



Why Generation Z Borrow? The Roles of Fomo, Financial Overconfidence, and BNPL

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Abstract. This study aims to analyze the effects of financial overconfidence, Fear of Missing Out (FoMO), and Buy Now Pay Later (BNPL) on indebtedness among Generation Z in Central Java. Utilizing a quantitative approach, primary data were gathered through the distribution of questionnaires to 144 Generation Z respondents selected via a purposive sampling technique. Data analysis was conducted using multiple linear regression analysis via EViews 12. The empirical results demonstrate that financial overconfidence, FoMO, and BNPL exert positive and significant effects on indebtedness, both partially and simultaneously. Furthermore, financial overconfidence emerged as the most dominant variable influencing indebtedness. An Adjusted R-Square value of 70.81% indicates that these three variables account for the vast majority of the variance in Generation Z's indebtedness. These findings indicate that the debt behavior of the younger generation is driven not only by economic factors but also by a confluence of psychological, social, and digital financial technology advancements. This research contributes to the literature on behavioral finance and the financial behavior of the younger generation in the digital era.

Keyword: Behavioral Finance; Buy Later; Fear Missing; Financial Overconfidence; Generasi Z.

1. INTRODUCTION

The development of digital technology has transformed various aspects of public life, including financial management and consumption activities. Easy internet access, the rising use of smartphones, and the rapid expansion of financial technology (fintech) services have driven the emergence of diverse digital payment innovations that offer convenience, speed, and flexibility in transactions (Kou & Lu, 2025). One innovation experiencing significant growth in recent years is the Buy Now Pay Later (BNPL) service. This service allows consumers to acquire goods or services immediately and defer payments through installments (Cervellati et al., 2026). Such convenience has rendered BNPL increasingly popular, particularly among Generation Z, who represent the most active age group utilizing digital technology and e-commerce platforms (Sinaga, 2025).

On one hand, the existence of BNPL provides benefits in the form of enhanced financial inclusion and convenient access to short-term financing. On the other hand, this convenience also raises concerns regarding increased consumptive behavior and the propensity to incur debt among the public. Individuals who previously lacked access to credit facilities can now easily make purchases without the need for immediate funds (Ashby et al., 2025). Consequently, the utilization of BNPL without proper financial management has the potential to elevate the level

of indebtedness, a condition in which individuals tend to rely on debt or face an escalating burden of financial obligations (Iskander et al., 2025).

The phenomenon of indebtedness has become an increasingly critical issue to address, as it impacts not only an individual's financial condition but can also affect psychological well-being, quality of life, and long-term financial stability (Narayan et al., 2025). High levels of consumptive debt can lead to payment difficulties, a reduced capacity to save, and an increased risk of default (Zhang & Zhao, 2025). This condition is highly relevant to Generation Z, who are currently in the initial phase of independent financial management while simultaneously facing strong social and digital influences that shape their consumption decisions.

One of the psychological factors suspected of contributing to rising indebtedness is financial overconfidence. Within the perspective of Behavioral Finance Theory, individuals do not always act rationally when making financial decisions. A frequently emerging bias is overconfidence, which is the tendency of individuals to possess excessive belief in their own financial capabilities, knowledge, and skills (Costa et al., 2025). Individuals experiencing financial overconfidence tend to perceive themselves as capable of controlling their financial conditions, overly optimistic in forecasting future income, and dismissive of the risks that may arise from debt utilization (Zheng et al., 2025). Consequently, they are more inclined to make risky financial decisions, including the excessive use of credit facilities or BNPL.

Beyond the factor of overconfidence, the development of social media has also given rise to a new psychological phenomenon known as the Fear of Missing Out (FoMO). FoMO is characterized as the anxiety or fear of missing out on experiences, trends, activities, or products enjoyed by others (Tandon et al., 2024). High intensity of social media use continuously exposes individuals to information regarding lifestyles, latest products, promotions, and consumption activities engaged in by peers and influencers (Nesbit & Lole, 2026). This condition can create social pressure that drives individuals to follow trends in order to feel socially accepted. When their financial capacity is insufficient, individuals with high levels of FoMO tend to seek easy and rapid financing alternatives, including through BNPL services.

The relationship between FoMO and the utilization of BNPL has become increasingly compelling to examine, as both evolve alongside the growing digitalization of society. Various e-commerce platforms and digital applications not only offer transactional convenience but also leverage urgency-based marketing strategies, limited-time discounts, and exclusive promotions that can intensify consumers' feelings of FoMO. Under such circumstances, BNPL emerges as an instant solution that enables individuals to fulfill their desires without having

adequate funds at the time of the transaction. However, the continuous use of BNPL potentially escalates the accumulation of payment obligations and ultimately increases indebtedness.

Although various studies have examined the factors influencing individual debt behavior, most prior research has predominantly focused on variables such as financial literacy, consumptive behavior, and income. Meanwhile, research that integrates Financial Overconfidence, Fear of Missing Out (FoMO), and Buy Now Pay Later (BNPL) in explaining indebtedness remains relatively limited, particularly within the context of Generation Z in Indonesia. In fact, these three variables represent interconnected phenomena that are increasingly relevant in the current digital era. Financial overconfidence can drive individuals to perceive themselves as capable of managing their debt obligations, FoMO can amplify consumption drives to conform to social trends, while BNPL provides the financing mechanism that facilitates the realization of such behaviors.

From the perspective of the Theory of Planned Behavior (TPB), an individual's decision to utilize credit or make a purchase is influenced not only by economic conditions but also by attitudes, social norms, and perceived behavioral control (Ajzen, 1991). Financial overconfidence reflects an excessive perception of control over financial capabilities, whereas FoMO relates to the influence of social norms and environmental pressures. When these two factors converge with the ease of financing access through BNPL, an individual's propensity to incur debt becomes increasingly pronounced. Therefore, it is imperative to understand how psychological factors and advancements in financial technology collectively influence the level of indebtedness.

This study is crucial as it offers theoretical contributions to the development of Behavioral Finance Theory and the Theory of Planned Behavior, particularly in explaining individual debt behavior in the digital era. Furthermore, this research provides practical contributions for financial institutions, BNPL service providers, regulators, and educational institutions in designing educational strategies and policies that promote more responsible utilization of digital financial services.

Based on the aforementioned background, the rising utilization of BNPL, high exposure to social media triggering FoMO, and the tendency toward financial overconfidence among Generation Z raise questions regarding the extent to which these factors influence an individual's level of indebtedness. Consequently, this study is conducted to analyze the effects of Financial Overconfidence, Fear of Missing Out (FoMO), and Buy Now Pay Later (BNPL) on Indebtedness among Generation Z in Central Java.

2. LITERATURE REVIEW

Theory of Planned Behavior (TPB)

The Theory of Planned Behavior (TPB) was developed by Icek Ajzen as an extension of the Theory of Reasoned Action (Ajzen, 1991). TPB posits that human behavior does not occur spontaneously; rather, it is preceded by behavioral intention, which is shaped by three core components: attitude toward the behavior, subjective norms, and perceived behavioral control.

Attitude toward the behavior reflects an individual's evaluation of whether a particular behavior is deemed favorable or unfavorable. Subjective norms pertain to the perceived social pressure to perform or not perform a specific behavior. Meanwhile, perceived behavioral control captures an individual's belief regarding their capability to execute a certain action.

Within the context of this study, TPB is utilized to explain how individuals decide to use digital credit facilities, which may ultimately escalate indebtedness. Individuals who perceive themselves as capable of managing financial obligations will exhibit high perceived behavioral control, thereby becoming more confident in utilizing credit facilities such as BNPL. Furthermore, social environmental influences reflected in the Fear of Missing Out (FoMO) can shape subjective norms that drive individuals to conform to emerging consumption trends.

In the digital era, social media creates an environment that amplifies social pressure. Individuals are continuously exposed to information regarding lifestyles, the latest products, promotions, and the consumption activities of others. This condition can induce the Fear of Missing Out (FoMO), which subsequently shapes the intention to make a purchase. When BNPL facilities are available and easily accessible, this intention is more readily actualized because individuals do not need to provide immediate funds. Consequently, the utilization of BNPL may escalate and potentially lead to indebtedness.

Thus, TPB explains that indebtedness is influenced not only by an individual's economic condition but also by psychological processes involving self-belief, social pressure, and the perceived ease of conducting credit transactions.

Behavioral Finance Theory

Behavioral Finance Theory emerged as a critique of traditional financial theories, which assume that individuals always act rationally when making financial decisions. This theory posits that financial decisions are frequently influenced by emotions, cognitive biases, and psychological limitations that cause individuals to deviate from rational behavior (Agudelo Aguirre & Agudelo Aguirre, 2024).

According to Behavioral Finance Theory, individuals often fail to evaluate risks and benefits objectively when making financial decisions (Challa et al., 2024). Instead, they are influenced by various psychological biases, such as overconfidence, optimism bias, herd behavior, anchoring, and loss aversion. These biases can lead individuals to make sub-optimal decisions and potentially incur financial problems in the future.

One of the most relevant biases in this study is financial overconfidence. Overconfidence is a condition in which individuals possess excessive belief in their own capabilities, knowledge, or skills. In a financial context, overconfident individuals tend to believe that they can manage debt effectively, generate sufficient future income, and meet payment obligations on time. This excessive confidence often causes individuals to underestimate the actual financial risks (Singh et al., 2024).

Beyond overconfidence, Behavioral Finance Theory can also explain the phenomenon of FoMO. Individuals frequently make consumption decisions not out of rational necessity, but due to emotional drives and the desire to conform to their social environment. Intensive exposure to social media prompts individuals to compare themselves with others, thereby inducing anxiety when they feel left behind by specific trends or experiences. This condition can trigger impulsive buying decisions and increase the utilization of credit facilities.

In the context of BNPL, Behavioral Finance Theory explains that the ease of installment payments can create an illusion of financial capacity. Individuals perceive themselves as capable of purchasing goods because payments can be deferred or divided into installments, even though their actual financial condition may not necessarily be adequate. This phenomenon is known as present bias, which is the tendency of individuals to prioritize immediate gratification over considering long-term consequences.

The accumulation of these various biases can escalate indebtedness. Individuals who are overconfident, driven by FoMO, and granted easy access to credit through BNPL potentially exhibit a higher propensity to incur debt compared to individuals who make decisions rationally.

Indebtedness

Indebtedness is a condition that describes an individual's level of reliance on debt to fulfill both needs and desires (Bialowolski et al., 2024). In financial behavior research, indebtedness is measured not only by the amount of debt possessed but also by an individual's tendency to utilize credit repeatedly. Indebtedness has become a critical issue because it can affect an individual's financial well-being. High levels of indebtedness can lead to payment difficulties, a diminished capacity to save, and an increased risk of financial distress. In this

study, indebtedness is utilized as the dependent variable influenced by psychological factors and digital consumption behavior.

Financial Overconfidence

Financial overconfidence is a cognitive bias that causes individuals to hold an excessive belief in their own financial capabilities and knowledge (Awalakki, 2023). According to Behavioral Finance Theory, overconfident individuals tend to overestimate their ability to manage financial risks and predict future financial conditions. Consequently, they are more inclined to make risky financial decisions, including the utilization of credit facilities and consumptive debt. In the context of indebtedness, individuals with high levels of financial overconfidence tend to perceive themselves as capable of meeting future payment obligations, thereby underestimating the risks of debt. This condition can increase an individual's propensity to overuse credit and ultimately elevate the level of indebtedness.

Fear of Missing Out (FoMO)

Fear of Missing Out (FoMO) is a feeling of fear of missing out on experiences, activities, or trends that are being enjoyed by others (Argan et al., 2024). FoMO develops along with the increasing use of social media which allows individuals to continuously compare themselves with their social environment. According to the Theory of Planned Behavior, FoMO can create social pressure that encourages individuals to follow consumption trends in order to remain accepted within their social group. When financial capability is insufficient, individuals can utilize credit facilities to fulfill these desires. Therefore, FoMO is viewed as a factor that potentially increases indebtedness.

Buy Now Pay Later (BNPL)

Buy Now Pay Later (BNPL) is a digital payment service that allows consumers to obtain goods or services first and make payments at a later date through an installment system (F. Ahmad, 2026). The presence of BNPL provides easy access to credit with a fast and simple process. From the perspective of Behavioral Finance Theory, the convenience of BNPL can reduce the perception of the payment burden, thereby encouraging individuals to engage in consumption that exceeds their financial capability. Therefore, the high use of BNPL potentially increases the accumulation of payment obligations and drives the occurrence of indebtedness.

Hypothesis Development

The Influence of Financial Overconfidence on Indebtedness

Behavioral finance theory posits that individuals do not always act rationally when making financial decisions. A frequently observed bias is financial overconfidence, which

refers to the tendency of individuals to overestimate their financial capabilities and knowledge (Karki et al., 2024). Highly overconfident individuals tend to perceive themselves as competent in managing financial risks and meeting future payment obligations, even when their actual circumstances do not necessarily support such assumptions.

In the context of debt behavior, financial overconfidence can lead individuals to underestimate the risks associated with credit utilization. Excessive confidence in one's financial capacity fosters greater propensity to pursue financing options, including utilizing credit facilities to satisfy both consumer needs and lifestyle desires (M. Ahmad & Shah, 2020). Furthermore, overconfident individuals tend to project future income with undue optimism, thereby viewing debt accumulation as a minor concern.

Prior literature (Fersi & Boujelbène, 2021) (Tahir, 2025) indicates that overconfidence bias is correlated with riskier financial decision-making, including increased credit usage and higher debt accumulation. Consequently, a higher level of financial overconfidence corresponds to a greater propensity toward indebtedness.

H1: Financial Overconfidence has a positive effect on Indebtedness.

The Influence of Fear of Missing Out (FoMO) on Indebtedness

Fear of Missing Out (FoMO) is a psychological condition characterized by the apprehension that others might be having rewarding experiences, activities, or trends from which one is absent. From the perspective of the Theory of Planned Behavior, FoMO can be linked to subjective norms that influence individual behavior. Social pressures emerging from peer environments and social media platforms compel individuals to conform to contemporary trends to maintain acceptance within their social groups (Chakrabarti, 2024).

The proliferation of social media usage increases individuals' exposure to diverse lifestyles, product promotions, and the consumption activities of others. This phenomenon can intensify the impulse to engage in purchasing behavior, even when it is not necessitated by urgent needs. When existing financial capabilities are insufficient, individuals are more likely to leverage various credit facilities to satisfy these desires. Consequently, FoMO not only drives consumerist behavior but also heightens the probability of individuals utilizing debt-based financing. A higher level of FoMO corresponds to a greater propensity toward indebtedness.

Prior literature (ALTUNDAL et al., 2024) (Sheedy et al., 2026) indicates that fear of missing out is correlated with riskier financial decision-making, including increased credit usage and higher debt accumulation. Consequently, a higher level of fear of missing out corresponds to a greater propensity toward indebtedness.

H2: Fear of Missing Out (FoMO) has a positive effect on Indebtedness.

The Influence of Buy Now Pay Later (BNPL) on Indebtedness

Buy Now Pay Later (BNPL) is a digital payment service that enables consumers to acquire goods or services immediately and defer payment to a future date. The emergence of BNPL provides convenient access to credit through a fast, flexible, and user-friendly process. This convenience has rendered BNPL increasingly popular, particularly among Generation Z consumers who actively engage in transactions on digital platforms.

According to behavioral finance theory, individuals tend to focus disproportionately on immediate benefits rather than future financial consequences. The deferred payment mechanism inherent in BNPL services can mitigate the perceived pain of paying, thereby facilitating impulsive or easier purchasing decisions. Consequently, the utilization of BNPL potentially intensifies consumption frequency and increases the volume of future financial obligations.

Frequent utilization of BNPL services escalates the likelihood of accumulating payment obligations, which subsequently exacerbates the level of indebtedness (Mori & Langariya, 2025) (M. Ahmad & Thesis, 2025). Therefore, BNPL usage is anticipated to have a positive relationship with indebtedness.

H3: The use of Buy Now Pay Later (BNPL) has a positive effect on Indebtedness.

The conceptual framework governing this research is illustrated below.

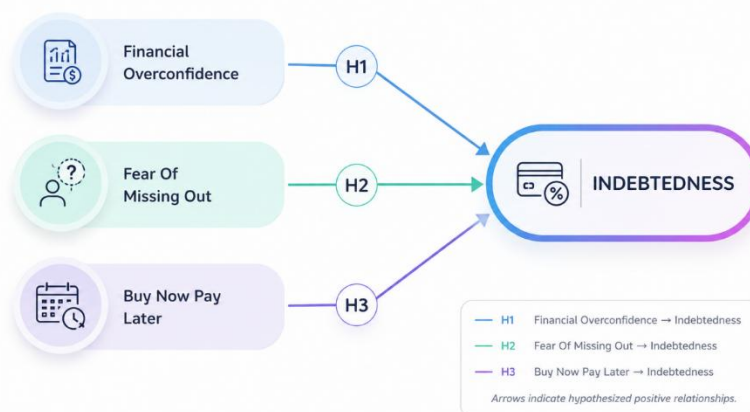


Figure 1. Conceptual Framework.

3. RESEARCH METHODS

This study employs an explanatory quantitative approach aimed at examining the causal relationships (Creswell & Creswell, 2018) among Financial Overconfidence, Fear of Missing Out (FoMO), Buy Now Pay Later (BNPL), and Indebtedness among Generation Z. A cross-

sectional design was utilized, wherein data collection was conducted within a single time frame via an online survey. The primary objective of this research is to test the effects of Financial Overconfidence, Fear of Missing Out (FoMO), and Buy Now Pay Later (BNPL) usage on Indebtedness. Primary data were gathered through questionnaire distribution to respondents. The collected data were subsequently analyzed using multiple linear regression executed through EViews software.

The target population for this study comprises Generation Z individuals residing in Central Java Province. Central Java was selected as the research location because it is one of the most populous provinces in Indonesia with a dominant Generation Z population. The high internet penetration rate, active social media engagement, and the rapid expansion of digital financial services in Central Java render its Generation Z demographic a highly relevant cohort for examining the interplay between Financial Overconfidence, Fear of Missing Out (FoMO), BNPL utilization, and indebtedness levels. Generation Z refers to individuals born between 1997 and 2012. In this study, the respondents were restricted to Generation Z individuals who possess the capacity to conduct financial transactions independently and are familiar with digital financial services, specifically Buy Now Pay Later (BNPL).

The selection of Generation Z as the research object is predicated on their distinct characteristics, namely their high levels of internet usage, social media engagement, and financial technology adoption. Furthermore, Generation Z is an age group highly vulnerable to the influence of Fear of Missing Out (FoMO), overconfident behavior in financial decision-making, and the usage of BNPL services, which potentially escalates indebtedness. Given that the exact population size of Generation Z in Central Java is unknown, this study employs a non-probability sampling technique with a purposive sampling method.

The specific respondent inclusion criteria are as follows:

- a. Residing in Central Java Province.
- b. Categorized as Generation Z (aged approximately 17–29 years old at the time of the study).
- c. Possessing an active social media account.
- d. Being aware of or having previously utilized Buy Now Pay Later (BNPL) services.
- e. Demonstrating willingness to complete the research questionnaire.

Drawing upon Hair et al. (2019), the minimum sample size can be determined based on the total number of research indicators, specifically 5 to 10 times the number of indicators used (Hair et al., 2021). This study incorporates four variables with a cumulative total of 18 indicators. Multiplying the number of indicators by a factor of eight yields: $n = 18 \times 8 = 144$. A sample size of 144 respondents was selected as it surpasses the recommended minimum

threshold for quantitative research and is deemed adequate for multiple linear regression analysis using EViews. Moreover, this sample size is expected to enhance statistical power, thereby ensuring that the empirical results regarding the relationships among Financial Overconfidence, Fear of Missing Out (FoMO), Buy Now Pay Later (BNPL), and Indebtedness are more accurate and generalizable to the Generation Z population in Central Java.

Table 2. Operational Definition of Variables.

Variabel	Definition	Indicators	Que
Financial Overconfidence	Overconfidence refers to an individual's excessive level of confidence in their ability to make financial decisions and manage the resulting consequences (Zhang & Song, 2025)	a. Perceiving oneself as having superior financial capabilities compared to others. b. Confidence in effectively managing debt. c. Feeling capable of meeting future financial obligations. d. Tendency to underestimate financial risks. e. Confidence in making financial decisions with minimal deliberation. (He et al., 2025)	1. I am confident in my ability to make correct financial decisions without the assistance of others. 2. I am confident in my ability to manage and make debt payments on time. 3. I am optimistic that my financial situation will be sufficient to meet various payment obligations. 4. I believe that the financial risks I encounter can be easily mitigated. 5. I feel highly certain about the financial decisions I make.
Fear of Missing Out (FoMO)	FoMO is the level of individual anxiety regarding being left behind from popular trends, information, or activities, which subsequently drives specific consumption behaviors (Morsi et al., 2025)	a. Anxiety over being left behind by trends. b. Desire to participate in popular activities. c. Impulse to constantly stay updated on the latest developments. d. Desire to purchase products widely utilized by others. (Djafarova & Kim, 2025)	1. I feel a need to stay updated on trends that interest many people. 2. I am interested in trying viral products or services. 3. I frequently monitor social media to keep up with the latest trends. 4. I feel driven to purchase products that are widely used by others.
Buy Now Pay Later (BNPL)	BNPL represents the intensity of an individual's utilization of Buy Now Pay Later services to conduct transactions for purchasing goods or services (Cheng, 2025)	a. Frequency of BNPL usage. b. Ease of BNPL usage. c. Perception of payment flexibility. d. Reliance on BNPL during transactions. (Threadgold et al., 2025)	1. Buy Now Pay Later is one of the payment methods I frequently use. 2. I find the application and usage process of Buy Now Pay Later to be highly practical. 3. Buy Now Pay Later provides me with flexibility in managing my payments.

			4. I feel that Buy Now Pay Later helps meet my needs when available funds are limited.
Indebtedness	The degree of an individual's attachment to debt, reflected through debt utilization, dependency on debt, debt payment burdens, repayment difficulties, and the propensity to accumulate new debt (Jolly et al., 2024)	a. Frequency of debt utilization. b. Dependency on debt. c. Debt repayment burden. d. Difficulty in settling debts. e. Propensity to accumulate new debt. (Hämmig & Herzig, 2022)	1. I frequently utilize loans or credit to fulfill my needs. 2. I rely on debt when facing financial necessities. 3. A major portion of my income is allocated toward paying off installments or debts. 4. I have experienced difficulties in settling my debts on time. 5. I tend to accumulate new debt even while possessing outstanding unpaid obligations.

Source: Prepared by the author (2026).

4. RESULTS AND DISCUSSION

Multiple Linear Regression Analysis

Hypothesis testing was conducted using multiple linear regression analysis executed through EViews 12 software. The statistical estimation yields the following results:

Table 3. Multiple Linear Regression Results.

Variable	Coefficient	t-Statistic	Probability
C	-5.374142	-4.125181	0.0001
Financial Overconfidence (X1)	0.451278	4.576696	0.0000
Fear of Missing Out (X2)	0.419202	4.741032	0.0000
Buy Now Pay Later (X3)	0.428866	4.751861	0.0000

Source: Processed Data (2026).

Based on the regression outputs, the empirical model is formulated as follows:

$$Y = -5.374 + 0.451X1 + 0.419X2 + 0.429X3 + e$$

The regression equation demonstrates the following insights:

- The constant value (C) of -5.374 implies that if Financial Overconfidence, FoMO, and BNPL are valued at zero, the Indebtedness level is predicted to be -5.374.
- The coefficient for Financial Overconfidence (X1) of 0.451 indicates that every one-unit increase in Financial Overconfidence will increase Indebtedness by 0.451 units, ceteris paribus (assuming other variables remain constant).
- The coefficient for FoMO (X2) of 0.419 signifies that every one-unit increase in FoMO will lead to a 0.419-unit increase in Indebtedness.

- d. The coefficient for BNPL (X3) of 0.429 demonstrates that every one-unit increase in BNPL utilization will increase Indebtedness by 0.429 units.

Coefficient of Determination Test (R^2)

The regression analysis generated the following goodness-of-fit metrics:

Table 4. Coefficient of Determination Results.

Indicator	Value
R-Squared	0.714207
Adjusted R-Squared	0.708083

Source: Processed Data (2026).

The Adjusted R-Squared value of 0.708083 indicates that Financial Overconfidence, FoMO, and BNPL collectively account for 70.81% of the variance in Indebtedness. The remaining 29.19% is explained by other external factors omitted from this research model, such as financial literacy, self-control, consumerist lifestyle, materialism, income levels, and other exogenous variables.

Simultaneous Significance Test (F-Test)

The simultaneous statistical evaluation yielded the following results:

Table 5. F-Test Results.

Indicator	Value
F-statistic	116.6215
Prob(F-statistic)	0.000000

Source: Processed Data (2026).

Given that the probability value is less than the significance threshold ($0.0000 < 0.05$). This confirms that Financial Overconfidence, Fear of Missing Out (FoMO), and Buy Now Pay Later (BNPL) simultaneously exert a significant influence on Indebtedness among Generation Z in Central Java. Although this study does not formally test a simultaneous hypothesis, these results are nevertheless presented to provide comprehensive information for the reader.

Partial Significance Test (t-Test)

The Influence of Financial Overconfidence on Indebtedness, the empirical analysis demonstrates that Financial Overconfidence has a regression coefficient of 0.451278 with a corresponding probability value (p-value) of 0.0000. Given that the probability value is strictly below the conventional significance threshold of 0.05, H1 is accepted. This statistical evidence confirms that Financial Overconfidence exerts a positive and statistically significant influence on Indebtedness among Generation Z in Central Java.

The Influence of Fear of Missing Out (FoMO) on Indebtedness, the estimation results indicate that FoMO exhibits a regression coefficient of 0.419202 with a probability value (p-value) of 0.0000. Since the probability value is lower than 0.05, H2 is accepted. This indicates

that Fear of Missing Out (FoMO) has a positive and statistically significant impact on Indebtedness among Generation Z in Central Java.

The Influence of Buy Now Pay Later (BNPL) on Indebtedness, the statistical output shows that BNPL utilization has a regression coefficient of 0.428866 and a probability value (p-value) of 0.0000. Because the probability value is less than 0.05, H3 is accepted. This proves that the use of Buy Now Pay Later (BNPL) exerts a positive and statistically significant effect on Indebtedness among Generation Z in Central Java.

Dominant Variable, based on the magnitude of the regression coefficients, the variable that exerts the most substantial influence on Indebtedness is Financial Overconfidence (X1), with a coefficient value of 0.451278. This is closely followed by Buy Now Pay Later (X3) at 0.428866, and Fear of Missing Out (X2) at 0.419202.

Discussion

The empirical findings demonstrate that Financial Overconfidence exerts a positive and statistically significant influence on Indebtedness among Generation Z in Central Java. This finding indicates that a higher level of individual confidence in managing finances corresponds to a greater propensity to accumulate larger amounts of debt. Theoretically, this outcome aligns with Behavioral Finance Theory, which posits that individuals do not always act rationally when making financial decisions. Financial overconfidence causes individuals to believe that their capabilities are superior to their actual circumstances. Consequently, they tend to underestimate financial risks and maintain undue optimism regarding their ability to meet future payment obligations.

In the context of Generation Z, this condition is exacerbated by their immersion in a digital era that provides seamless access to various financial services. The ease of obtaining digital credit, online loans, and BNPL services often creates a perception that financial constraints can be instantaneously resolved through financing facilities. Overconfident individuals tend to believe they can manage these obligations without adequately considering potential future income reductions or unforeseen expenditure increases. Furthermore, based on the regression coefficient (0.451), Financial Overconfidence emerged as the most dominant predictor of indebtedness among the evaluated variables. This insight implies that enhancing financial literacy alone may be insufficient to mitigate indebtedness if individuals still harbor psychological biases, specifically an excessive inflation of their financial capabilities.

The results indicate that Fear of Missing Out (FoMO) has a positive and statistically significant effect on Indebtedness. This implies that elevated levels of FoMO among Generation Z directly accelerate their propensity toward indebtedness. This phenomenon is

intrinsically linked to the proliferation of social media platforms, which have become an integral component of Generation Z's daily lives. Platforms such as Instagram, TikTok, and X expose individuals to the activities, lifestyles, and consumption patterns of peers in real time. This continuous exposure often triggers anxiety regarding being left behind by trends, promotions, experiences, or material possessions.

From the lens of Self-Determination Theory, FoMO stems from the psychological need to feel connected and accepted within a social group. When individuals perceive themselves as lagging behind their peers, it generates an impulse to replicate similar consumption behaviors, even when their objective financial capacity is lacking. Interestingly, for Generation Z, consumption decisions are frequently driven not by functional utility, but by the desire to maintain social status and visibility. Consequently, individuals become highly susceptible to impulsive buying and leverage credit facilities to satisfy these social desires, ultimately escalating indebtedness.

The statistical analysis reveals that the use of Buy Now Pay Later (BNPL) exerts a positive and statistically significant impact on Indebtedness. This finding indicates that more frequent utilization of BNPL services by Generation Z corresponds to a higher level of debt. In practice, BNPL offers a highly compelling convenience for consumers. Rapid approval processes, minimal requirements, and the ability to acquire products without immediate out-of-pocket expenditure have popularized this service among the younger demographic.

However, this convenience carries latent consequences. In accordance with Mental Accounting Theory, individuals often perceive deferred installment payments as less burdensome compared to a lump-sum cash payment. Consequently, consumers more readily engage in purchasing behavior because their cognitive focus shifts to the small monthly installment size rather than the aggregate financial obligation. For Generation Z, this phenomenon is further complicated by the seamless integration of BNPL services into daily e-commerce platforms. When promotions, discounts, and BNPL options converge, the psychological barrier to incurring debt drops significantly, enabling purchases within a few clicks.

A salient finding of this study is that all independent variables consistently exert positive and significant effects on indebtedness. This underscores that indebtedness among Generation Z is not driven by an isolated factor, but rather emerges from the complex interplay of psychological, social, and financial technology dynamics. While Financial Overconfidence represents the internal psychological bias causing overoptimistic financial assessments, FoMO captures the external social pressures driving individuals to conform to specific lifestyles.

Concurrently, BNPL serves as the enabling financial technology that facilitates the fulfillment of these consumerist desires. These three factors form a self-reinforcing mechanism. Generation Z individuals who overestimate their financial management capacity, fear social exclusion, and possess frictionless access to digital credit face an exponentially higher risk of being trapped in chronic indebtedness. This is statistically substantiated by the Adjusted R^2 of 70.81%, indicating that behavioral factors hold substantially greater explanatory power over modern youth debt behavior than traditional economic models.

The findings of this study offer a critical policy and educational takeaway: strategies designed to mitigate indebtedness among Generation Z cannot rely solely on conventional financial literacy programs. Financial education initiatives must holistically address behavioral and psychological dimensions, including overconfidence biases, social-media-induced FoMO, and the consumption pitfalls of digital credit facilities like BNPL. Ultimately, fostering sustainable financial well-being requires not just an increase in technical financial knowledge, but the cultivation of self-regulation and highly rational decision-making frameworks.

5. CONCLUSIONS

This study aimed to analyze the influences of Financial Overconfidence, Fear of Missing Out (FoMO), and Buy Now Pay Later (BNPL) on Indebtedness among Generation Z in Central Java. The empirical results demonstrate that Financial Overconfidence, FoMO, and BNPL both partially and simultaneously exert a positive and statistically significant influence on Indebtedness. These findings indicate that higher levels of excessive self-confidence in financial decision-making, stronger impulses to conform to social trends, and more intense utilization of BNPL services collectively accelerate Generation Z's propensity toward indebtedness.

Among the three independent variables evaluated, Financial Overconfidence emerged as the most dominant predictor of indebtedness. This outcome underscores that debt behavior among Generation Z is driven not merely by traditional economic factors, but heavily by psychological biases, social pressures, and the frictionless access to digital credit. Furthermore, the Adjusted R^2 value of 70.81% signifies that these three variables account for a substantial majority of the variance in indebtedness. Consequently, this study robustly reinforces the perspective of Behavioral Finance Theory, confirming that individual financial decisions are fundamentally shaped by behavioral and psychological dimensions.

Recommendations, Based on the empirical findings, several key recommendations are proposed. For Generation Z: There is a critical need to enhance self-awareness in managing

personal finances more rationally. This can be achieved by mitigating overconfidence biases, curbing consumerist impulses triggered by FoMO, and utilizing BNPL services prudently in accordance with objective financial capabilities. For BNPL Providers and Regulators: Enhanced educational initiatives regarding debt risks and responsible credit usage are urgently required to safeguard young consumers from chronic financial distress. For Future Research: Subsequent studies are encouraged to incorporate alternative variables such as Financial Literacy, Self-Control, Financial Attitude, or Impulsive Buying and expand the geographical scope beyond Central Java to cultivate a more comprehensive understanding of the multifaceted factors driving indebtedness in Indonesia.

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