r-value. Therefore, these findings are deemed valid. The reliability test results also show that the Cronbach's Alpha values for all variables are above the .70 threshold. Each measurement item demonstrated corrected item-total correlations exceeding the minimum threshold ( $r > 0.178$ ), indicating acceptable construct validity across all variables.

4.1.3 Classical Assumption Tests

The regression model satisfies all classical assumptions. Normality was assessed using the Kolmogorov-Smirnov test after applying a natural logarithm (Ln) transformation to the dependent variable to address non-normality. The results showed a significance value of 0.192 ( $p > 0.05$ ), indicating that the residuals were normally distributed.

Multicollinearity diagnostics showed that all independent variables had tolerance values ranging from 0.621 to 0.788 ( $> 0.10$ ) and Variance Inflation Factor (VIF) values ranging from 1.268 to 1.609 ( $< 10$ ), indicating no multicollinearity issues.



Heteroscedasticity was tested using both scatterplot analysis and the Glejser test. The scatterplot showed a random distribution, while the Glejser test yielded p-values above 0.05 for all variables, confirming the absence of heteroscedasticity.

4.1.4 Multiple Linear Regression Analysis and Hypothesis Test

**Table 3. Results of Multiple Linear Regression Analysis**

Variable	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(constant)	10.173	1.571	
Financial Literacy (X1)	-.852	.425	-.197
Individual Income (X2)	-.236	.265	-.082
Ease of Access (X3)	-.860	.330	-.248

Source: Data Analysis using SPSS version 25 (2026)

Based on Table 3, the following regression equation was obtained:

$$Y = 10.173 - .852 X1 - .236 X2 - .860 X3$$

The constant value in the multiple linear regression analysis is 10.173. This means that if there were no influence from financial literacy (X1), individual income (X2), and ease of access (X3), then credit default (Y) would be 10.173. The coefficient for financial literacy (X1) is -.852, meaning that financial literacy (X1) has a negative effect on credit default (Y). This implies that if financial literacy (X1) increases, credit default (Y) will decrease by .852, and vice versa. The coefficient value for individual income (X2) is -.236, meaning that individual income (X2) also has a negative effect on credit default (Y). This implies that if individual income (X2) increases, credit default (Y) will decrease by 0.236, and vice versa.

The coefficient value for ease of access (X3) is -.860, indicating that ease of access has a negative effect on credit default (Y). This means that higher perceived ease of access is associated with lower credit default risk. In this study, ease of access does not merely refer to easy approval for borrowing, but also reflects users' perception that paylater services are easy to understand, easy to manage, flexible to monitor, and accessible for repayment control. Therefore, the negative coefficient suggests that when users perceive digital credit services as more understandable and manageable, they may be better able to monitor their obligations and avoid repayment failure.

**Table 4. T-Test Results**

Variable	t-count	t-table	Sig.	Description
Financial Literacy (X1)	-2.006	1.980	.047	Significant
Individual Income (X2)	-.890	1.980	.375	Not Significant
Ease of Access (X3)	-2.604	1.980	.010	Significant

Source: Data Analysis using SPSS version 25 (2026)

In Table 4, the degrees-of-freedom formula is used to determine the t-table value. Using the equation  $df = (122 - 3 - 1) = 118$ , with a significance level of .05, the t-table value is 1.980. The results in Table 4 show that X1 has a negative and significant effect on Y ( $t = -2.006$ ;  $sig. = .047$ ), so H1 is



accepted. Conversely, X2 has no significant effect on Y ( $t = -.890$ ;  $sig. = .375$ ), so H2 is rejected. Meanwhile, X3 has a negative and significant effect on Y ( $t = -2.604$ ;  $sig. = .010$ ). This result indicates that ease of access significantly reduces credit default in the observed sample. However, because the initial hypothesis predicted a positive effect, H3 is rejected. The rejection of H3 does not imply that ease of access is unrelated to credit default; rather, it indicates that the direction of the relationship differs from the theoretical expectation. In this study, the negative effect may be explained by the way ease of access was operationalized, namely through perceived ease of use, flexibility, and service manageability. These aspects may help users understand payment procedures, monitor due dates, and manage repayment obligations more effectively, thereby reducing the risk of credit default.

**Table 5. F-Test Results**

Model	Sum of Squares	df	Mean Square	F-count	F-table	Sig.	Description
Regression	4.258	3	1.419	8.461	2.68	0.000 <sup>b</sup>	Significant
Residual	19.796	118	0.168				
Total	24.054	121					

**Source:** Data Analysis using SPSS version 25 (2026)

In Table 5, the degrees of freedom  $df_1 = 3$  and  $df_2 = (122 - 3 - 1) = 118$  are used, resulting in  $df(3, 118)$ . Therefore, at a significance level of .05, the F-table value is 2.68. Table 5 shows that the calculated F-value is greater than the F-table value ( $8.461 > 2.68$ ). Furthermore, the significance value is ( $.000 < .05$ ). Thus, H4 is accepted, and H0 is rejected. This means that the independent variables simultaneously influence the dependent variable.

**Table 6. Coefficient of Determination Test Results**

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	0.421 <sup>a</sup>	0.177	0.156	0.40958

**Source:** Data Analysis using SPSS version 25 (2026)

Based on Table 6, the Adjusted R-Square value is 0.156 (15.6%). This means that the independent variables in this study, namely, financial literacy (X1), individual income (X2), and ease of access (X3), can explain 15.6% of the variation in the dependent variable, credit default (Y). Other factors outside the scope of this study may account for the remaining 84.4%.

#### 4.2 Discussion

This study aims to analyze the influence of financial literacy, individual income, and ease of access on credit default among Generation Z paylater users in Pangkal Pinang City. This study makes an important contribution to the literature on the digital economy by illustrating how the financial behavior characteristics of young people in regions with high financial literacy indices enable them to respond responsibly to economic opportunities and the accessibility of financial technology.



## 4.2.1 The Effect of Financial Literacy on Credit Default

The research results demonstrate that financial literacy has a significant negative effect on credit default; therefore, H1 is accepted. This finding is derived from the regression results, in which financial literacy has a negative coefficient, indicating that higher levels of financial literacy are associated with lower credit default rates among Generation Z users of paylater services. This relationship can be explained by the role of financial literacy in shaping individuals' ability to process financial information and to evaluate the consequences of borrowing. Individuals with higher financial literacy are more likely to understand interest rates, penalty structures, and repayment obligations, which reduces the likelihood of engaging in unsustainable borrowing behavior. This relationship can be explained by the role of financial literacy in shaping individuals' ability to process financial information and to evaluate the consequences of borrowing. Individuals with higher financial literacy are more likely to understand interest rates, penalty structures, and repayment obligations, which reduces the likelihood of engaging in risky borrowing behavior (Davila & Hilliard, 2024). Respondents with a high understanding of interest rates, penalties, and insurance risks tend to be more responsible in fulfilling their debt obligations.

From a theoretical perspective, this finding is consistent with Human Capital Theory, which posits that knowledge and skills serve as economic resources that enhance decision-making quality. In this context, financial literacy acts as a cognitive mechanism that helps individuals align borrowing decisions with their repayment capacity. These findings are consistent with previous studies (Cabueñas et al., 2025; Murta & Gama, 2022), which indicate that financial literacy reduces the likelihood of problematic loans by improving individuals' awareness of financial risks. Although Nisa and Haryono (2022) argue that financial knowledge does not always translate into actual financial behavior, data from Pangkal Pinang indicate that respondents' awareness of the need to read the terms and conditions before transacting is associated with lower credit default rates in the observed sample. The findings in this study suggest that, in the context of paylater usage among Generation Z in Pangkal Pinang, financial literacy appears to contribute to better repayment behavior, particularly through users' awareness of and ability to read and understand the terms and conditions before engaging in transactions. These results appear reasonable because financial literacy directly affects how individuals interpret financial obligations and anticipate repayment risks.

The findings are also consistent with the initial expectation that higher financial literacy reduces credit risk, although the magnitude of its effect remains limited in the model. However, considering that the model explains only 15.6% of the variation in credit default, this relationship should be interpreted as partial rather than comprehensive. This indicates that, while statistically significant, financial literacy is not the dominant factor influencing credit default behavior. Other factors, such as behavioral tendencies, financial attitudes, self-control, and external economic pressures, may play a more substantial role and should be considered in future research.

## 4.2.2 The Effect of Individual Income on Credit Default

Empirically, individual income does not have a significant effect on credit default; therefore, H2 is rejected. This finding is based on the regression results, in which individual income has a non-significant coefficient, indicating that variations in income are not statistically associated with changes in credit default among Generation Z users of paylater services. This indicates that the absolute level of income is not a primary factor in payment defaults among Generation Z. This condition suggests that repayment



behavior is not solely determined by income capacity, but may also depend on how individuals manage their financial resources, prioritize obligations, and respond to financial pressures.

This finding supports the Relative Income Hypothesis proposed by Duesenberry (1949), which states that debt behavior is driven more by an individual's perception of their relative income within a social context than by the nominal amount received. From this perspective, individuals may adjust their consumption and borrowing behavior not based on actual income levels but on how their income compares with that of others in their social environment. Low-income individuals are often considered financially vulnerable and at risk of credit problems (Bisset & Tenaw, 2020; Okumuş et al., 2024). The findings in this study suggest that income level alone does not sufficiently explain variations in credit default within the observed sample. This supports the assertion that the desire to conform to social norms, leading to consumption exceeding income, tends to influence household debt (Herispon, 2019; Prastyaningtyas, 2022; Sreenivas et al., 2025).

These findings are consistent with prior research (Herispon, 2019; Prastyaningtyas, 2022; Sreenivas et al., 2025), which highlights that social comparison and consumption pressure play a more dominant role than income level in shaping debt behavior. The results appear reasonable, particularly in the context of Generation Z, whose financial behavior is often influenced by social and digital environments that may override the direct effect of income. Although income is theoretically expected to influence repayment capacity, the empirical findings suggest that this relationship is not straightforward and may be mediated or moderated by other behavioral and contextual factors. Thus, while traditional economic perspectives emphasize income as a key determinant of financial stability, this study suggests that these assumptions may not fully hold in the context of digital credit use among younger populations.

#### 4.2.3 The Effect of Ease of Access on Credit Default

Contrary to initial assumptions, ease of access has a significant negative effect on credit default; therefore, H3 is rejected. In this context, technological ease actually helps respondents exercise greater control. Transparency regarding bill amounts, due date reminders, and the ease of adjusting installment terms allows users to align their payment obligations with their financial capacity. This finding supports research (Cheng & Qu, 2020; Widiawati et al., 2024) stating that advancements in financial technology can serve as a risk management tool to decrease credit risk. Although ease of access can increase usage intention (Isnaini & Istiyanto, 2023; Pattinama, 2024), for Generation Z in Pangkal Pinang, the app's practical features actually provide controls that prevent unintentional late payments.

#### 4.2.4 Simultaneous Effects and Model Explanatory Power

Simultaneously, financial literacy, individual income, and ease of access significantly affect credit default; therefore, H4 is accepted. This finding is based on the results of the F-test, which show that the independent variables collectively explain variations in credit default, indicating that these factors should be considered simultaneously rather than in isolation. This indicates that default risk is a multidimensional phenomenon shaped by the interplay among cognitive capacity, economic perceptions, and technological accessibility. This relationship suggests that credit default behavior emerges from the combined influence of individuals' ability to understand financial information, their perceived economic capacity, and the accessibility of digital financial services that facilitate borrowing



and repayment activities. From a conceptual perspective, this finding reflects the integration of behavioral and economic considerations, where financial decisions are shaped not only by objective capacity but also by perception, accessibility, and decision-making processes. These results appear reasonable, as credit default is inherently complex and cannot be attributed to a single factor, but rather to the interaction of multiple dimensions that influence financial behavior. The findings are consistent with the expectation that financial behavior is multidimensional, although the contribution of each variable within the model remains limited.

However, the low coefficient of determination of 15.6% suggests the presence of other dominant factors not included in this model, indicating that a substantial proportion of the variation in credit default is explained by factors beyond this study's scope. Therefore, the results should be interpreted with caution, as the model provides only a partial explanation of credit default behavior. This implies that the combined effect of financial literacy, income, and ease of access, while statistically significant, does not represent the dominant explanation of credit default. Future studies are encouraged to incorporate additional variables, particularly those related to behavioral, psychological, and contextual factors, to capture the complexity of credit default behavior better.

## 5. Concluding Remarks and Recommendation

This study concludes that financial literacy and ease of access are associated with lower credit default rates among Generation Z paylater users in Pangkal Pinang. In contrast, individual income is not significantly related to these rates. These findings are based on regression analysis, which indicates that financial literacy and ease of access contribute to repayment behavior. In contrast, income alone does not sufficiently explain variations in credit default. From a conceptual perspective, this suggests that credit default behavior is influenced not only by economic capacity but also by individuals' ability to understand financial obligations and interact effectively with digital financial services.

These findings are partially consistent with initial expectations, particularly regarding the role of financial literacy and ease of access. However, the non-significant effect of income does not align with conventional economic assumptions. The results support behavioral and financial literacy perspectives, indicating that repayment behavior is shaped by cognitive and contextual factors rather than solely by income levels. Overall, the findings appear reasonable within the context of Generation Z, whose financial decisions are often influenced by digital accessibility and behavioral considerations.

However, given that the model explains only 15.6% of the variation in credit default, these conclusions should be interpreted as partial rather than comprehensive. This indicates that other factors outside the model play a more substantial role in shaping credit default behavior. In practical terms, the findings suggest that enhancing transparency and usability in digital financial services may support better financial management, although such implications should be viewed as indicative. Future research is recommended to expand the scope and incorporate additional variables, particularly from the behavioral finance perspective, to provide a more comprehensive understanding of credit default in the digital era.



## Statement of Use of Generative AI

During the preparation of this work, the author used ChatGPT to assist in improving clarity and readability of the text. The author reviewed and edited the output and takes full responsibility for the content of the publication.

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