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Governing Financial Literacy: Moderating the Effect of PayLater Credit Limit Perception on Impulsive Spending

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Abstract

Background: The rapid integration of buy now, pay later (BNPL) services into e-commerce platforms has reshaped the consumption of Indonesian Generation Z, while regulators face a persistent gap between access to digital credit and the financial capability to use it responsibly. **Aims:** This study examines the effect of Shopee PayLater credit limit perception on impulsive spending behavior and tests whether financial literacy moderates this relationship. **Methods:** An online survey was administered to 150 Generation Z Shopee PayLater users in Indonesia selected through purposive sampling, and the data were analyzed with Moderated Regression Analysis (MRA) after validity, reliability, and classical assumption testing. **Results and findings:** Credit limit perception significantly increased impulsive spending ($B = 0.542$, $p < 0.001$), whereas financial literacy had no significant direct effect ($B = -0.154$, $p = 0.133$). The interaction term was negative and significant ($B = -0.285$, $p = 0.002$), and the model explained 41.0% of the variance in impulsive spending. **Novelty:** Financial literacy works as a conditional cognitive buffer that is activated by credit stimuli rather than as a direct deterrent of impulsive consumption. **Originality:** The study treats the perceived size of the BNPL credit limit, rather than BNPL use itself, as the stimulus within an integrated stimulus–organism–response and dual-process framework. **Contributions:** The findings refine behavioral finance theory on digital credit and provide evidence for platform design and for the Financial Services Authority (OJK) to link credit-limit governance with targeted financial literacy programs.

Keywords: Credit Limit Perception, Digital Credit Governance, Financial Literacy, Impulsive Spending

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Introduction

Digital technology has fundamentally changed how Indonesians consume. At the start of 2025, Indonesia had about 212 million internet users, equivalent to 74.6% of the population (Kemp, 2025), and a large share of everyday purchasing now takes place inside platform-based ecosystems. The shift is most visible among young consumers, particularly Generation Z, whose daily routines are closely tied to mobile applications, who adopt platform-based digital services readily, and who expect seamless, instant interaction with retailers (Djafarova & Bowes, 2021; Prasetiyo et al., 2025; Priporas et al., 2017). In this environment, purchasing is no longer driven only by need; it is shaped by interface design, promotional cues, social media content, and the financial services embedded in the shopping journey (Liu et al., 2013; Pellegrino et al., 2022). Constant exposure to these cues compresses the time between desire and transaction and reduces the space for deliberate evaluation before purchase.

Among the financial technology innovations that accompany this shift, *buy now, pay later* (BNPL) services have had the most direct effect on spending. BNPL allows consumers to complete a purchase immediately and defer payment to a later date or spread it across instalments, without the cash being available at checkout (Gerrans et al., 2022; Wardhana et al., 2023). In Indonesia, Shopee PayLater (SPayLater) dominates the market: in a 2023 national survey, 77% of respondents who had used a PayLater service reported using Shopee PayLater (Muhamad, 2023). The scale of this credit is substantial; Sea Limited, the parent company of Shopee, reported consumer and SME loans principal outstanding of US$5.1 billion at the end of 2024 (Sea Limited, 2025). International evidence shows that BNPL availability raises both purchase likelihood and order size (Maesen & Ang, 2025), that BNPL adoption is followed by higher overdraft and credit card charges among users (deHaan et al., 2024), and that a considerable share of BNPL repayments are themselves made with credit cards, layering debt upon debt (Guttman-Kenney et al., 2023). In Indonesia, repayment stress in digital lending remains a concern for supervisors; the 90-day default rate (TWP90) of the fintech peer-to-peer lending industry stood at 2.79% in June 2024 (Otoritas Jasa Keuangan [OJK], 2024).

The consequences of digital credit cannot be understood without considering how consumers perceive it. In services such as Shopee PayLater, the credit limit is not merely a technical ceiling on transactions; it acts as a psychological signal. Consumers tend to read a credit limit as information about their own future earning capacity and spend more when the limit is larger (Soman & Cheema, 2002). Mental accounting further suggests that an unused limit may be coded as available money rather than as prospective debt (Thaler, 1999), while separating the moment of consumption from the moment of payment weakens the "pain of paying" that normally restrains spending (Prelec & Loewenstein, 1998; Prelec & Simester, 2001; Raghubir & Srivastava, 2008). Together, these mechanisms create an illusion of liquidity: a sense of purchasing power that exceeds actual income. When this illusion lowers psychological resistance to spending, consumers become more susceptible to spontaneous, emotionally driven, and unplanned purchases, a pattern defined in the literature as impulsive buying (Rook, 1987; Iyer et al., 2020).

This micro-level behavior has a clear governance dimension. Indonesia's National Survey of Financial Literacy and Inclusion (SNLIK) showed a financial inclusion index of 85.10% against a financial literacy index of only 49.68% in 2022 (OJK, 2022). Although literacy rose to 66.46% in 2025, it still trailed the inclusion index of 80.51% (OJK, 2025b). Many consumers therefore have access to credit facilities without commensurate capability to manage them. Regulators have begun to respond on the supply side. OJK Regulation (POJK) No. 32 of 2025 established a dedicated framework for BNPL providers covering transparency, consumer protection, and debt collection (OJK, 2025a), and its implementing guideline for finance companies requires, from July 2026, that new BNPL customers

be at least 18 years old (or married) and earn at least IDR 3 million per month, with ceilings on the ratio of instalments to income (OJK, 2026). Such rules govern who may access credit and how much, but they do not determine how users cognitively process the limits they receive. This is where financial literacy, as a demand-side instrument of governance, becomes critical (Kaiser et al., 2022; Lusardi & Mitchell, 2023).

Rationale and Originality

A growing body of Indonesian research has examined PayLater and impulsive buying. Prior studies show that the ease of PayLater shapes purchase decisions (Devia & Putri, 2022) and document links between PayLater use, financial literacy, lifestyle, and impulse buying among Generation Z (Azizah & Bangsa, 2024; Kamil et al., 2024; Laurinda et al., 2024; Salputri et al., 2025; Widiastuti & Sumastuti, 2025a, 2025b), the role of financial literacy in students' PayLater purchasing and in other forms of impulsive digital consumption (Oktaviana & Aji, 2025; Oktaviana & Irawan, 2024; Puspitasari & Chikmiyah, 2025), and the mediating role of BNPL between materialism and impulsive buying (Rizki et al., 2025). International studies connect BNPL adoption with impulse buying, perceived risk, and risky indebtedness (Kumar & Nayak, 2024; Novitasari et al., 2024; Pratika & Natswa, 2021), and qualitative work shows how Generation Z reframes BNPL debt as a routine payment option (Azzahra et al., 2026). Sulistyowati (2024) further reported that financial literacy moderates the influence of financial technology on impulse buying among Generation Z.

Research gap. Despite this progress, three gaps remain. First, most studies operationalize BNPL as adoption, frequency, or ease of use, and rarely isolate the perceived size of the credit limit as the psychological stimulus, even though experimental evidence shows that credit limits alone can change spending (Soman & Cheema, 2002). Second, financial literacy is usually modeled as a direct predictor of consumption, and the results across studies are inconsistent; its conditional role, that is, whether it changes how strongly a credit stimulus is translated into impulsive spending, has received far less attention, particularly for Indonesian Generation Z. Third, consumer-level findings are seldom connected to the governance of digital credit, leaving regulators and platforms with little evidence on how access rules and capability building should work together.

Originality and value. This study is original in three respects. It conceptualizes credit limit perception through three behavioral mechanisms, namely the illusion of liquidity, perceived purchasing power, and payment decoupling, and treats it as the stimulus for impulsive spending. It integrates the stimulus–organism–response (S-O-R) model with dual-process theory to position financial literacy as an organism-level cognitive control that is tested through an explicit interaction term. Finally, it interprets the results as evidence for digital credit governance, aligning consumer behavior findings with Indonesia's emerging BNPL regulatory framework. The value of the study lies in showing that financial literacy matters most precisely when consumers are exposed to credit stimuli, which has direct implications for how literacy programs and credit-limit policies are designed.

Research Objective

Building on this rationale, the study pursues three objectives: (1) to examine the effect of Shopee PayLater credit limit perception on the impulsive spending behavior of Generation Z consumers; (2) to examine the direct effect of financial literacy on impulsive spending behavior; and (3) to test whether financial literacy moderates, by weakening, the effect of credit limit perception on impulsive spending behavior. Correspondingly, the study addresses three research questions. To what extent does the perceived size of a PayLater credit limit drive impulsive spending? Does

financial literacy directly reduce impulsive spending? Does financial literacy change the strength of the relationship between credit limit perception and impulsive spending?

Summary of Research

The study surveyed 150 Generation Z users of Shopee PayLater in Indonesia and analyzed the data with Moderated Regression Analysis after establishing instrument validity, reliability, and the classical regression assumptions. The results show that credit limit perception increases impulsive spending, that financial literacy has no significant direct effect, and that financial literacy significantly weakens the effect of credit limit perception. The remainder of the article is organized as follows. Section 2 reviews the theoretical foundations and develops the hypotheses. Section 3 describes the research design, site, data collection, analysis, and validation. Section 4 presents the findings, interprets them, and discusses their theoretical, practical, and policy implications together with the study's limitations. Section 5 conclusions.

Literature Review and Hypothesis Development

Theoretical Foundation: Stimulus–Organism–Response and Dual-Process Theory

The study draws on the Stimulus–Organism–Response (S-O-R) model introduced by Mehrabian and Russell (1974). The model holds that behavior does not follow mechanically from external stimuli; instead, stimuli are filtered through the internal cognitive and affective states of the individual (the organism), which then produce an approach or avoidance response. The model has been widely applied to online impulse buying, including among Indonesian BNPL users (Juita et al., 2024; Liu et al., 2013). In the present study, the perceived size of the Shopee PayLater credit limit is the stimulus, financial literacy represents the organism's evaluative capacity, and impulsive spending is the response.

Dual-process theory specifies how the organism operates. Human judgement relies on a fast, automatic, and affective system and a slower, deliberate, and analytical system (Kahneman, 2011). Impulsive behavior arises when impulsive precursors dominate reflective control, either because the stimulus is strong or because self-control resources are weak (Hofmann et al., 2009). Financial literacy can be understood as knowledge that strengthens the reflective system when financial decisions are at stake: it makes the costs, risks, and future obligations of a purchase more salient and therefore easier to weigh against immediate gratification (Lusardi & Mitchell, 2014; Shefrin, 2000). Combining the two perspectives yields a testable proposition: the effect of a credit stimulus on impulsive spending should depend on the level of financial literacy of the person who receives it.

Credit Limit Perception

Shopee PayLater is a deferred payment service that allows users to complete transactions now and pay in the following month or in instalments (Wardhana et al., 2022, 2023). The platform assigns each user a maximum amount of credit, the credit limit. Functionally, the limit is a transaction ceiling, but from a behavioral perspective it is also a financial stimulus that shapes how individuals perceive their own financial capacity. Credit limit perception is defined here as an individual's subjective assessment of the adequacy and size of the credit facility available to them. It operates through three mechanisms. The first is the illusion of liquidity, in which the unused limit is mentally treated as cash on hand rather than as debt (Thaler, 1999). The second is perceived purchasing power, in which a larger limit is interpreted as a signal of greater spending capacity (Soman & Cheema, 2002). The third is payment decoupling, in which the separation of consumption from payment reduces the pain of paying at checkout (Prelec & Loewenstein, 1998; Raghubir & Srivastava, 2008). When these

mechanisms operate together, the boundary between owned funds and borrowed funds becomes blurred and purchase decisions are accelerated.

Financial Literacy

Financial literacy refers to the knowledge, behavior, and attitudes that enable individuals to manage financial resources and make informed decisions for their long-term well-being (Lusardi & Mitchell, 2014; OECD, 2023). The construct includes the ability to understand interest and fees, to evaluate risk, to plan and monitor spending, and to prioritize future needs over momentary desires (Goyal & Kumar, 2021). Evidence on its behavioral effects is mixed. A large meta-analysis found that financial literacy and financial education explain only a small share of the variance in downstream financial behaviors (Fernandes et al., 2014), whereas a later meta-analysis of randomized experiments reported meaningful effects of financial education on both knowledge and behavior (Kaiser et al., 2022). Studies of indebtedness suggest that literacy and self-control jointly shape borrowing outcomes: individuals with weaker self-control and lower debt literacy are more likely to experience over-indebtedness and to pay higher fees (Gathergood, 2012; Lusardi & Tufano, 2015). These findings imply that financial literacy may function less as a constant brake on consumption and more as a resource that becomes decisive when a person faces a specific financial temptation, such as an easily accessible credit limit.

Impulsive Spending Behavior

Impulsive buying is a sudden, powerful, and persistent urge to buy something immediately, accompanied by limited regard for its consequences (Rook, 1987). It is commonly described along three dimensions: spontaneity, referring to purchases made without prior intention; an emotional or affective dimension, referring to the strong feelings experienced during the purchase; and a cognitive dimension, referring to the low consideration of negative consequences, including post-purchase financial impact (Beatty & Ferrell, 1998; Verplanken et al., 2005). Impulsive buying has been characterized as a failure of self-regulation (Baumeister, 2002), and it increases when self-regulatory resources are depleted (Vohs & Faber, 2007). Chronic impulsive buying is associated with dysfunctional self-regulation and financial difficulty (Fenton-O'Creevy et al., 2018), and low self-control is linked to compulsive buying and real debts (Achtziger et al., 2015). Meta-analytic evidence confirms that both trait impulsiveness and situational stimuli, including marketing and payment cues, drive impulse buying (Iyer et al., 2020). Within the S-O-R framework, impulsive spending is therefore the response that emerges when digital stimuli are not counterbalanced by adequate internal evaluation.

Hypothesis Development

1. Credit limit perception and impulsive spending behavior

A larger credit limit changes consumers' subjective assessment of what they can afford. Following mental accounting (Thaler, 1999) and the signaling effect of credit limits (Soman & Cheema, 2002), a high limit creates a perception of additional resources and raises pseudo-purchasing power. Because the payment is deferred, the immediate psychological cost of the transaction falls (Prelec & Simester, 2001), which speeds up decision-making and favors unplanned purchases. Recent field evidence confirms that BNPL availability increases both the probability of purchase and the amount spent (Maesen & Ang, 2025), and that BNPL perceptions are associated with impulse buying (Kumar & Nayak, 2024). The higher an individual's perception of their credit limit, the greater their expected tendency to buy impulsively.

H1: Credit limit perception has a positive and significant effect on impulsive spending behavior.

2. Financial literacy and impulsive spending behavior

Financial literacy serves as an internal control mechanism. According to dual-process theory (Kahneman, 2011), individuals with an adequate understanding of debt, interest, and budgeting are more likely to engage their reflective system before making a financial decision and to delay the desire for instant gratification. Conversely, individuals with low financial literacy often fail to anticipate the long-term consequences of spending, which makes them more vulnerable to unplanned consumption (Gathergood, 2012; Sulistyowati, 2024). Financial literacy is therefore expected to reduce impulsive spending directly.

H2: Financial literacy has a negative and significant effect on impulsive spending behavior.

3. The moderating role of financial literacy

The S-O-R model implies that the same stimulus will not produce the same response in every organism. Even when consumers are exposed to a large credit limit, the effect of this stimulus depends on their capacity to evaluate it. Individuals with higher financial literacy have sharper risk-evaluation skills and are less likely to be captured by the illusion of purchasing power created by instant credit (Lusardi & Mitchell, 2014; Lusardi & Tufano, 2015). Their knowledge of interest, fees, credit scores, and repayment obligations makes the future cost of a deferred purchase more concrete at the moment of decision, which counteracts payment decoupling. Financial literacy is therefore expected to weaken the positive relationship between credit limit perception and impulsive spending. The conceptual framework is presented in Figure 1.

H3: Financial literacy moderates, by weakening, the effect of credit limit perception on impulsive spending behavior.

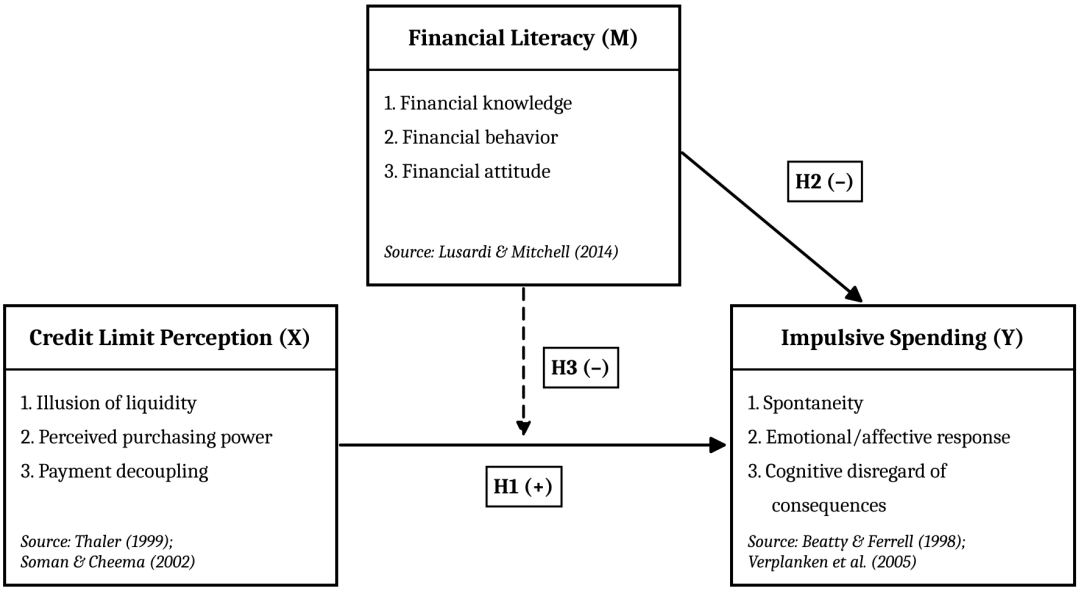


Figure 1. Conceptual Framework. Source: Author research, 2026.

Research Methods

Research Design

The study adopted a quantitative, explanatory research design with a cross-sectional survey. A quantitative approach was chosen because the research questions concern the direction and magnitude of relationships among measurable constructs and the conditional effect of a moderator, which require hypothesis testing on numerical data. Moderated Regression Analysis (MRA) was selected because it tests moderation directly through the product term of the predictor and the moderator and allows the sign of that term to indicate whether the moderator strengthens or weakens the focal relationship (Aiken & West, 1991; Hayes, 2022). The unit of analysis is the individual consumer.

Research Site

The research was conducted in Indonesia, with the online shopping environment of Shopee Indonesia as the setting of the behavior studied. Indonesia was selected because it combines one of the largest digital consumer markets in Southeast Asia (Kemp, 2025) with a persistent gap between financial inclusion and financial literacy (OJK, 2025b), and because its regulator has recently introduced a dedicated framework for BNPL (OJK, 2025a). Shopee PayLater was chosen as the focal service because it is the most widely used PayLater product in the country (Muhamad, 2023) and because its credit limit is displayed prominently within the shopping and checkout interface, making the limit a salient stimulus. Because the questionnaire was distributed online, respondents were not restricted to a single city.

Data Collection

Primary data were collected through a structured questionnaire distributed online. The population comprised Generation Z consumers in Indonesia who use Shopee PayLater. Respondents were selected through purposive sampling (Sugiyono, 2020) using three criteria: (1) aged 18–29 years; (2) an active user of the Shopee application; and (3) having activated Shopee PayLater, holding an available credit limit, and having used the feature.

A total of 150 valid responses were obtained. This sample exceeds the guideline of at least five observations per measurement item (5 × 22 items = 110; Hair et al., 2019) and the approximately 77 cases required to detect a medium effect ($f^2 = 0.15$) with three predictors at $\alpha = 0.05$ and statistical power of 0.80.

Three constructs were measured: credit limit perception (X), impulsive spending behavior (Y), and financial literacy (M). The items were adapted from prior literature and modified to fit the context of young consumers' digital consumption. Credit limit perception was measured with seven items capturing the illusion of liquidity, perceived purchasing power, and payment decoupling (Soman & Cheema, 2002; Thaler, 1999). Impulsive spending behavior was measured with eight items covering spontaneity, emotional response, and cognitive disregard of consequences (Beatty & Ferrell, 1998; Rook, 1987; Verplanken et al., 2005). Financial literacy was measured with seven items covering financial knowledge, behavior, and attitude (Lusardi & Mitchell, 2014; OECD, 2023). All 22 items used a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The items are listed in Table 1.

Table 1. Research Variables and Indicators

Variable	Dimension	Code	Item
Credit Limit Perception (X) (Soman & Cheema, 2002; Thaler, 1999)	Illusion of liquidity	CLP1	I often think of the remaining Shopee PayLater limit as cash or a balance that I can use at any time.
		CLP2	The size of the Shopee PayLater limit sometimes makes me forget that it is a debt, not my own money.
	Perceived purchasing power	CLP3	With the Shopee PayLater limit, I feel that I can buy items that cost more than the cash I have.
		CLP4	The large Shopee PayLater limit makes me feel that my purchasing power has increased significantly.
	Payment decoupling	CLP5	Using Shopee PayLater makes me feel that I am not "losing money" when I check out purchases.
		CLP6	I feel freer when shopping because the payment can be thought about later (next month).
		CLP7	Shopping feels more enjoyable because I receive the goods immediately without paying immediately.
Impulsive Spending Behavior (Y) (Beatty & Ferrell, 1998; Rook, 1987; Verplanken et al., 2005)	Spontaneity	ISB1	I often buy products spontaneously when I see attractive offers on Shopee.
		ISB2	I often make purchases without a plan, even when the item is not on my shopping list.
	Emotional/affective	ISB3	I feel a strong emotional urge to own the product I am looking at immediately.
		ISB4	I feel very happy and satisfied when I make a spontaneous purchase.
		ISB5	It is hard for me to refrain from shopping when I want to entertain myself.
	Cognitive disregard of consequences	ISB6	I tend to ignore the size of next month's Shopee PayLater bill in order to get the items I want now.

Variable	Dimension	Code	Item
		ISB7	When shopping impulsively, I rarely consider whether the item is worth it in the long run.
		ISB8	I often regret purchases after realizing that I did not really need the items I bought impulsively.
Financial Literacy (M) (Lusardi & Mitchell, 2014; OECD, 2023)	Financial knowledge	FL1	I understand how interest and administration fees work in the Shopee PayLater service.
		FL2	I am aware that late payments will harm my credit score.
	Financial behavior	FL3	I routinely record and monitor my spending every month.
		FL4	I always pay my Shopee PayLater bill before the due date to avoid penalties.
		FL5	I compare prices in several stores before deciding to buy an item.
	Financial attitude	FL6	I prefer saving for the future to spending money on momentary desires.
		FL7	I feel fully responsible for every debt decision I make.

Note: All items were measured on a five-point Likert scale (1 = strongly disagree; 5 = strongly agree).
Source: Author research, 2026.

The respondent profile is presented in Table 2. Women made up 58% of the sample and men 42%. The largest income or allowance group was IDR 5,000,001–8,000,000 per month (44%), followed by IDR 8,000,001–12,000,000 (28%). The sample is therefore dominated by young consumers with middle to upper purchasing power and substantial access to digital credit, which makes it well suited to examining how credit limit perception interacts with lifestyle-driven spending. At the same time, 8% of respondents reported a monthly income or allowance below IDR 2,000,000, which is below the IDR 3,000,000 threshold that now applies to new BNPL customers of finance companies (OJK, 2026).

Table 2. Respondent Profile (n = 150)

Profile Category	Criteria	Frequency	Percentage (%)
Age	18–29 years	150	100
Gender	Female	87	58
	Male	63	42
	< IDR 2,000,000	12	8

Profile Category	Criteria	Frequency	Percentage (%)
Monthly income/allowance	IDR 2,000,000–5,000,000	24	16
	IDR 5,000,001–8,000,000	66	44
	IDR 8,000,001–12,000,000	42	28
	> IDR 12,000,000	6	4

Source: Primary data processed by the authors.

Data Analysis

The data were processed with the Statistical Package for the Social Sciences (SPSS). The analysis proceeded in three stages. First, instrument quality was evaluated through validity and reliability testing. Second, because MRA is estimated with ordinary least squares, the classical regression assumptions were tested (Ghozali, 2018; Zahra et al., 2021): normality of residuals with the one-sample Kolmogorov–Smirnov test, multicollinearity with tolerance and variance inflation factor (VIF) values, and heteroscedasticity with the Glejser test. Third, the hypotheses were tested with the following MRA model:

$$Y = \beta_0 + \beta_1 X + \beta_2 M + \beta_3 (X \times M) + \varepsilon$$

where Y is impulsive spending behavior, X is credit limit perception, M is financial literacy, and X × M is the interaction term. H1 is supported if β_1 is positive and significant, H2 if β_2 is negative and significant, and H3 if β_3 is significant; a negative β_3 indicates that financial literacy weakens the effect of credit limit perception (Aiken & West, 1991; Hayes, 2022). Partial effects were assessed with t-tests, the overall model with the F-test, and explanatory power with the adjusted coefficient of determination (adjusted R^2). All tests used a significance level of 0.05.

Data Validation

Data validation followed three steps. First, the instrument was pre-tested on a pilot sample of 31 respondents who met the inclusion criteria. Item validity was assessed with the corrected item–total (Pearson) correlation; with 29 degrees of freedom and a 5% significance level, the critical r-table value is 0.355, and an item is valid when its calculated r exceeds this value. Second, internal consistency reliability was assessed with Cronbach's alpha, where values of 0.60 or higher are acceptable (Ghozali, 2018) and values of 0.70 or higher indicate good reliability (Hair et al., 2019). Third, responses in the main survey were screened against the purposive sampling criteria before analysis, and the classical assumption tests reported in section Research Findings served as validation that the data met the requirements of the estimation technique.

As Table 3 shows, all 22 items produced calculated r values above 0.355 (range 0.455–0.810), so no item was removed. Cronbach's alpha was 0.824 for credit limit perception, 0.856 for impulsive spending behavior, and 0.792 for financial literacy, all above both reliability thresholds. The measurement instrument is therefore valid and reliable for the main data collection. Because all constructs were measured with the same self-reported questionnaire at a single point in time, common method variance cannot be ruled out (Podsakoff et al., 2003); this issue is addressed in Research & Limitation.

Table 3. Validity and Reliability Test Results (Pilot Test, n = 31)

Variable	Item	r-count	r-table	Decision	Cronbach's Alpha
Credit Limit Perception (X)	CLP1	0.654	0.355	Valid	0.824
	CLP2	0.712	0.355	Valid	
	CLP3	0.485	0.355	Valid	
	CLP4	0.592	0.355	Valid	
	CLP5	0.810	0.355	Valid	
	CLP6	0.523	0.355	Valid	
	CLP7	0.741	0.355	Valid	
Impulsive Spending Behavior (Y)	ISB1	0.785	0.355	Valid	0.856
	ISB2	0.692	0.355	Valid	
	ISB3	0.801	0.355	Valid	
	ISB4	0.554	0.355	Valid	
	ISB5	0.620	0.355	Valid	
	ISB6	0.733	0.355	Valid	
	ISB7	0.490	0.355	Valid	
	ISB8	0.678	0.355	Valid	
Financial Literacy (M)	FL1	0.612	0.355	Valid	0.792
	FL2	0.589	0.355	Valid	
	FL3	0.745	0.355	Valid	
	FL4	0.455	0.355	Valid	
	FL5	0.698	0.355	Valid	
	FL6	0.711	0.355	Valid	
	FL7	0.534	0.355	Valid	

Note: Items are valid when r-count > r-table (0.355; df = 29; $\alpha = 0.05$). Constructs are reliable when Cronbach's alpha ≥ 0.60. Source: Author research, 2026.

Results and Discussion

Research Findings

1. Classical Assumption Tests

Table 4 summarizes the classical assumption tests. The Kolmogorov–Smirnov test statistic was 0.064 with an asymptotic significance of 0.168 (> 0.05), indicating that the residuals are normally distributed. Credit limit perception and financial literacy each had a tolerance of 0.814 (> 0.10) and a VIF of 1.228 (< 10), indicating no multicollinearity between the independent variables. In the Glejser test, the significance values for credit limit perception (0.342) and financial literacy (0.518) both exceeded 0.05, indicating homoscedastic residuals. The regression model therefore satisfies the assumptions required for hypothesis testing.

Table 4. Classical Assumption Test Results

Test	Variable / Parameter	Statistic	Criterion	Result
Normality (one-sample Kolmogorov–Smirnov)	Unstandardized residual (N = 150)	KS = 0.064; Asymp. Sig. = 0.168	Sig. > 0.05	Normal
Multicollinearity	Credit Limit Perception (X)	Tolerance = 0.814; VIF = 1.228	Tolerance > 0.10; VIF < 10	Not detected
	Financial Literacy (M)	Tolerance = 0.814; VIF = 1.228		Not detected
Heteroscedasticity (Glejser)	Credit Limit Perception (X)	t = 0.954; Sig. = 0.342	Sig. > 0.05	Not detected
	Financial Literacy (M)	t = −0.648; Sig. = 0.518		Not detected

Source: SPSS output processed by the authors.

2. Moderated regression analysis

The MRA results are reported in Table 5. Based on the unstandardized coefficients, the estimated regression equation is:

$$Y = 5.230 + 0.542X - 0.154M - 0.285(X \times M) + e$$

The model is statistically significant as a whole ($F = 35.624$, $p < 0.001$), confirming that credit limit perception, financial literacy, and their interaction jointly explain impulsive spending behavior. The adjusted R^2 of 0.410 indicates that 41.0% of the variance in impulsive spending is explained by the model, corresponding to a large effect size ($f^2 = R^2/(1 - R^2) = 0.73$). The remaining 59.0% reflects factors outside the model, such as flash-sale promotions, social media lifestyle trends, and momentary emotional states.

Table 5. Moderated Regression Analysis Results (Dependent Variable: Impulsive Spending Behavior)

Model	B	Std. Error	t	Sig.
(Constant)	5.230	1.845	2.834	0.005
Credit Limit Perception (X)	0.542	0.125	4.336	< 0.001
Financial Literacy (M)	−0.154	0.102	−1.509	0.133
Interaction (X × M)	−0.285	0.091	−3.131	0.002
Model summary	$R = 0.650$	$R^2 = 0.422$	Adj. R^2 = 0.410	SE = 1.797
ANOVA	$F = 35.624$	df = 3, 146	Sig. < 0.001	

Note: B = unstandardized coefficient. Regression SS = 345.112; residual SS = 471.458; total SS = 816.570. Source: Author research, 2026.

3. Hypothesis Testing

Table 6 summarizes the hypothesis tests. Credit limit perception had a positive and significant effect on impulsive spending (B = 0.542, t = 4.336, p < 0.001); H1 is supported. Financial literacy had a negative but non-significant direct effect (B = −0.154, t = −1.509, p = 0.133); H2 is not supported. The interaction between credit limit perception and financial literacy was negative and significant (B = −0.285, t = −3.131, p = 0.002); H3 is supported, and financial literacy acts as a moderator that dampens the effect of credit limit perception on impulsive spending.

Table 6. Summary of Hypothesis Testing

Hypothesis	Path	B	Sig.	Decision
H1	Credit Limit Perception → Impulsive Spending Behavior (+)	0.542	< 0.001	Supported
H2	Financial Literacy → Impulsive Spending Behavior (−)	−0.154	0.133	Not supported
H3	Financial Literacy × Credit Limit Perception → Impulsive Spending Behavior (weakening)	−0.285	0.002	Supported

Source: Author research, 2026.

Main findings. Three findings stand out. First, the perceived size of a PayLater credit limit is a significant driver of impulsive spending among Generation Z. Second, financial literacy does not reduce impulsive spending on its own. Third, financial literacy significantly weakens the effect of the credit limit on impulsive spending, which means that it becomes effective when a credit stimulus is present. Because financial literacy has no significant direct effect but a significant interaction effect, it behaves as a pure moderator in this model.

Interpretation of Research Results

Credit limit perception (H1). The support for H1 indicates that, for Generation Z respondents, a larger perceived Shopee PayLater limit is associated with a stronger tendency toward spontaneous, emotionally driven, and less deliberate purchasing. The respondent profile helps explain this result. Most respondents belong to middle- and upper-middle-income groups, for whom the limit is likely to be perceived not as emergency credit but as additional financial flexibility for lifestyle consumption. When the limit is mentally coded as spendable money (Thaler, 1999) and payment is postponed to the next month, the cost of the transaction is not felt at checkout. The result reflects the illusion of liquidity: the availability of an instant reserve lowers sensitivity to spending and allows emotionally or trend-driven purchases to proceed without careful evaluation.

Financial literacy (H2). The rejection of H2 shows that financial literacy, on its own, does not reduce impulsive spending. This points to a gap between knowledge and behavior. Knowing how interest, fees, and credit scores work does not automatically suppress the urge to spend, particularly among consumers with sufficient income to absorb small purchases. This interpretation is consistent with meta-analytic evidence that financial literacy explains only a modest share of variance in financial behavior when examined in isolation (Fernandes et al., 2014) and with evidence that self-control, not knowledge alone, is a central determinant of over-indebtedness (Gathergood, 2012; Strömbäck et al., 2017). Statistically, the non-significant direct effect, combined with a significant interaction, indicates that financial literacy in this model acts as a moderator rather than as an independent predictor.

The moderating role of financial literacy (H3). The negative and significant interaction term is the central result of the study. It means that the positive effect of credit limit perception on impulsive spending becomes weaker as financial literacy increases. Consumers with higher financial literacy are better able to anticipate the cumulative cost of interest and fees, the risk of late payment, and the long-term consequences for their credit records. This evaluative capacity reinforces cognitive restraint at the moment of decision and reduces the impulse triggered by a large limit. In S-O-R terms, the organism transforms the same stimulus into a weaker response when it possesses stronger financial understanding; in dual-process terms, financial literacy provides the content that allows the reflective system to intervene when the impulsive system is activated by a credit cue (Hofmann et al., 2009; Kahneman, 2011).

Discussion

1. Research Synthesis

Taken together, the findings portray PayLater-driven impulsive spending as the product of a strong external stimulus and a conditional internal brake. The positive effect of credit limit perception corroborates the experimental finding that credit limits alone can raise spending (Soman & Cheema, 2002) and the broader evidence that non-cash and deferred payment instruments weaken sensitivity to expenditure (Prelec & Simester, 2001; Raghubir & Srivastava, 2008). It also aligns with recent field and survey evidence that BNPL increases purchase likelihood and order size (Maesen & Ang, 2025) and is linked with impulse buying and risky indebtedness (Kumar & Nayak, 2024; Novitasari et al., 2024). The present study extends these findings by showing that the perceived size of the limit, not only the use of BNPL, carries this behavioral force.

Novelty. The main novelty of this study is the evidence that financial literacy operates as a situational, stimulus-dependent control mechanism rather than as a general inhibitor of consumption. Financial literacy did not lower impulsive spending in general, yet it significantly reduced the extent to which a large credit limit translated into impulsive spending. This pattern helps reconcile the inconsistent results of earlier studies that modeled financial literacy only as a direct predictor: when financial literacy is examined without the stimulus it is meant to regulate, its effect may appear weak or absent. This interpretation is consistent with Lusardi and Mitchell (2014), who argue that the effect of financial literacy on behavior depends on the decision context, and with Sulistyowati (2024), who found that financial literacy moderates the influence of financial technology on Generation Z's impulse buying. The present results sharpen that insight by locating the moderating effect specifically on the credit-limit signal.

The findings also connect consumer psychology with the behavioral finance perspective on self-control. Shefrin (2000) emphasizes that investors and consumers need self-control devices to manage behavioral biases. The results suggest that, in the digital credit context, financial literacy functions as one such device: it does not remove the bias created by the credit limit, but it reduces its behavioral consequences. At the same time, the moderate explanatory power of the model and the non-significant direct effect of financial literacy suggest that knowledge must be complemented by self-control capacity and by environmental safeguards, a conclusion that echoes evidence on the role of self-control in compulsive buying and debt (Achtziger et al., 2015; Vohs & Faber, 2007).

2. Theoritical Implications

Research contribution (theoretical). This study makes three contributions to theory. First, it refines the S-O-R model in the context of digital credit by specifying the stimulus as a perception, the perceived size of the credit limit, rather than as a platform feature, and by showing that this

perception is sufficient to drive impulsive responses. Second, it integrates dual-process theory into the organism component and provides empirical evidence that financial literacy functions as a conditional cognitive control that is activated by the stimulus, rather than as a direct antecedent of behavior. Third, it contributes to the behavioral finance literature on digital credit by demonstrating that mental accounting and payment decoupling effects, documented mainly for credit cards, extend to embedded BNPL limits among young consumers in an emerging market. The results also suggest that attitude-based models such as the theory of planned behavior (Ajzen, 1991), which emphasize deliberate intentions, may not fully capture impulsive BNPL spending, which is driven partly by automatic responses to credit cues.

3. Practical Implications

Research contribution (practical). For consumers, the findings highlight the importance of distinguishing actual purchasing power from access to debt and of treating the available limit as a liability rather than as a balance. Simple personal rules, such as setting a self-imposed monthly PayLater ceiling well below the assigned limit, can help translate financial knowledge into restraint. For platform providers such as Shopee, the findings suggest that raising credit limits as a marketing strategy may increase impulsive spending among less literate users. Providers can reduce this risk by displaying the limit as outstanding debt capacity rather than as a balance, by showing the total repayment amount and the next billing date at checkout, by adding optional spending caps and cooling-off reminders, and by integrating short, just-in-time financial literacy prompts when users approach high utilization of their limit. For universities and financial educators, the results indicate that financial literacy programs for Generation Z should go beyond general knowledge and include applied content on deferred payment, credit limits, interest, and credit records (Kaiser et al., 2022).

4. Policy and Government Implications

Research contribution (policy and governance). For the Financial Services Authority (OJK) and other public institutions, the findings provide evidence that the governance of digital credit should combine supply-side regulation with demand-side capability building. POJK No. 32 of 2025 and its implementing guideline already address eligibility, transparency, debt collection, and repayment-to-income ratios (OJK, 2025a, 2026). The results suggest four complementary measures. First, because the perceived size of the limit drives impulsive spending, supervisors could require providers to justify initial limits and limit increases against verified repayment capacity and to avoid presenting limit increases as rewards or promotional incentives. Second, disclosure rules could require that limits be shown together with the corresponding repayment obligation, making the debt nature of the facility salient at the point of decision. Third, because financial literacy reduces the effect of the limit, national literacy initiatives such as the National Strategy for Indonesian Financial Literacy (Strategi Nasional Literasi Keuangan Indonesia) and the SNLIK monitoring program could prioritize digital credit literacy for young adults and track BNPL-specific literacy as a separate indicator (OJK, 2025b). Fourth, regulators, platforms, universities, and local governments could co-design targeted education for first-time PayLater users, so that access to credit and the capability to use it develop together. Such measures would strengthen the resilience of young households to debt shocks and support a healthier digital financial ecosystem.

Research Limitations and Future Research

Research limitations. This study has several limitations. First, it focuses only on Generation Z users of Shopee PayLater, most of whom belong to middle- and upper-income groups, which limits the generalizability of the results to other age groups, income levels, and BNPL platforms. Second, the cross-sectional design captures relationships at a single point in time and cannot establish causality

or track changes in behavior over time, including changes following the introduction of new BNPL eligibility rules in July 2026. Third, all constructs were measured with self-reported data from a single questionnaire, which exposes the results to social desirability bias and common method variance (Podsakoff et al., 2003); actual transaction data were not available. Fourth, the purposive, online sample may over-represent digitally active and higher-income respondents. Fifth, the model explains 41.0% of the variance, so other relevant factors were not included. Future research could expand the sample to different age and income groups, compare BNPL platforms and bank-issued PayLater products, use longitudinal or experimental designs that manipulate the displayed credit limit, combine survey responses with transaction records, and include psychological variables such as fear of missing out (FOMO), materialism, and self-control. Comparative studies before and after the implementation of POJK No. 32 of 2025 would also help evaluate whether supply-side regulation and literacy programs reinforce each other.

Conclusion

This study concludes that the perceived size of a PayLater credit limit is a significant driver of impulsive spending among Indonesian Generation Z, because a large limit creates an illusion of liquidity that weakens self-control at the moment of transaction. Financial literacy does not reduce impulsive spending directly, but it significantly weakens the effect of the credit limit, showing that it works as a conditional cognitive buffer that becomes effective when consumers face a credit stimulus. The study contributes to science by refining the stimulus–organism–response model with dual-process theory in the context of embedded digital credit, by clarifying why earlier studies found inconsistent direct effects of financial literacy, and by providing evidence that the governance of digital credit should combine prudent credit-limit practices by providers and regulators with targeted, BNPL-specific financial literacy for young consumers. Future studies with broader samples, longitudinal designs, and transaction data are needed to confirm and extend these conclusions.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Use of Artificial Intelligence (AI)-Assisted Technology

During the preparation of this manuscript, the authors used AI-assisted tools (Claude, Anthropic) for language editing, restructuring the manuscript to the journal template, and checking reference formatting. The research design, data collection, statistical analysis, interpretation of results, and conclusions were carried out by the authors without AI assistance. The authors reviewed and verified all content and take full responsibility for the originality and integrity of this article.

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