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Digital Payments, Social Media, and Mental Accounting: Determinants of Generation Z's Consumption Behavior

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Advances in financial technology and the penetration of social media have transformed the consumption patterns of Generation Z, a group of digital natives in Indonesia. This study aims to analyze the influence of payment digitization, mental accounting, and social media lifestyle exposure on the consumption behavior of Generation Z, as well as to examine the role of financial self-efficacy as a moderating variable in these three relationships. The study employed a quantitative approach using a survey of 109 Generation Z respondents aged 17–28 in Makassar, selected through purposive sampling. Data were collected via an online questionnaire using a five-point Likert scale and analyzed using Partial Least Squares-based Structural Equation Modeling (SEM-PLS) with the assistance of SmartPLS. The results indicate that payment digitalization, mental accounting, and exposure to social media lifestyles have a positive and significant effect on Generation Z's consumer behavior. Financial self-efficacy was found to significantly weaken the influence of payment digitalization and mental accounting on consumer behavior; however, it failed to weaken the influence of exposure to social media lifestyles, as lifestyle factors proved to be more dominant than an individual's capacity to manage finances. These findings have important implications for the development of digital financial literacy strategies that target psychological and social aspects not merely the improvement of financial knowledge in order to protect the younger generation from the risks of excessive digital consumerism.

Keywords: Digital Payments; Mental Accounting; Social Media Lifestyle Exposure; Consumer Behavior; Financial Self-Efficacy.

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1. Introduction

The Fourth Industrial Revolution has driven digital transformation across all aspects of life, including how members of Generation Z those born between 1997 and 2012 interact with money and make day-to-day financial decisions [1]. As digital natives, Generation Z has grown up alongside the rapid development of digital wallet (e-wallet) services such as OVO, GoPay, Dana, and QRIS, which have revolutionized conventional transactions by offering a shopping experience that is fast, easy, and often spontaneous [2]. The digitization of payments creates a psychological effect known as the "loss of pain of paying" that is, the diminished sense of losing money when making a payment because physical cash no longer changes hands in a tangible way.

This phenomenon is becoming increasingly urgent to study because the contribution of digital payments to consumer behavior is expected to continue rising as the use of financial technology expands among the Indonesian public, particularly among Generation Z [2]. This situation is exacerbated by low digital financial literacy and underdeveloped self-control, leading to more impulsive and less planned transactions [3], [4]. On the other hand, the way individuals mentally categorize money (mental accounting) also shapes consumption patterns, as funds perceived as "bonuses" or "extra money" tend to be spent more freely than core funds [5], [6]. Exposure to lifestyles on social media further reinforces social pressure to follow certain consumption trends a phenomenon known as “social consumption pressure” [7] and is exacerbated by the high frequency of daily social media use among Indonesian Generation Z [8].

This study specifically focuses on three determinants of Generation Z’s consumer behavior: the digitization of payments, mental accounting, and exposure to social media lifestyles, with financial self-efficacy (FSE) an individual’s belief in their ability to manage their finances serving as a moderating variable. The study is limited to Generation Z individuals aged 17–28 who reside in Makassar and have active experience using digital payment services; thus, the research results reflect the dynamics of digital consumption within this specific population segment and do not generalize to all of Indonesia’s Generation Z.

Based on this description, this study aims to analyze the influence of payment digitalization, mental accounting, and social media lifestyle exposure on Generation Z’s consumption behavior, as well as to test whether financial self-efficacy moderates (strengthens or weakens) each of these influences. This study is also intended to fill a gap in the literature, as the use of financial self-efficacy as a moderating variable rather than merely a mediator, as in the majority of previous studies has yet to be empirically examined [9], [10].

2. Literature Review and Problem Statement

This study is grounded in Contingency Theory, which states that the effectiveness of a factor on behavior is not universal but depends on situational conditions and accompanying individual characteristics. In the context of consumer behavior, this theory explains that the influence of payment digitalization and lifestyle exposure on consumer behavior is highly dependent on an individual’s level of financial literacy and efficacy. The concept of mental accounting, introduced by Thaler, explains that individuals tend to categorize money into different “mental accounts” based on its source and purpose, resulting in consumption decisions that are not always economically rational [5], [6]. A number of previous studies have confirmed that the digitization of payments encourages overspending through mental accounting mechanisms and a reduction in the “pain of paying” [12], [13], while the use of digital cards or wallets reinforces the tendency to treat funds as non-interchangeable budget categories [14], [15]. On the other hand, exposure to lifestyles on social media has been shown to trigger the Fear of Missing Out (FoMO), which drives impulsive purchases and symbolic consumption for the sake of social status [16], [17].

Financial self-efficacy (FSE), rooted in Bandura’s Self-Efficacy Theory, refers to an individual’s belief in their ability to manage financial tasks, make wise financial decisions, and achieve long-term financial goals [11]. Several studies indicate that FSE plays a crucial role in controlling consumptive behavior and impulsive spending [9], [18], [19]; however, the majority of studies treat it as a mediating variable rather than a moderating one. Consequently, the role of FSE in strengthening or weakening the relationship between external factors (digital payment systems, mental accounting, and lifestyle exposure) and consumer behavior has rarely been examined in depth [10]. This gap forms the academic basis of this study, particularly in the local Indonesian context, which has demographic, social, and cultural characteristics that differ from those of the countries where most previous research was conducted.

Based on the theoretical review and the research gap identified, the research question of this study is: To what extent do payment digitization, mental accounting, and social media lifestyle exposure influence Generation Z’s consumption behavior, and does financial self-efficacy moderate each of these relationships? To answer this research question, the following six hypotheses are proposed: H1: payment digitization has a positive effect on Generation Z’s consumption behavior; H2: mental accounting has a positive effect on Generation Z’s consumption behavior; H3: exposure to social media lifestyles has a positive effect on Generation Z’s consumption behavior; H4: financial self-efficacy weakens the effect of payment digitalization on Generation Z's consumption behavior; H5: financial self-efficacy weakens the effect of mental accounting on Generation Z's consumption behavior; and H6: financial self-efficacy weakens the effect of social media lifestyle exposure on Generation Z's consumption behavior.

3. Method

This study employs a quantitative, explanatory research approach to test the causal relationships among variables through hypothesis testing. Data analysis was conducted using Partial Least Squares-based Structural Equation Modeling (SEM-PLS) with the SmartPLS software. This method was chosen for its ability to test relationships among latent constructs simultaneously, to accommodate moderation models effectively, and to remain applicable to relatively small sample sizes without requiring a strictly normal data distribution [20]. Model evaluation was conducted in two stages: the outer model (convergent validity test with a factor loading threshold > 0.708 and Average Variance Extracted/AVE > 0.50, as well as discriminant validity using the Fornell-Larcker Criterion) and the inner model (R-Square, F-Square, and Q-Square predictive relevance). Hypothesis testing used the bootstrapping procedure with acceptance criteria of a T-statistic > 1.96 and a P-value < 0.05.

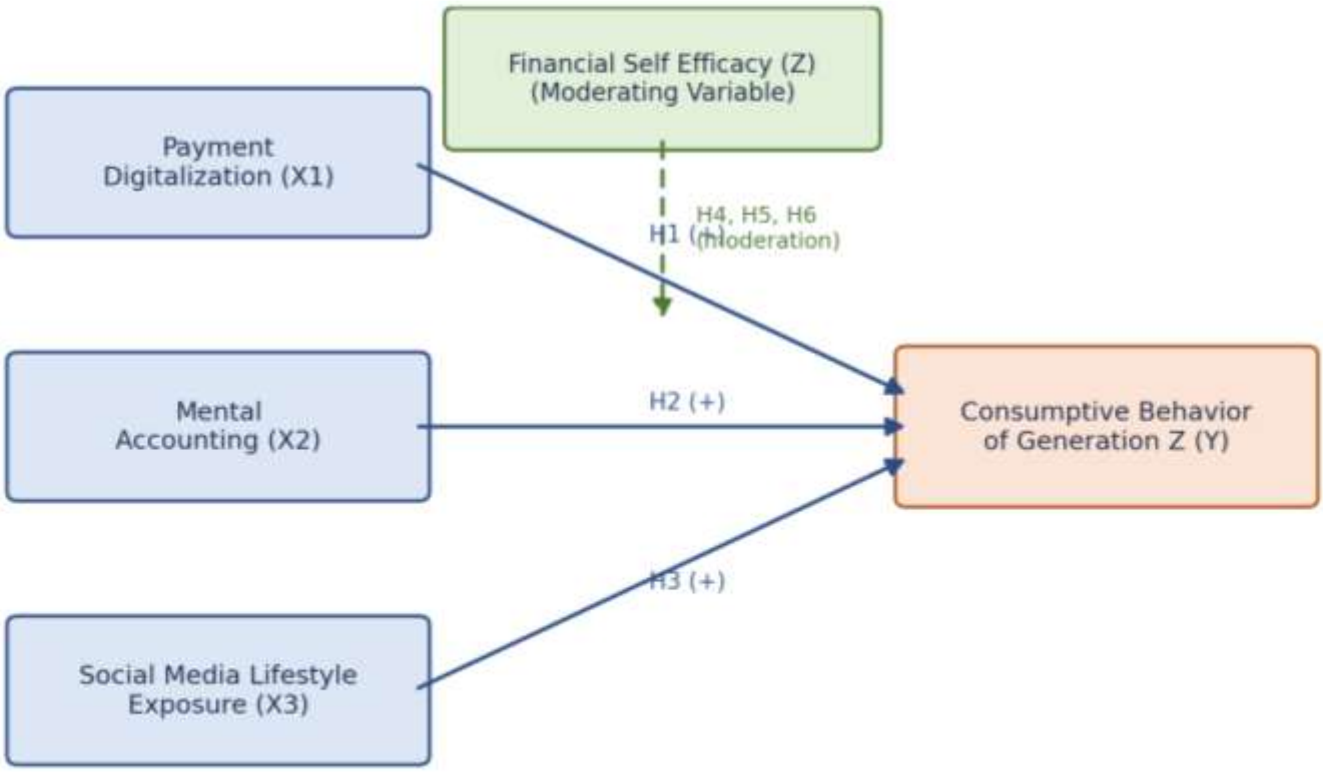

Fig. 1. Research Conceptual Framework

The study population consisted of Generation Z individuals aged 17–28 residing in Makassar. The sample was selected using purposive sampling based on the following criteria: Indonesian citizens; currently enrolled as students and/or employed; having used e-wallet services (OVO, GoPay, Dana, ShopeePay, Jenius, or QRIS) at least three times in the past three months; and having had active internet access for at least the past month. Referring to the SEM-PLS minimum sample size recommendation (10 times the number of the largest path leading to a single construct), this study successfully recruited 109 respondents who met the criteria. Primary data were collected via an online closed-ended questionnaire (Google Form) using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The research variables consisted of three exogenous variables Payment Digitalization (X1, 4 indicators), Mental Accounting (X2, 4 indicators), and Social Media Lifestyle Exposure (X3, 4 indicators) one moderating variable, Financial Self-Efficacy (Z, 4 indicators), and one endogenous variable, Consumption Behavior (Y, 5 indicators).

4. Results and Discussion

Of the 109 respondents who participated, 68 (62.39%) were working students and 41 (37.61%) were full-time students; the age distribution showed a similar pattern, with 68 respondents (62.39%) aged 17–22 and 41 respondents (37.61%) aged 23–28. The descriptive statistics in Table 1 show that all variables fell into the high to very high categories (mean > 4.0 on a 5-point scale), with Financial Self-Efficacy recording the highest mean (4.516) and Payment Digitalization the lowest mean (4.236), although both remained in the high category.

Table 1. Descriptive Statistics of Research Variables

Variable	Mean	Min	Max	Std. Dev.
Digital Payments (X1)	4,236	3,000	5,000	0,489
Mental Accounting (X2)	4,438	3,000	5,000	0,581
Social Media Lifestyle Exposure (X3)	4,358	3,000	5,000	0,671
Financial Self-Efficacy (Z)	4,516	3,000	5,000	0,534
Consumptive Behavior (Y)	4,420	3,000	5,000	0,578

The outer model evaluation showed that all indicators had factor loadings above 0.708, thus meeting the criteria for convergent validity. The Average Variance Extracted (AVE) values for all constructs were also above the 0.50 threshold (Payment Digitization 0.782; Mental Accounting 0.878; Lifestyle Exposure 0.912; Financial Self-Efficacy 0.827; Consumption Behavior 0.898), and the Fornell-Larcker Criterion test confirmed that the square root of the AVE for each construct is greater than its correlation with other constructs, thus fulfilling the criteria for discriminant validity. In the structural model (inner model), the R-Square value for Consumption Behavior increased from 0.600 (without moderation) to 0.692 (with moderation), indicating that the inclusion of Financial Self-Efficacy strengthens the model's overall explanatory power. A Q-Square value of 0.596 indicates that the model has high predictive relevance ($Q^2 > 0.35$).

Table 2. Summary of Hypothesis Testing Results

Variable	Hypothesis	Koef. (O)	T-Stat	P	Description
H1	Payment Digitalization → Consumption Behavior	0,514	4,778	0,000	Accepted
H2	Mental Accounting → Consumption Behavior	0,204	2,411	0,016	Accepted
H3	Lifestyle Exposure → Consumption Behavior	0,212	2,362	0,019	Accepted
H4	FSE moderates X1 → Y	0,231	2,501	0,013	Accepted
H5	FSE moderates X2 → Y	0,185	2,281	0,023	Accepted
H6	FSE moderates X3 → Y	0,190	3,062	0,002	Rejected*

**Although statistically significant, the effect size (coefficient) actually decreased, and the direction of the effect was deemed insufficiently clear in substantive terms; therefore, the hypothesis was rejected*

Findings H1–H3 are consistent with the research by Septian Anggaretta et al. and Kurniawan et al., who found a positive relationship between the use of e-wallets/digital banking and consumptive behavior or impulsive shopping among urban youth [21], [22]. The convenience, speed, and minimal emotional involvement in digital transactions make Generation Z more prone to making purchases without deep consideration, in line with the “pain of paying” principle [12]. The positive influence of mental accounting (H2) is also consistent with Gelman and Roussanov, who found that individuals are more willing to spend funds perceived as “extra” [15], while the effect of social media lifestyle exposure (H3) reinforces the findings of Shahpasandi et al. and Lee et al. regarding the role of visual content and digital promotions in driving impulsive purchases [23], [24].

The moderation results (H4 and H5) indicate that Financial Self-Efficacy significantly weakens the effects of payment digitization and mental accounting on consumption behavior, as evidenced by the decrease in path coefficients and T-statistics after the moderation interaction was included in the model. This pattern aligns with the findings of Lestiani and Bahtiar as well as Radianto et al., who found that individuals with high Financial Self-Efficacy (FSE) are better able to evaluate risks and control the allocation of funds that have been mentally set aside, thereby making more rational purchasing decisions [18], [19]. However, the results for H6 reveal a different phenomenon: although statistically significant, the direction and magnitude of the moderating effect of FSE on the relationship between lifestyle exposure and consumptive behavior were not substantively strong enough, leading to the rejection of the hypothesis. This finding is consistent with Rodiyah and Pradikto, who concluded that the influence of lifestyle and digital social pressure can override internal control factors such as financial self-efficacy, particularly among individuals heavily exposed to visual trends on social media [25]. Thus, the preliminary findings of this study indicate that an individual’s financial self-efficacy is not always protective against all types of consumptive stimuli but rather depends on the source and intensity of those stimuli a conclusion that opens the door for further research on the limits of financial self-efficacy’s effectiveness as a self-control mechanism in the digital economy era.

5. Conclusion

This study concludes that payment digitization, mental accounting, and exposure to social media lifestyles each have a positive and significant effect on Generation Z’s consumer behavior in Makassar. Financial self-efficacy was found to significantly moderate the effects of payment digitization and mental accounting, but was not found to moderate the effect of exposure to social media lifestyles. These findings expand Contingency Theory and Self-Efficacy Theory by demonstrating that the protective role of financial self-efficacy is conditional not universally applicable to all determinants of consumption behavior and reaffirm the relevance of Mental Accounting Theory in explaining consumption-related cognitive biases among digital natives.

In practical terms, these findings imply the need for digital financial literacy programs that not only aim to improve financial knowledge but also raise awareness of cognitive biases (such as mental accounting) and digital social pressures that drive impulsive consumption. Regulators, financial institutions, and educational institutions are advised to design behavioral interventions that address the psychological and social aspects of the younger generation, rather than relying solely on conventional financial education. This study has limitations regarding its geographic scope (the city of Makassar) and the potential for respondent bias due to the fast-paced nature of digital culture. Future research is advised to expand its geographic and demographic scope, use a mixed-methods approach to explore consumption motives in greater depth, and test additional variables such as materialism, self-control, or peer influence as potential mediators or moderators.

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