International Conference on Sustainable Economics, Management, and Accounting (ICSEMA 2025)
Proceedings
Vol. 01 No.01 Year 2025, Page 3624-3628

ANALYSIS OF THE USE OF E-WALLET APPLICATIONS ON MENTAL ACCOUNTING IN PERSONAL FINANCIAL MANAGEMENT (CASE STUDY OF GENERATION Z IN KUPANG CITY)

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Abstract

This study aims to analyze how the use of e-wallet applications affects the process of mental accounting in the personal financial management of Generation Z in Kupang City. The increasing use of e-wallets such as OVO, DANA, and ShopeePay among the younger generation reflects changes in transaction behavior and daily financial management. A qualitative descriptive approach was used, with in-depth interviews conducted with 12 informants who are active e-wallet users. The findings show that e-wallets influence several indicators of mental accounting such as mental budgeting, self-control, short-term orientation, financial activities, evaluation, and organization. Features such as transaction history, cashback, and ease of access encourage users to be more aware in managing their finances, although in some cases they may also trigger consumptive behavior. This research contributes to understanding digital financial behavior in the modern era, particularly among Generation Z, and serves as a reference for developing wiser and more structured digital financial literacy.

Keywords: E-wallet, Mental Accounting, Financial Management, Digital Finance

INTRODUCTION

The advancement of technology has significantly transformed various aspects of human life, including the financial system. One notable innovation is financial technology (fintech), which leverages digital technology to provide financial services that are more efficient and accessible (Smith, 2019). A practical example of fintech is e-wallet, which allows users to store funds and carry out transactions electronically through dedicated applications (Manurung & Silalahi, 2022).

In Indonesia, the growth of digital financial services is driven by the widespread use of smartphones, the increasing demand for cashless transactions, and government initiatives aimed at promoting financial inclusion (Suyanto, 2023). E-wallets have become an integral part of everyday life, particularly among Generation Z, who are known for being tech-savvy and inclined toward fast, practical, and digital-based solutions in their daily activities (Rembulan & Firmansyah, 2020).

E-wallets offer not only transactional convenience but also several benefits, including fast processing, fund security through encryption systems, and transparency through transaction history features. According to a survey conducted by Visa Indonesia 2022, 89% of Generation Z in Indonesia use e-wallets on a daily basis, making them one of the most popular payment methods among young people today.

Alongside their benefits, e-wallets also influence users' financial behavior, particularly in day-to-day decision-making. A relevant psychological concept that helps explain this phenomenon is *mental accounting*, introduced by Thaler (1999). Mental accounting refers to the tendency of individuals to categorize money into separate mental accounts and to treat these accounts differently based on the source, intended purpose, or context of usage Practicing mental accounting can serve as a financial management strategy by allocating funds into categories such as essentials, entertainment, savings, and other routine expenses (Suseno & Aulawi, 2024).

Several studies have shown that features embedded in e-wallets such as transaction tracking, budget reminders, and expenditure categorization assist users in forming and maintaining healthy mental accounting behaviors (Manurung & Silalahi, 2022). However, e-wallets may also encourage impulsive spending through features like paylater, cashback, and promotional offers, which can create a psychological perception of 'bonus money' or discounts, leading users to believe they are not actually spending real funds (Zasiroh, 2023).

Preliminary observations in Kupang City indicate that the frequency of e-wallet usage among Generation Z is relatively high, ranging from 8 to 10 transactions per month. This suggests that e-wallets have become an integral part of their daily financial routines. Nevertheless, a high transaction frequency does not necessarily equate to well-structured financial management aligned with mental accounting principles.

This study, therefore, aims to examine the extent to which e-wallet usage influences mental accounting practices in managing personal finances among Generation Z in Kupang City.

LITERATURE

Financial Behavior

Financial behavior refers to an individual’s ability to plan, manage, and organize financial activities in everyday life (Kholilah & Iramani, 2021). This behavior reflects how people make real world financial decisions and is shaped by a combination of psychological, social, and economic factors Good financial behavior includes practices such as budgeting, saving, and controlling expenses, which are essential for maintaining financial stability (Herdjiono & Damanik, 2016)

Mental Accounting

The concept of mental accounting, introduced by Thaler (1985) explains the psychological tendency of individuals to categorize money into different “mental accounts” based on its source, intended use, or context. Rather than treating money as interchangeable, people often assign subjective value to it, leading to different decision-making strategies depending on the perceived purpose. The mental accounting process involves three key components: coding (labeling income or expenditure), categorizing (grouping based on function), and evaluating (assessing outcomes), which guide individuals in controlling spending and prioritizing real needs (Thaler, 1999). E-wallet features such as spending history, budgeting tools, and expenditure categorization may reinforce these mental accounting behaviors (Cheema & Soman, 2018) However, features like paylater, cashback, and promotions may distort these perceptions, leading users to treat money irrationally and encourage impulsive decisions (Zhang & Sussman, 2017)

Financial Technology (Fintech)

Financial technology, commonly known as fintech, refers to the integration of digital tools and innovations to improve the delivery and use of financial services, such as payments, loans, savings, and investments. Fintech provides broader access to financial systems, particularly in areas underserved by traditional financial institutions (Arner et al., 2016). The rapid development of fintech has significantly transformed how individuals conduct financial transactions and manage their money. One prominent example of fintech innovation is the e-wallet, which has gained widespread popularity in daily financial activities.

E-Wallet

E-wallet are mobile applications that allow users to conduct electronic transactions, such as making payments, transferring money, or storing digital cash. Most e-wallets can be topped up through linked bank accounts and are equipped with features such as QR code payments, cashback offers, loyalty point systems, and transaction history logs (Sakalauskas & Muleravicius, 2017). These features not only provide convenience but also influence user behavior in managing personal finances. In Indonesia, popular e-wallets include OVO, GoPay, DANA, LinkAja, and ShopeePay, which are widely used by Generation Z for their practical and user-friendly interfaces.

Financial Management

Financial management involves the strategic planning, organizing, and controlling of financial resources to achieve both short-term profitability and long-term value creation (Utari et al., 2024). It encompasses decisions related to budgeting, investments, financing, and dividend distribution. Effective financial management aims to optimize the use of available funds and ensure financial stability (Husnan & Pudjiastuti, 2019).

METHODS

This study employed a survey method with a qualitative descriptive approach to analyze the impact of e-wallet usage on mental accounting in personal financial management among Generation Z in Kupang City. Primary data were obtained through unstructured interviews, observations, and documentation, while secondary data were gathered from relevant written sources to support the analysis.

A total of twelve informants were selected using purposive sampling, based on the following criteria: 1) aged between 20 and 26 years, 2) residing in Kupang City, active users of e-wallets, 3) willing to provide detailed information regarding their financial behavior. The research focused on three main aspects: 1) e-wallet usage, particularly in terms of ease and feature preferences, 2) Mental accounting practices, observed through indicators such as mental budgeting, self control, short term orientation, financial activities, evaluate and organize, 3) Personal financial management, including expenditure control and financial planning. The collected data were analyzed using the Miles and Huberman interactive model, which involves data reduction, data display, and conclusion drawing/ verification conducted continuously throughout the research process.

RESULTS AND DISCUSSION

Mental Budgeting in E-wallet Management

Several respondents consciously divided their e-wallet balances into specific categories such as food, transportation, and mobile credit. They established spending limits for each category and attempted to maintain consistency in following these allocations. This behavior reflects the categorizing and evaluating components of mental accounting as proposed by Thaler (1999).

Even in the absence of formal budgeting systems, many respondents demonstrated financial awareness by relying on habits to avoid overspending for example, by topping up a fixed amount on a weekly basis. This finding supports the view of Cheema and Soman (2018), who argue that mental budgeting can emerge intuitively through repeated financial experiences in daily life.

Similar patterns have been observed in previous studies. Manurung and Silalahi (2022) found that adolescents began applying mental budgeting practices even without structured financial planning. Amalia (2020) reported that students often divided their expenses mentally without written documentation, yet still managed to maintain financial stability. In addition, Suseno & Aulawi, 2024 suggested that features available in e-wallets such as transaction histories and balance limit notifications can enhance users ability to practice adaptive budgeting behaviors, even in informal settings.

Self-Control in E-wallet Management

Respondents demonstrated the ability to restrain impulsive spending by evaluating the necessity and urgency of purchases before committing to them. Common practices such as comparing prices, delaying purchases, and canceling non-essential transactions reflected a level of self-discipline in financial behavior.

This finding aligns with Thaler's (1999) concept that evaluating transactions on a case-by-case basis encourages more rational financial decision-making. Interestingly, respondents often allocated cashback rewards for flexible or less essential needs, while maintaining greater caution in spending funds derived from salaries or allowances. This behavior illustrates the categorizing component of mental accounting, where different sources of funds are treated distinctly based on perceived purpose and value.

Short-Term Orientation in E-wallet Management

Most respondents exhibited short-term spending tendencies, though their approaches to financial planning varied. Some reported using their e-wallet balances only when actual needs emerged, indicating a reactive approach to spending. Others, however, depleted their balances quickly due to frequent or habitual transactions, often without considering long term needs.

It was common for respondents to engage in spending sprees at the beginning of the month, immediately after receiving funds. Some spent their entire balance shortly after topping up, while others intentionally delayed spending until the end of the month, either to avoid impulsive purchases or to align with planned needs.

Although a short-term orientation in financial behavior is often associated with poor financial outcomes, the findings of this study suggest that it can be moderated through conscious risk management, such as limiting top-up amounts, monitoring balance levels, or delaying gratification through habit.

Financial Activities, Evaluate, and Organize in E-wallet Management

Most respondents reported actively utilizing transaction history features and balance notifications to reflect on their past spending and make informed decisions about future top-ups. This behavior aligns with the evaluation function in Thaler's (1999) mental accounting framework, where individuals assess past financial actions to guide future ones.

In addition to in-app features, some respondents took further steps by manually recording their transactions or using multiple e-wallets to separate spending categories. These practices indicate a heightened sense of financial organization and control, even in the absence of automated tools. Kirchler & Muehlbacher (2018) emphasize that organizing financial behavior whether digitally or manually enables individuals to allocate funds more effectively based on urgency and priority, supporting better financial outcomes.

CONCLUSION

This study concludes that the use of e-wallet applications contributes relatively positive to the development of mental accounting practices in personal financial management among Generation Z in Kupang City. As digital natives, Gen Z exhibits adaptive capabilities in utilizing e-wallet features to categorize expenditures, allocate funds, and routinely evaluate financial transactions.

Although these practices are often informal, consistent engagement with e-wallet facilitates the emergence of more structured and reflective financial decision-making. However, the effectiveness of such financial management still largely depends on individual financial awareness and discipline. Therefore, when combined with self-control and strategic utilization, digital wallets have the potential to enhance digital financial literacy and foster healthier financial behavior among the younger generation.

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