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Understanding Generation Z's Financial Behavior: Determinants of Propensity Toward Indebtedness in Jabodetabek

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ABSTRACT

This study aims to analyze the factors influencing the propensity toward indebtedness and to examine the role of religiosity as a moderator in the relationship between emotion and the propensity to incur debt among Generation Z in the Jabodetabek area. A quantitative approach was employed using purposive sampling to survey 400 Generation Z respondents residing in Jakarta, Bogor, Depok, Tangerang, and Bekasi. Data were collected via a questionnaire comprising six constructs: emotion, financial literacy, materialism, religiosity, risk perception, and propensity toward indebtedness, each measured by five indicators. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS. The results indicate that financial literacy, materialism, religiosity, and risk perception shape the propensity toward indebtedness, whereas emotion is not a direct determinant. Furthermore, religiosity neither strengthens nor weakens the relationship between emotion and the propensity toward indebtedness. This study contributes to the literature by integrating cognitive, behavioral, consumption-related, risk perception, and personal value factors to explain the propensity to incur debt among Generation Z amidst rising access to digital financial services.

Keywords: *Emotion; Financial Literacy; Materialism; Religiosity; Risk Perception; Propensity Toward Indebtedness; Generation Z*

JEL Classification: *D14; G41; Z12*

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1. Introduction

The development of financial technology has made it easier for people to access credit through fintech lending, credit cards, and Buy Now Pay Later (BNPL) services, making debt increasingly a part of individual financial management decisions. In Indonesia, the Financial Services Authority (OJK) noted that outstanding fintech peer-to-peer (P2P) lending reached IDR 77.02 trillion in December 2024, growing 29.14% year-on-year, while BNPL financing by finance companies increased 37.6% to IDR 6.82 trillion. This situation demonstrates broader access to financing and increases the urgency of understanding individual tendencies to use debt. Yue et al. (2022) show that expanding credit access through digital finance can increase public participation in the credit market while increasing the risk of debt traps. In the Indonesian context, Pamungkas et al. (2024) emphasize the importance of financial literacy, risk perception, and materialism in explaining the propensity to take on debt, while Farrenlie and Pamungkas (2024) show that the convenience of PayLater can encourage debt tendencies among users, especially the younger generation. Isyani et al. (2024) and Warokka et al. (2025) further emphasize that behavior, emotions, materialism, and socio-psychological factors must be considered to understand the tendency toward indebtedness.

Propensity toward indebtedness refers to an individual's tendency or predisposition to use debt in consumption and financial management decisions. Therefore, this concept differs from simply measuring the amount of debt an individual already has. Rahman et al. (2020) showed that indebtedness is influenced by a combination of behavioral factors and demographic characteristics, emphasizing that debt decisions are not solely determined by income. In the Indonesian context, Wahono and Pertiwi (2020) showed that financial literacy, materialism, and purchasing behavior are related to the propensity to become indebted. Financial decisions are not always rational, as emotional states can influence how individuals evaluate risk, control spending, and make debt-related decisions. Rendall et al. (2021) showed that emotional and psychological characteristics relate to borrowers' ability to respond to debt repayment difficulties, including a tendency to choose riskier debt strategies. Furthermore, Brooks et al. (2023) found that emotions are related to individuals' attitudes toward financial risk; thus, affective states can influence the evaluation of financial choices. Rekar et al. (2023) also showed that difficulties in emotional regulation are related to financial decision-making.

Financial literacy is an individual's ability to understand financial concepts, evaluate the costs and benefits of credit, and make informed borrowing decisions. Financial literacy relates not only to managing income and expenses but also to understanding interest rates, payment obligations, credit risk, and the consequences of using debt. Hidajat (2021) showed that debt literacy is related to decisions to use peer-to-peer lending services, while Tang and Zhang (2021) found a relationship between financial literacy and household borrowing behavior. Materialism describes an individual's orientation that places ownership of goods, social status, and consumption as essential components of life achievement, thus encouraging the use of debt when consumptive needs exceed financial capabilities. Lebdaoui and Chetioui (2021) showed that materialism is a key mechanism behind consumer indebtedness, especially when individuals have a positive attitude toward using credit. Mitta and Pamungkas (2022) also found that materialism influences the propensity to indebtedness, suggesting that a materialistic orientation can increase an individual's tendency to take on debt.

Religiosity can influence how individuals view money, risk, financing, consumption, and debt because religious values can shape economic preferences and behavior. Lebdaoui and Chetioui (2021) showed that religiosity helps explain consumer indebtedness and can moderate the relationship between behavior and debt. Furthermore, Li (2022) found that higher levels of religiosity are associated with lower financial risk-taking tendencies, suggesting that religious values can encourage caution in financial decisions. However, Wijaya et al. (2023) showed that regions with higher levels of religiosity actually have greater financing activity in both Islamic and conventional banks, as well as lower levels of problem financing.

Risk perception describes the extent to which individuals are aware of and evaluate the potential losses arising from financial decisions, including interest rate risk, default risk, and debt burden. Theoretically, high risk perception should encourage individuals to be more cautious when taking out credit. Rahman et al. (2020) showed that behavioral factors, including risk perception, are related to indebtedness decisions. Furthermore, Widjaja and Pertiwi (2021) found that risk perception is a factor associated with the tendency to borrow among millennials. Prajogo and Rusno (2022) showed that risk perception does not significantly influence online loan interest, suggesting that the relationship may depend on product characteristics and the borrower's context. Meanwhile, Mitta and Pamungkas (2022) found that risk perception negatively influences propensity to indebtedness, indicating that risk awareness can increase caution in using debt. These findings are supported by Pamungkas et al. (2024), who also found a negative effect of risk perception on propensity to indebtedness.

Rahman et al. (2020) showed that behavioral and demographic factors influence indebtedness, while Lebdaoui and Chetioui (2021) emphasized the importance of materialism, attitudes toward debt, and religiosity in explaining consumer indebtedness. Furthermore, Mitta and Pamungkas (2022) found that financial literacy, materialism, and risk perception are related to the propensity to indebtedness, while Pamungkas et al. (2024) found that financial literacy and risk perception have a negative effect, while materialism has a positive effect on the propensity to go into debt. These differences in findings indicate an inconsistency gap, particularly regarding the influence of cognitive factors and risk perception on indebtedness. Furthermore, previous research tends to examine psychological, financial, and value factors separately. Isyani et al. (2024) began to integrate behavioral, emotional, materialism, and religiosity factors, but the context and model configuration differ. Based on these research gaps, this study aims to analyze the influence of Emotion, Financial Literacy, Materialism, Religiosity, and Risk Perception on Propensity toward Indebtedness, and examine the role of Religiosity as a moderating variable in the relationship between Emotion and Propensity toward Indebtedness among Generation Z in Greater Jakarta (Jabodetabek).

2. Literature Review

2.1. Propensity toward Indebtedness

Propensity toward indebtedness is defined as an individual's tendency or predisposition to use debt in consumption and financial management decisions, which is conceptually distinct from the actual amount of debt a person has. Rahman et al. (2020) explain that indebtedness results from an interaction between behavioral factors and individual demographic characteristics, so debt decisions cannot be explained solely by income capacity. Isyani et al. (2024) expand this concept by positioning behavioral biases, emotions, culture, and materialism as interrelated determinants of debt propensity, while religiosity, financial literacy, and job security act as conditions that can strengthen or weaken this relationship. In the context of developing countries with high penetration of digital financial services, Warokka et al. (2025) show that indebtedness behavior is increasingly influenced by easy access to digital credit (fintech lending and paylater), which interacts with socio-cultural factors. Thus, propensity toward indebtedness in this study is understood as a multidimensional construct formed by psychological, cognitive, and individual personal value factors.

2.2. Emotion

Emotion refers to an individual's affective state that can influence how they evaluate risk, control spending, and make debt-related decisions. Rendall et al. (2021) demonstrated that borrowers' emotional and psychological characteristics relate to their ability to respond to debt repayment difficulties, including a tendency to choose riskier debt strategies when in a negative emotional state. Brooks et al. (2023) found that emotions relate to individuals' attitudes toward financial risk, affecting their evaluation of financial options, including credit decisions. Rekar et al. (2023) reinforced these findings by showing that difficulties in emotional regulation are associated with lower-quality financial decision-making. Hinvest et al. (2021) emphasized that emotions are an integral component of financial decision-making, working alongside cognitive processes rather than as a stand-alone factor. In the Indonesian context, Hartina et al. (2024) demonstrated the relevance of emotional factors in millennials' investment and debt behavior, while Feeney et al. (2025) found that emotions such as regret are closely related to individuals' experiences facing debt problems.

An individual's emotional state can influence how they evaluate risk and make consumption decisions, potentially leading them to use debt in response to affective impulses. Rendall et al. (2021) and Brooks et al. (2023) show that emotional state is related to an individual's attitude toward financial risk and ability to manage debt obligations, while Rekar et al. (2023) confirm that difficulty regulating emotions is associated with decreased financial decision quality. Based on this description, the following hypotheses are proposed:

H1: Emotion has a positive effect on Propensity toward Indebtedness.

2.3. Financial Literacy

Financial literacy is an individual's ability to understand financial concepts, evaluate the costs and benefits of credit, and make informed borrowing decisions, including understanding interest rates, repayment obligations, credit risk, and the consequences of using debt. Hidajat

(2021) demonstrated that debt literacy is related to individual decisions regarding using peer-to-peer lending services, while Tang and Zhang (2021) found a relationship between financial literacy and household borrowing behavior in China. Guo et al. (2023) further supported this finding, showing that financial literacy plays an important role in shaping household borrowing behavior in rural areas. Kim and Chatterjee (2013) added that financial literacy contributes to individuals' financial resilience, especially in facing economic pressure. Meanwhile, Khan and Rabbani (2025) conceptually differentiate between financial literacy and debt literacy, and show that both play an important but not identical role in explaining students' investment and lending decisions. In the Indonesian context, Wahono and Pertiwi (2020) and Mitta and Pamungkas (2022) show that financial literacy relates to the propensity to take on debt. However, the direction of its influence varies depending on respondent characteristics and the credit context used.

Adequate financial literacy allows individuals to understand interest mechanisms, credit fees, and the long-term consequences of using debt, so theoretically, high financial literacy is expected to encourage caution in credit decisions. Chhatwani and Mishra (2021) show that financial literacy contributes to financial resilience. In contrast, Pamungkas et al. (2024) found that financial literacy negatively influences the propensity to become indebted among credit card users in Jakarta. Based on the description above, the hypothesis proposed is:

H2: Financial Literacy hurts Propensity toward Indebtedness.

2.4. Materialism

Materialism describes individuals who place ownership of goods, social status, and consumption as an important part of life achievement. Lebdaoui and Chetioui (2021) showed that materialism is an important mechanism related to consumer indebtedness, especially when individuals hold a positive attitude toward credit use. Wahono and Pertiwi (2020) found that materialism, together with compulsive buying, influences the propensity to indebtedness, while Mitta and Pamungkas (2022) showed that a materialistic orientation increases the tendency of the Indonesian millennial generation to take on debt. Farrenlie and Pamungkas (2024) strengthen these findings among Shopee PayLater users, and Palado and Kurniawati (2024) showed that materialism is related to BNPL usage and risky indebtedness behavior. Margasari et al. (2024) added the perspective that materialism negatively influences financial well-being, which indirectly strengthens the argument that a materialistic orientation encourages financially unhealthy behavior, including the tendency to incur debt.

A highly materialistic orientation pushes individuals to prioritize the ownership of goods and social status, so that when consumptive needs exceed income capacity, credit becomes an alternative to fulfill those desires. Lebdaoui and Chetioui (2021), Mitta and Pamungkas (2022), Farrenlie and Pamungkas (2024), and Pamungkas et al. (2024) consistently find a positive influence of materialism on propensity to indebtedness. Based on the description above, the hypothesis proposed is:

H3: Materialism has a positive influence on Propensity toward Indebtedness.

2.5. Religiosity

Religiosity describes the extent to which religious values, beliefs, and practices influence the way individuals view money, risk, consumption, and financing. Lebdaoui and Chetioui (2021) show that religiosity is relevant to explaining consumer indebtedness and may moderate the relationship between individual behavior and debt use. Li (2022) found that higher religiosity is related to a lower tendency toward financial risk-taking, suggesting that religiosity functions as a mechanism of caution in financial decisions. However, Wijaya et al. (2024) found different results: areas with higher levels of religiosity have greater financing activity, though accompanied by lower levels of problematic financing. Cwynar et al. (2024) and Wijaya et al. (2024) confirm that religiosity relates to various consumer financial outcomes, including financial management behavior and financial well-being. Jiao et al. (2025) added that religiosity can increase households' willingness to borrow through trust and altruism, while Clifton et al. (2023) found differences in debt ownership levels based on religious affiliation. Faiz and Firmansyah (2024) also show that religiosity can moderate financing use decisions, strengthening the conceptual basis for using religiosity as a moderator in this study.

Religious values can theoretically foster caution and self-control in consumption and financial decisions. Li (2022) shows that higher religiosity is related to a lower tendency toward financial risk-taking, consistent with religiosity's role as a self-control mechanism against risky financial behavior, including debt use. Although some studies, such as Wijaya et al. (2024) and Jiao et al. (2025), found an inverse relationship in the context of formal financing, this study adopts the perspective of religiosity as a factor of financial prudence. Based on this description, the proposed hypotheses are:

H4: Religiosity has a negative influence on Propensity toward Indebtedness.

H5: Religiosity moderates the influence of Emotion on Propensity toward Indebtedness.

2.6. Risk Perception

Risk perception describes the extent to which individuals realize and evaluate the possibility of losses incurred from financial decisions, including interest rate risk, default risk, and the burden of debt obligations. Rahman et al. (2020) show that risk perception is part of the behavioral factors related to indebtedness decisions. Widjaja and Pertiwi (2021) found that risk perception is related to the tendency to incur debt among the millennial generation, while Mitta and Pamungkas (2022) showed that risk perception negatively affects the propensity to incur debt, indicating that risk awareness can encourage caution in using debt. Prajogo and Rusno (2022) found different results: risk perception does not significantly influence interest in online loans, so the relationship between risk perception and debt behavior may depend on credit product characteristics and the borrower's context. Ningrum and Gantino (2025) emphasized that risk perception remains an important factor in explaining the indebtedness behavior of the millennial generation, in line with Yuswandi and Hamdani (2025) on users of peer-to-peer lending services among Generation Z.

High risk perception theoretically pushes individuals to be more careful in making credit decisions, because such individuals are more aware of potential losses, interest expenses, and default risks. Mitta and Pamungkas (2022) and Pamungkas et al. (2024) found a negative influence of risk perception on propensity to indebtedness, which indicates that awareness of financial risk is related to a decline in the tendency to incur debt. Based on the description above, the hypothesis proposed is:

H6: Risk Perception hurts Propensity toward Indebtedness.

3. Method

3.1. Research Design, Population, and Sample

This study used a quantitative approach with purposive sampling. The study population was Generation Z residing in the Greater Jakarta area, namely Jakarta, Bogor, Depok, Tangerang, and Bekasi. Respondent criteria included individuals aged 18–29 years, residing in Greater Jakarta, and willing to complete the research questionnaire. The analysis used 400 respondents who met the criteria. The distribution of respondents included Jakarta (30%), Tangerang (25%), Bekasi (20%), Bogor (15%), and Depok (10%). Selecting Generation Z is relevant because this group is increasingly exposed to digital financial services and various financing alternatives, making it important to understand the factors that shape propensity toward indebtedness.

3.2. Variable Measurement

This study used six constructs: Emotion, Financial Literacy, Materialism, Religiosity, Risk Perception, and Propensity toward Indebtedness. Each construct was measured using five indicators, resulting in a total of 30 indicators. The research instrument used a Likert scale to measure respondents' perceptions of each indicator.

Table 1. Operational Variables

Variable	Indicator	Scale	Source
Propensity Towards Indebtedness	1. Tendency to apply for new loans to meet needs 2. Tendency to use credit/paylater for daily consumption 3. Convenience of carrying large debt balances 4. Tolerance towards unpaid bills 5. The belief that debt is a reasonable way to meet needs.	Likert 1–5	(Keese, 2022; Livingstone & Lunt, 1992; Ottaviani & Vandone, 2018)
Financial Literacy	1. Understanding the concept of compound interest and inflation 2. Understanding investment risk diversification 3. Ability to read and understand credit products 4. The habit of making a spending budget 5. The habit of saving regularly	Likert 1–5	(Atkinson & Messy, 2021; Lusardi & Mitchell, 2022; OECD, 2020)
Emotion	1. Feeling happy/excited when getting credit approval 2. The urge to shop when feeling happy 3. Fear of Missing Out (FOMO) towards certain products/lifestyles	Likert 1–5	(Loewenstein et al., 2001; Lucey & Dowling, 2005; Mishra

	4. Financial anxiety that drives borrowing 5. Lifestyle-related social anxiety		& Suar, 2022)
Risk Perception	1. Perception of the possibility of default 2. Perception of high loan costs/interest 3. Assessment of ability to repay debt 4. Concerns about the impact of debt on mental health 5. Perception of stress due to debt burden	Likert 1–5	(Aren & Zengin, 2022; Slovic, 2000; Xiao & Porto, 2022)
Materialism	1. Ownership of luxury goods as a life priority 2. Spending a lot of time thinking about the items one wants to purchase 3. Belief that owning certain goods will bring more happiness 4. Life satisfaction is associated with the ability to buy goods 5. Judging other people's success from the things they own	Likert 1–5	(Dittmar, 2005; Richins, 2022; Richins & Dawson, 1992)
Religiosity	1. Strong belief in religious teachings regarding property and debt 2. Belief that God regulates financial affairs 3. Frequency of performing obligatory worship (prayer) 4. Active involvement in religious activities 5. Understanding of religious teachings regarding the prohibition of usury/excessive debt	Likert 1–5	(Glock & Stark, 1965; Rahayu & Munandar, 2023; Wahab et al., 2021)

Source: Author's own analysis (2026)

3.3. Instrument Quality

Instrument quality was evaluated through outer loading, Cronbach's alpha, Composite Reliability (CR), and Average Variance Extracted (AVE). According to Hair et al. (2022), these evaluations ensure construct reliability and validity in PLS-SEM. The results showed that the outer loadings of all indicators ranged from 0.734 to 0.909, AVE from 0.688 to 0.763, Cronbach's alpha from 0.886 to 0.922, and CR from 0.917 to 0.941. Thus, the research constructs met the criteria for reliability and convergent validity.

3.4. Data Analysis Technique

Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the help of SmartPLS. The analysis was conducted in two stages: the measurement model and the structural model. The measurement model was used to evaluate construct reliability and validity using outer loadings, Cronbach's alpha, CR, and AVE. Furthermore, the structural model was used to test relationships between variables using path coefficients (β), t-statistics, and p-values. Hair et al. (2022) explained that PLS-SEM is suitable for testing the relationship between latent constructs and can be used without the strict assumption of normal distribution.

Significance testing was performed using a bootstrapping procedure. According to Hair et al. (2022), bootstrapping allows the estimation of standard errors, t-statistics, and confidence intervals through a resampling process. SmartPLS recommends using a large number of bootstrap subsamples, and 10,000 subsamples are commonly used for final research results.

4. Findings

4.1. Respondent Characteristics

This study involved 400 Generation Z respondents domiciled in the Greater Jakarta area. Based on domicile, respondents came from Jakarta (30.00%), Tangerang (25.00%), Bekasi (20.00%), Bogor (15.00%), and Depok (10.00%). By gender, most respondents were female (54.00%), while males accounted for 46.00%. In terms of age, the largest group was 22–25 years (45.00%), followed by 18–21 years (30.00%) and 26–29 years (25.00%). Based on their highest education, most respondents had a Bachelor's degree (S1) (61.25%), while those with a high school/vocational high school education accounted for 25.00%. By employment status, private sector employees are the largest group at 36.25%, followed by students at 32.50%, entrepreneurs at 15.00%, freelancers at 10.00%, and civil servants/state-owned enterprises at 6.25%. Meanwhile, based on monthly income or allowance, most respondents fall in the range of Rp2,000,000–Rp4,999,999 (36.25%). Overall, these characteristics demonstrate the diversity of demographic and socioeconomic conditions of respondents that are relevant to analyzing propensity toward indebtedness and the behavioral and financial factors that influence it.

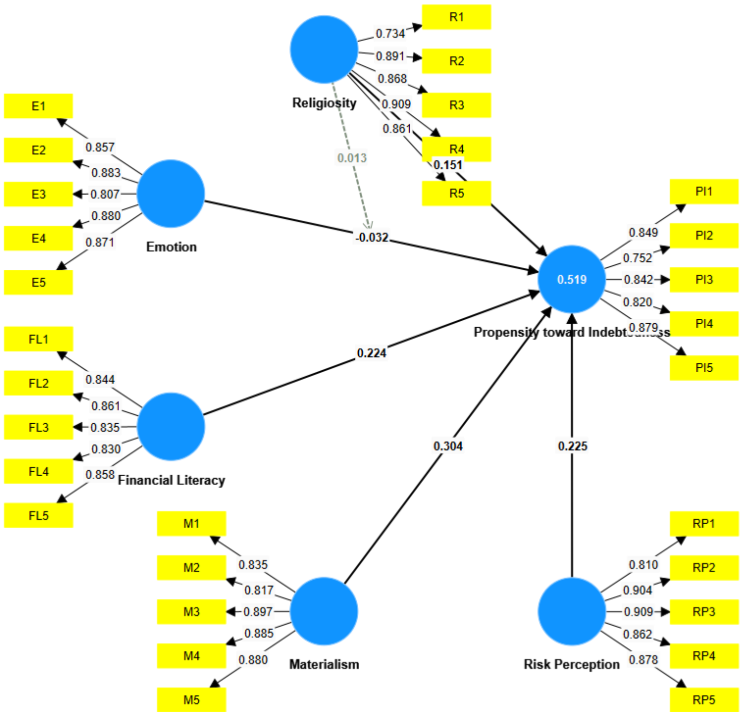

Figure 1. Structural Model and Measurement Model of Propensity toward Indebtedness

Source: Author's own analysis (2026).

4.2. Measurement Model Evaluation

Table 2. Measurement Model Evaluation

Variable	Indicator	Loading Factor	AVE	Cronbach's Alpha	Composite Reliability
Emotion	E1	0.857	0.740	0.912	0.934
	E2	0.883			
	E3	0.807			

	E4	0.880			
	E5	0.871			
Financial Literacy	FL1	0.844	0.715	0.900	0.926
	FL2	0.861			
	FL3	0.835			
	FL4	0.830			
	FL5	0.858			
Materialism	M1	0.835	0.745	0.914	0.936
	M2	0.817			
	M3	0.897			
	M4	0.885			
	M5	0.880			
Propensity toward Indebtedness	PI1	0.849	0.688	0.886	0.917
	PI2	0.752			
	PI3	0.842			
	PI4	0.820			
	PI5	0.879			
Religiosity	R1	0.734	0.731	0.907	0.931
	R2	0.891			
	R3	0.868			
	R4	0.909			
	R5	0.861			
Risk Perception	RP1	0.810	0.763	0.922	0.941
	RP2	0.904			
	RP3	0.909			
	RP4	0.862			
	RP5	0.878			

Source: Author's own analysis (2026).

Table 2 shows the results of the measurement model evaluation for the six research constructs. The outer loading values for all indicators ranged from 0.734 to 0.909, while the AVE values ranged from 0.688 to 0.763. All constructs also had Cronbach's Alpha values between 0.886 and 0.922, and Composite Reliability values between 0.917 and 0.941. These results indicate that all constructs met the reliability and convergent validity criteria. Therefore, the indicators used can be retained for structural model testing.

4.3. Hypothesis Testing

Table 3. Results of Hypothesis Testing

Hypothesis	Path	β	T-statistics	p-value	Decision
H1	Emotion → Propensity toward Indebtedness	−0.032	0.596	0.551	Not Supported
H2	Financial Literacy → Propensity	0.224	3.306	0.001	Supported

	toward Indebtedness				
H3	Materialism → Propensity toward Indebtedness	0.304	4.289	<0.001	Supported
H4	Religiosity → Propensity toward Indebtedness	0.151	2.299	0.022	Supported
H5	Risk Perception → Propensity toward Indebtedness	0.225	3.374	0.001	Supported
H6	Religiosity × Emotion → Propensity toward Indebtedness	0.013	0.530	0.596	Not Supported

Source: Author's own analysis (2026).

5. Discussion

Based on the test results, emotion did not significantly influence propensity toward indebtedness, indicating that an individual's emotional state is not a direct determinant in shaping the tendency to become indebted in the context of this study. Nevertheless, the literature suggests that emotions still play a role in financial behavior, but their influence may depend on the type of decision and the financial context. Rendall et al. (2021) showed that emotions and psychological characteristics are related to a borrower's ability to manage debt repayment problems, while Brooks et al. (2023) found that emotions influence an individual's tolerance for financial risk. Furthermore, Rekar et al. (2023) showed that difficulty regulating emotions can affect the quality of financial decision-making, while Bossaerts et al. (2024) emphasized that emotional involvement does not always result in better financial decisions. In the Indonesian context, Hartina et al. (2024) found that emotions can influence debt intention; thus, the results of this study indicate differences in empirical context. Research by Feeney et al. (2025) also showed that emotions such as regret are related to an individual's experience in dealing with debt problems. Thus, the insignificant influence of emotion in this study does not mean that emotions are irrelevant in financial behavior; rather, it indicates that their influence on the tendency to borrow is contextual and not always strong enough to directly explain the propensity toward indebtedness.

The results show that Financial Literacy has a positive and significant effect on Propensity toward Indebtedness, indicating that higher financial literacy is associated with a greater tendency to use debt. This finding may be explained by the fact that individuals with better financial knowledge may better understand access to, the benefits of, and the mechanisms of credit, making them more confident in using debt products. Wahono and Pertiwi (2020) demonstrated a relationship between financial literacy and propensity toward indebtedness, while Chhatwani and Mishra (2021) emphasized that financial literacy is related to financial resilience. Tang and Zhang (2021) found a link between financial literacy and household borrowing behavior. Hidajat (2021) linked debt literacy to the use of peer-to-peer lending. Guo et al. (2023) showed that financial literacy influences borrowing behavior. Pamungkas et al. (2024) also identified financial literacy as a determinant of propensity toward indebtedness. Khan and Rabbani (2025) emphasized that financial literacy and debt literacy shape borrowing behavior.

The results indicate that materialism has a positive and significant effect on propensity toward indebtedness and is the strongest direct influence in the research model. This finding suggests that the stronger an individual's orientation toward material possessions, status, and consumption as indicators of success, the greater their tendency to use debt to meet consumptive needs. In a financial context, materialism can encourage individuals to maintain a lifestyle that exceeds their income, making credit an alternative to obtain desired goods and services. Wahono and Pertiwi (2020) found that materialism influences the propensity toward indebtedness, while Lebdaoui and Chetioui (2021) showed that materialism helps explain consumer indebtedness behavior. Furthermore, Mitta and Pamungkas (2022) found a positive effect of materialism on the propensity to indebtedness among Indonesian millennials. Farrenlie and Pamungkas (2024) reported similar results among Shopee PayLater users, and Pamungkas et al. (2024) also found a positive effect of materialism on propensity toward indebtedness. Thus, the results strengthen the evidence that materialistic orientation is an important psychological factor in increasing an individual's tendency to make debt decisions.

The results showed that religiosity had a positive and significant effect on propensity toward indebtedness, meaning that the higher respondents' religiosity, the greater their tendency to use debt. In a financial context, this finding suggests that religiosity does not always serve as a barrier to credit use, as religious values can also build trust, confidence in financial institutions, and acceptance of financing deemed appropriate to needs. Jiao et al. (2025) found that higher religiosity increases households' willingness to borrow through both formal financial institutions and informal sources. Wijaya et al. (2023) also showed that regions with higher religiosity receive greater bank financing while having relatively lower problem financing. Conversely, Li (2022) found that religiosity is associated with lower risk preferences, while Clifton et al. (2023) showed differences in debt levels based on religious affiliation. Furthermore, Wijaya et al. (2024) emphasized that religiosity shapes financial management behavior. Therefore, the positive relationship in this study may reflect religiosity's role in increasing trust and access to financing, rather than simply encouraging excessive debt. These findings show that motives, types of financing, and social context should be considered when assessing debt behavior.

The results showed that Risk Perception had a positive and significant effect on Propensity toward Indebtedness. This finding suggests that the higher an individual's perception of financial risk, the higher their propensity to borrow. In a financial context, this positive relationship may occur because individuals with greater awareness of credit risk are more likely to consider debt as a tool to manage liquidity, consumption, or financing needs, especially as access to credit becomes easier. Rahman et al. (2020) showed that behavioral factors, including risk perception, are related to debt-related decisions. Furthermore, Widjaja and Pertiwi (2021) found that risk perception is associated with millennials' propensity to borrow. Mitta and Pamungkas (2022) also found a negative effect of risk perception on propensity to borrow, indicating that individuals who are more aware of the consequences of risk tend to be more cautious in taking on debt. Meanwhile, Ningrum and Gantino (2025) emphasized that risk perception is a crucial factor in explaining the indebtedness behavior of the millennial generation. The difference in direction of this relationship indicates that the influence of risk perception on debt behavior is contextual.

Based on the test results, religiosity as a moderator of the relationship between emotion and propensity toward indebtedness did not have a significant effect, so religiosity was not proven to strengthen or weaken the influence of emotions on debt propensity. In the financial context, this finding indicates that religious values are not strong enough to change how emotional states translate into debt-use decisions. However, Lebdaoui and Chetioui (2021) showed that religiosity can moderate consumer indebtedness behavior, particularly through materialism and attitudes toward debt. Hinvest et al. (2021) explained that emotions are an important part of the financial decision-making process, but their influence can depend on the cognitive and situational context. Rekar et al. (2023) found that difficulty in regulating emotions is related to the quality of financial decisions. In the Indonesian context, Wijaya et al. (2024) showed that religiosity is related to financial management behavior, while Clifton et al. (2023) found a relationship between religious affiliation and debt ownership. Isyani et al. (2024) found that religiosity can weaken the influence of emotions on the propensity to become indebted, while Warokka et al. (2025) found a similar moderation pattern for FinTech-based debt.

6. Conclusion

This study concludes that the propensity toward indebtedness among Generation Z in the Jabodetabek area is a financial behavior shaped by the interplay of cognitive and psychological factors, risk perceptions, and personal values. An individual's emotional state does not solely determine this tendency; rather, it is linked to how individuals understand and utilize financial instruments, their orientation toward ownership and consumption, their perception of financial risk, and their religious values. The findings also indicate that financial literacy does not necessarily foster more conservative financial behavior, as knowledge of financial products can boost an individual's confidence in accessing and using credit facilities. Conversely, a materialistic orientation emerges as a crucial aspect in understanding the tendency to incur debt for consumerist purposes. Regarding religiosity, the study shows that religious values do not always deter debt accumulation, as their influence depends on how individuals interpret financing and financial needs. Meanwhile, emotional factors serve neither as direct determinants nor as variables that alter these relationships. Overall, this study underscores the importance of a multidimensional approach to understanding Generation Z's debt-related behavior amid the increasing ease of access to digital financial services.

7. Limitations and Future Study

This study has several limitations. First, the research focused solely on Generation Z respondents residing in the Jabodetabek area, which may limit the generalizability of the findings to other regions in Indonesia. Second, the study employed a cross-sectional design, preventing the observation of changes in indebtedness behavior over time. Third, the measurement of financial behavior relied on self-reported data, which may be subject to social desirability bias and respondent perception bias. Fourth, although the model integrated cognitive, psychological, and personal value factors, it did not include other potentially relevant variables, such as financial self-control, peer influence, social media exposure, financial stress, and income stability.

Future research is encouraged to expand the geographical coverage of respondents, compare different generational cohorts, and employ longitudinal designs to capture changes in debt-related behavior better. Further studies may also incorporate additional behavioral, technological, and socio-economic factors to strengthen the model's explanatory power. Moreover, comparative studies across different financial products, including credit cards, fintech lending, and Buy Now Pay Later (BNPL) services, would provide a more comprehensive understanding of indebtedness behavior among young consumers.

Author Contributions

Conceptualization: Fahri Haikal and Putri Sarah Olivia; Methodology: Fahri Haikal, Suyanto, and Awang Darmawan Putra; Data Collection: Fahri Haikal and Putri Sarah Olivia; Formal Analysis: Fahri Haikal and Agung Priyono; Writing – Original Draft Preparation: Fahri Haikal; Writing – Review and Editing: All authors; Supervision: Suyanto. All authors have read and approved the final version of the manuscript.

Declarations

Conflict of Interest: The authors declare that there are no conflicts of interest regarding the publication of this article.

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Use of AI Tools: The authors declare that artificial intelligence (AI) tools were used solely for language enhancement, grammar checking, and manuscript editing assistance. All conceptual development, data analysis, interpretation of results, and final academic content remain the sole responsibility of the authors.

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