

ABSTRACT

Currently, technological advancements across various sectors are accelerating, driven by the need for digitalization, which inevitably extends to the financial services sector. The credit service in applications known as Buy Now Pay Later (BNPL) represents a significant form of digital adaptation within the financial sector, widely used in Indonesia. Low levels of financial literacy in the fintech sector and high levels of indebtedness, indicated by default rates exceeding the warning threshold in BNPL services, are phenomena that underpin this study.

This research aims to understand the impact of financial literacy, debt literacy, and demographic determinants on over-indebtedness among BNPL service users in West Java.

The study employs a quantitative method, collecting data through questionnaires distributed via Google Forms on social media and directly to the public. The collected data is then processed using multinomial logistic regression analysis for interpretation.

The results show that the variables with significant influence are financial literacy, debt literacy, age, and income. The study reveals that higher levels of financial literacy and debt literacy are associated with a lower likelihood of being over-indebted. Conversely, older age groups tend to have a higher risk of over-indebtedness compared to younger age groups. Additionally, it was found that individuals with lower incomes are more vulnerable to over-indebtedness. However, education level does not significantly affect indebtedness, and gender does not have a direct relationship with the dependent variable in this study.

This research is expected to provide insights into the factors that significantly influence over-indebtedness, which can then be used as a basis for decision-making in developing strategies to address the high rate of BNPL users in over-indebted conditions.

Keywords: financial literacy, debt literacy, multinomial logistic regression, over-indebtedness, pay later