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FINANCIAL KNOWLEDGE, FINANCIAL WELLBEING, AND ONLINE SHOPPING ADDICTION AMONG YOUNG INDONESIANS Sherly Rosalina Tanoto1, Evelyn2 1 Petra Christian University, sherlytanoto@petra.ac.id 2 Petra Christian University, evelyn@petra.ac.id ABSTRACT With the recent booming of e-commerce business in Indonesia, it is essential to conduct further studies on online shopping behavior of Indonesians. Past studies on online shopping addiction emphasize only psychological factors and overlook financial factors. To fill this research gap, the purpose of this study is to examine the association and effect of financial knowledge and financial wellbeing on online

shopping addiction. The Bergen Shopping Addiction Scale (BSAS) was **1**

adopted to assess online shopping addiction whilst financial knowledge and financial wellbeing scales from Australian Unity were used to measure the other two research variables. Data was collected through an online survey of 230 young Indonesians. To analyze the data, Pearson correlation and multiple regression techniques were implemented. Outcomes of this study revealed that most respondents had medium and high levels of financial knowledge and financial wellbeing. Interestingly, addictive respondents showed high financial knowledge and financial wellbeing. Moreover, financial knowledge and financial wellbeing were positively related to online shopping addiction. Financial wellbeing was a better predictor because it might be possible that individuals with positive feelings on their financial conditions were more at ease in increasing their online spending behavior. The results of this study provide insights for future studies and e-commerce owners. Keywords: online shopping addiction, financial knowledge, financial wellbeing INTRODUCTION Indonesia's economy ended on a positive outcome in 2017. Since then, it has shown healthy improvement. Indeed, according to the Boediono (2018), Indonesia's real Gross Domestic Product (GDP) growth increased to 5.2 percent year over year. This result has been followed by higher poverty reduction. Analysts remarked that these outcomes were Indonesia's best performance since 2016 (FocusEconomics, 2017). Moreover, it was proposed that Indonesia would be the world's 7th- largest economy, conquering Germany and the United Kingdom (Oberman, Dobbs, Budiman, Thompson, & Rossé, 2012). Indonesia's economic improvements, accompanied by the increase of living standards, encourage Indonesians to be more consumptive. It has been stated that the strengthening of household consumption is a major cause of Indonesia's economic growth (World Bank, 2018). This data is supported by the Marginal Propensity to Consume (MPC) of Indonesian society, which tends to increase (Sari, 2014). The McKinsey Global Institute even estimated that there would be 90 million Indonesians with consumptive behavior by 2030 (Oberman et al., 2012). The advancement in Internet technology may also affect individuals' level of consumption as the internet offers customers with a convenient way to shop products and services. Surveys conducted by Google Indonesia and Growth from Knowledge (GfK) showed that the average Indonesian community spent 4-6 hours shopping online (Barlian, 2017). Furthermore, Agus Martowardojo, the current Governor of Bank Indonesia, claimed that the total amount of money spent by Indonesian online customers reached Rp. 75 trillion in 2017 (Oktara, 2017). It can be said that online shopping has become a new lifestyle. Bighiu, Manolică, and Roman (2015) argued that the current spending behavior is no longer just an activity done to meet the needs. In Indonesia, middle-class societies experience a transitional pattern of consumption, from the original way to meet the basic need of fulfilling the needs of symbols, status, and lifestyle (Jati, 2016). Often people shop without planning, and for no underlying rationale, or known as compulsive buying. There has been academic debate regarding the nature of compulsive buying whether it is an impulse- control, obsessive-compulsive or addictive condition (Aboujaoude, 2014). Several scholars contended that it is better to be recognized as shopping addiction because people with this behavior experienced craving, withdrawal, and loss of control (Andreassen et al., 2015; Workman & Paper, 2010). Hence, this study adopts problematic shopping behavior as an addiction since it shows some behavioral addictions as mentioned earlier. In the context of online shopping, it is usually called online shopping addiction or Problematic Internet Shopping (PIS) (Lam & Lam, 2017; Andreassen et al., 2015). LaRose and Eastin (2002) suggested that ease of online shopping might increase the risk of online shopping addiction. However, with the growing number of online shopping service users today, online shopping addiction is becoming an acceptable and understandable addiction by the community (Lam & Lam, 2017). For example, college students in Paris choose to shop online over offline due to attractive offers and an instant positive sensation (Duroy, Gorse, & Lejoyeux, 2014). Previous studies had been investigating potential antecedents of online shopping addiction, such as personal characteristics (Rose & Dhandayudham, 2014), cognitive appraisal (Brand, Young, Lajer, & Wölfling, 2016; Duroy, Gorse, & Lejoyeux, 2014), and the coping style (Lo & Harvey, 2012; Clark & Calleja, 2008). These studies focus more on the psychological causes. Spinella, Lester, and Yang (2014) demonstrated that online shopping addiction was related to individuals' financial behavior. Recent research showed that online shopping addiction was affected by financial literacy. Individuals with high financial literacy tend to have low online shopping addiction (Lam & Lam 2017). Moreover, individuals with high financial worries will be more likely to be addicted to shop (Garðarsdóttir & Dittmar, 2012). However, there is only little research on the importance of individuals' financial condition towards online shopping addiction (Lam & Lam, 2017). Therefore, this present study aims to answer this particular question. Given the economic situation and the recent booming of e-commerce, Indonesia will be a fascinating population to study in relation with its online shopping behavior. We contend that the rapid growth of economy and e-commerce in Indonesia promotes consumptive behavior that eventually will affect their online shopping addiction, their financial knowledge, and their financial wellbeing. Specifically, our aims are: (1) to characterize levels of financial knowledge, financial wellbeing, and online shopping addiction among young Indonesians; (2) to analyze whether different levels of financial knowledge and financial wellbeing will result in different levels of online shopping addiction; (3) to examine the relationship and influence of financial knowledge and financial wellbeing on online shopping addiction. LITERATURE REVIEW AND HYPOTHESIS Financial Knowledge The lack of agreement about the differences between financial literacy, financial knowledge, and financial education may have caused the interchangeable use of these terms in academic and popular literature. Indeed, according to Huston's (2010) literature review, out of 70 studies evaluated, almost 50% of them utilized the terms of financial literacy and financial knowledge interchangeably. Moreover, only 15% argued that financial literacy and financial knowledge are two distinct concepts; and, they further stated that financial knowledge is a part of financial literacy yet not parallel to financial literacy. Most definitions of financial literacy emphasize abilities and skills while financial knowledge is more about understanding of financial concepts, products, and services (Australian Unity, 2014; United States Government Accountability Office, 2012; OECD, 2010). Furthermore, in financial literacy, individuals not only have financial knowledge but they are able to make informed judgment based on their financial knowledge (Australian Unity, 2014; Huston, 2010). Both financial literacy and financial knowledge are human capitals whereas financial education is a tool aimed to improve individuals' human capital, namely financial literacy and financial knowledge. Studies that differentiate between financial literacy and financial knowledge define financial knowledge as all essential knowledge on financial concepts, products, and services that help to make right financial decisions, such as inflation, interest, and risk (Australian Unity, 2014; Huston, 2010; Moore, 2003). Financial Wellbeing Discussions on financial wellbeing can be found in various disciplines, such as financial planning, consumer decision-making, and psychology. Due to this, there has been no agreement in the definition of financial wellbeing. In fact, past studies on financial wellbeing implemented different measurements yet they did not clarify the definition of financial wellbeing (Strömbäck, Lind, Skagerlund, Västfjäll, & Tinghög, 2017; Garðarsdóttir & Dittmar, 2012; Sabri, Cooke, & Gudmunson, 2012; Gutter & Copur, 2011). Even, the most often cited InCharge Financial Distress/Financial Well Being (IFDFW) scale by Prawitz, Garman, Sorhaindo, O'Neill, Kim, and Drentea (2006) offers no operational definition of financial wellbeing. Brüggen, Hogreve, Holmlund, Kabadayi, and Löfgren (2017) in their research agenda state that there are three frameworks of understanding financial wellbeing. The first framework believes that financial wellbeing contains objective and subjective characteristics; the second and third frameworks either consider financial wellbeing as objective or subjective characteristics. Different research used different indicators for those objective and subjective dimensions. Some objective financial wellbeing indicators were household's abilities to manage cash flow (Aggarwal, 2014), students' level of debts (Shim, Xiao, Barber, & Lyons, 2009), financial information and financial ratios (Greninger, Hampton, Kitt, & Achacoso, 1996), and income level (Porter & Garman, 1992). Subjective financial wellbeing indicators include individuals' satisfaction towards their financial situations (O'Neill, Sorhaindo, Xiao, & Garman, 2005; Norvilitis, Szablicki, & Wilson, 2003) and worries about debt (Kim & Garman, 2003). This research adopts the subjective model to assess financial wellbeing due to two reasons. Firstly, this model is more comprehensive as it includes non-financial matters (Kim & Garman, 2003). Secondly, this model is more suitable to understand a complicated and personal concept, like financial wellbeing (Brüggen et al., 2017). Within this framework, financial wellbeing refers to how individuals view their abilities to maintain their current and future desired living costs and financial autonomy (Brüggen et al., 2017). Financial wellbeing is related to individuals' attitudes, behavior, and feelings toward their current financial condition (Australian Unity, 2014). Online Shopping Addiction Prior studies define unregulated shopping behavior as addictive (Krych, 1989), compulsive (Faber & O'Guinn, 1992), and impulsive (Rook & Fisher, 1995). Addictions to shop are represented by individuals' inability to stop their urge of shopping (Krych, 1989). Faber and O'Guinn (1992) cited in Spinella, Lester, and Yang (2014) explain compulsive buying as "chronic, repetitive purchasing that becomes a primary response to negative events or feelings". Impulsive buying (Rook & Fisher, 1995) refers to the tendency to shop "spontaneously, unreflectively, immediately, and kinetically." Given this background, there has been long debate about the nature of excessive buying in the scientific environment: is it compulsive, impulsive, or addictive? (Andreassen et al., 2015; Aboujaoude, 2014; LaRose & Eastin, 2002) Recent studies contend that it is more appropriate to understand excessive buying as addictive because it is caused by uncontrolled urge and some of its symptoms are similar with addiction symptoms, namely longing, withdrawal, and loss of control (Lam & Lam, 2017; Manchiraju, Sadachar, & Ridgway, 2016; Andreassen et al., 2015; Workman & Paper, 2010). An attempt has been made to define and measure online shopping addiction because previous scales are considered to be out-of- date, developed under compulsive approach, and in the offline-shopping context (Andreassen et al., 2015). Hence, this research implements the definition of online shopping behavior from Andreassen et al. (2015), which is behavior motivated

by an uncontrollable shopping urge, **and** reflected by spending **much time and** energy **into shopping that it** harms **other** significant **life** 1

aspects. Other scholars embrace this approach, such as Davenport, Houston, and Griffith (2012), Hartson (2012), and Albrecht, Kirschner, and Grüsser (2007). Relationship Between the Concept and the Hypothesis of the Study Early research on the topic of financial knowledge showed that students with high level of financial knowledge produced better investment, insurance choice, and spending tendencies (Chen & Volpe, 1998). Even though results of some studies showed support that more knowledgeable individuals tend to engage in positive financial behavior (Robb, 2011; Shim, Barber, Card, Xiao, & Serido, 2010; Cude et al., 2006), some scholars found contradictory results. Indeed, they found that higher financial knowledge was related to higher credit card loan (Norvilitis & MacLean, 2010; Robb & Sharpe, 2009; Borden et al., 2008) since more financial knowledge decreases the anxiety of utilizing credit cards (Borden et al., 2008). Lam and Lam's (2017) study also revealed that there was a correlation between financial literacy and problematic internet shopping. Besides financial knowledge, studies showed that financial wellbeing is linked with financial behaviors, such as paying credit card bills (Joo & Grabble, 2004), financial management behaviors (Shim et al., 2009), and problematic financial behavior (Worthy, Jonkman, & Blinn-Pike, 2010). Another study by Gutter and Copur (2011) demonstrated that financial wellbeing was linked with budgeting, saving, and compulsive buying. H1. Young Indonesians' online shopping addiction level will differ by their financial knowledge and financial wellbeing levels. H2. There is a correlation between financial knowledge and financial wellbeing with online shopping addiction. H3. There are influences from financial knowledge and financial wellbeing to online shopping addiction. RESEARCH METHOD Data and Sample This study utilized purposive sampling since there existed two sample criteria. Firstly, respondents had to be between 18-22 years old, which is the age span when early shopping addiction occurs (Roberts & Roberts, 2012; Li et al., 2009; Phau & Woo, 2008). Secondly, respondents had shopped online at least one time within the span of one month. Data was collected between December 2017 and January 2018 using an online survey. The total number of respondents was 230. The demographic information of the respondents is listed on Table 1. Measurement of Variables Dependent Variable Online

shopping addiction. The Bergen Shopping Addiction Scale (BSAS) 1

from Andreassen et al. (2015) was used to assess online shopping addiction. The BSAS consists of seven items based on

seven addiction criteria, namely **salience, mood modification, conflict, tolerance,** relapse, **withdrawal, and problems** 1

(Andreassen et al., 2015). Salience is individuals' preoccupation with the intended activity (i.e. online shopping). Mood modification refers to online shopping as a coping strategy. Tolerance implies that an increase in the amount of online shopping needs to be achieved to experience mood changes as time passes. Withdrawal contains unpleasant feelings or negative physical influences when someone stops or greatly reduces online shopping. Conflict refers to disputes arising in other spheres of life (e.g. interpersonal conflict) due to excessive online shopping. Relapse is the tendency to continue the previous pattern of online shopping behavior. Problem refers to the symptoms that arise from online shopping addiction (e.g., welfare). Some items in the scale are “I think about shopping/buying things all the time”, “I have decided to shop/buy less, but have not been able to do so”, and “I feel bad if for some reason are prevented from shopping/buying things.” The instrument used a five-point Likert-type responses, ranging from (1) strongly agree to (5) strongly disagree. The total score of the scale shows the level of online shopping addiction. Independent Variables Financial knowledge. Financial knowledge was operationalized as individuals’ understanding of basic financial concepts. To measure financial knowledge, four items were adopted from Australian Unity’s scale of financial literacy (2014). Those four items test individuals’ knowledge of interest rates, inflation, shares, and retirement savings. Examples of the items are “Buying shares in a single company usually provides a safer return than buying units in a managed share fund” and “Employees cannot make superannuation payments additional to any payments made by their employer.” The response choices for the scale were (1) False and (2) True. Financial wellbeing. Financial wellbeing was defined as individuals’ overall emotions about their financial conditions. Personal Financial Wellbeing Index from Australian Unity (2014) was adopted to assess financial wellbeing. The index contains 12 items and it is a five-point Likert-type scale (1 = strongly disagree, 5 = strongly agree). The items include “I am comfortable managing my personal debt”, “My personal finances are completely out of control”, and “I always pay my bills on time.” Data Analysis To analyze the data, we used SPSS 24.0. First, assessment of internal scale reliability of all scales were conducted using Cronbach’s α coefficient. Second, descriptive analysis was employed on all the research variables. Third, cross tabulation was performed to analyze levels of financial knowledge, financial wellbeing, and online shopping addiction. Fourth, to test hypothesis 2, Pearson correlation was implemented. Lastly, multiple regression analysis was administered to investigate the impact of financial knowledge and financial wellbeing toward online shopping addiction. FINDINGS To ensure that all the scales were fit, validity and reliability tests were conducted. It was found that all scales were valid because each scale had an r-value greater than its r table. The results of Cronbach’s α of all the scales were higher than 0.70; and, thus, it confirmed that all scales were reliable. The results of the descriptive statistics for all variables are displayed in Table 2. The average score for online shopping addiction is 14.74 whereas financial knowledge obtains 6.19 and financial wellbeing results in 36.36. In the research, respondents were measured to be addictive when they scored 4 (agree) or 5 (strongly agree) in more than 3 of the 7 items. This norm was used based on Andreassen et al. (2015) suggestion. We categorized financial knowledge into three kinds based on the total number of correct items as recommended by Australian Unity (2014), namely low level for 0-1 correct items, medium level for 2-3 correct items, and high level for all correct items. In terms of financial wellbeing index, we used the percentile distribution of the scores as categorization standard (Australian Unity, 2014). Respondents below 25th percentile were categorized as having a low level of financial wellbeing whilst those within 75th percentile were having a high level of financial wellbeing. The results of cross tabulation between all research variables can be seen in Table 3. More than 90% of the respondents were not addictive; yet, the ones who were addictive had better levels of financial knowledge and financial wellbeing. The results of cross tabulation were matched with the results of Pearson correlation and multiple regression analysis in Table 4. Online shopping addiction was positively correlated with financial knowledge (Pearson $r = 0.142$) and financial wellbeing (Pearson $r = 0.311$). As for the results of multiple regression analysis, the adjusted R2 of the research model is 0.095 with the R2 = 0.103. Thus, it can be asserted that the 9.5% of online shopping addiction was influenced by financial knowledge and financial wellbeing. Moreover, financial wellbeing significantly affected online shopping addiction with $\beta = 0.294$. DISCUSSIONS Summary of the Results Upon statistical analysis, the study revealed that less than 7% of respondents were addictive and around 4% of them had high levels of financial knowledge and financial wellbeing (Table 3). A possible explanation for this outcome was due to only few respondents had steady employment; and thus, they had income to engage in more online shopping behavior. Also, respondents with high scores of financial knowledge and financial wellbeing had better understanding of financial concepts and were more satisfied with their financial conditions; hence, they were comfortable in doing more online shopping. The findings of this research are in line with Borden et al. (2008), who confirmed that individuals with better financial knowledge were confident when using credit cards. Generally, individuals with low levels of financial knowledge and financial wellbeing were not addicted to online shopping. As for those with medium financial knowledge and financial wellbeing levels, these had little tendency to be addicted to online shopping. Interestingly, there were online shopping addicts who had low levels of financial wellbeing. It is argued that addicted individuals tend to utilize online shopping as their coping strategy to remove negative emotions, such as dissatisfaction towards their financial situations (Davenport, Houston, & Griffiths, 2012; LaRose & Eastin, 2002; Faber & O'Guinn, 1992). The immediate pleasure after purchasing online decreases their feelings of discontent. Given this explanation, hypothesis 1 is supported, that young Indonesians' levels of online shopping addiction will vary according to their levels of financial knowledge and financial wellbeing. The outcomes of this study confirmed hypothesis 2 that financial knowledge and financial wellbeing were positively related to online shopping addiction. This demonstrates that the higher the financial knowledge and financial wellbeing scores, the higher the online shopping addiction scores. Similar results were also shown from the results of multiple regression analysis. Financial knowledge positively influences online shopping addiction although it is not significant whereas financial wellbeing has a significant positive effect on online shopping addiction. Hence, hypothesis 3 was also supported. These results are contradictory with Shim et al. (2010) and Robb (2011); yet, similar with Robb and Sharpe (2009) and Norvilitis & MacLean (2010). Although financial knowledge did not significantly influence online shopping addiction, individuals used their high knowledge of financial concepts to support them in finding best deals when shopping online. In addition, financial wellbeing was a better predictor for online shopping addiction since individuals who have positive feelings about their current and future financial issues tend to be more secure in increasing their spending behavior. Implications The outcomes of this research offer important insights that individuals with high scores of financial knowledge and financial wellbeing are more likely to shop online. Previous scholars had different results, as they state that financially knowledgeable individuals use their understanding to manage money wisely and do more investments (Robb, 2011; Shim, Barber, Card, Xiao, & Serido, 2010; Cude et al., 2006). Yet, as proven by this study, those individuals also think that buying more goods through online shops can be considered as a reasonable money management strategy in certain situations. However, a point worth noting is that studies with more heterogeneous respondents are needed to ensure consistent results. This study confirms the association of financial knowledge and financial wellbeing with online shopping addiction. High levels of financial knowledge and financial wellbeing encourage individuals to shop more. This is because they use their developed knowledge and financial conditions to assess deals offered by online sellers. If they see more benefits, they will buy more. Thus, it is important for e-commerce owners to utilize their content and email marketing to emphasize benefits that customers can obtain when they buy more. Since financial wellbeing can be a good predictor for online shopping addiction, online sellers can adjust their products to meet financially wellbeing customers' needs. Limitations This study is limited by the characteristics of the respondents who were majority college students who did not have personal incomes. Less heterogeneous respondents may cause similarities in online shopping behavior. Future research is suggested to use respondents from different backgrounds in terms of economic condition, race, and age. Indeed, to make a generalization, studies with a more comprehensive sampling method are required. Another weakness in this study is the use of self-report data that may induce a possibility of biases and inaccuracies. However, the utilization of reliable and validated scales with clear definitions and indicators reduced some of the above factors. Further research may use objective measures to test the consistency of the outcomes of this study, such as income levels or debt ratios. CONCLUSION This study attempted to fill the gaps in the existing research by investigating the roles of financial knowledge and financial wellbeing on online shopping addiction. In conclusion, online shopping addiction levels would vary according to financial knowledge and financial wellbeing levels. Also, financial knowledge and financial wellbeing were positively related to online shopping addiction. Moreover, financial wellbeing significantly influenced online shopping addiction among young Indonesians. 1 2 3 4 5 6 7 8