The Digital Wallet Revolution: An Empirical Analysis of Its Effects on Mental Accounting and Financial Practices

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Abstract

In the current digital era, digital wallets have become an important innovation. This can certainly change the way individuals manage finances. This research aims to examine the influence of using digital wallets on mental accounting and its impact on financial behavior. A quantitative approach using the SEM method was used in this research to obtain more measurable, structured, and objective results. The data collection technique is through distributing questionnaires. Respondents in this research are the millennial generation born in 1981-1996 who have used digital wallets in West Java. The selection of West Java as a research location was based on the significant increase in the use of digital wallets in this area, which is affecting various aspects of daily life. The total sample was 300 respondents using the cluster sampling technique. The analytical method used is Structural Equation Modeling (SEM). The research results show that digital wallets influence mental accounting, and mental accounting influences financial behavior. Apart from that, the implications of the research results show that digital wallet users must take advantage of existing features to improve financial management, achieve financial goals, and reduce stress. Furthermore, service providers need to continue to innovate with features such as detailed financial reports, budget reminders, and spending analysis, as well as educate users so they can use these features optimally to increase satisfaction and loyalty.

Keywords: Digital Wallet, Financial Behavior, Mental Accounting

Abstrak

Dalam era digital saat ini, dompet digital menjadi salah satu inovasi penting. Hal ini tentunya dapat mengubah cara individu dalam mengelola keuangan. Penelitian ini bertujuan untuk menguji pengaruh penggunaan dompet digital terhadap mental accounting, serta dampaknya terhadap financial behavior. Pendekatan kuantitatif dengan metode SEM digunakan dalam penelitian ini untuk memperoleh hasil yang lebih terukur, terstruktur dan objektif. Adapun tehnik pengumpulan data melalui penyebaran kuesioner. Responden dalam penelitian ini merupakan generasi millennial kelahiran tahun 1981-1996 yang telah menggunakan dompet digital di Jawa Barat. Pemilihan Jawa Barat sebagai lokasi penelitian didasarkan pada peningkatan signifikan dalam penggunaan dompet digital di daerah ini yang mempengaruhi berbagai aspek kehidupan sehari-hari. Adapun jumlah sampel sebanyak 300 responden dengan menggunakan Teknik cluster sampling. Metode analisis yang digunakan yakni Structural Equation Modelling (SEM). Hasil penelitian memperlihatkan bahwa penggunaan dompet digital berpengaruh terhadap mental accounting dan mental accounting berpengaruh terhadap financial behavior. Disamping itu, implikasi hasil penelitian menunjukkan bahwa pengguna dompet digital harus memanfaatkan fitur yang ada untuk meningkatkan pengelolaan keuangan dan mencapai tujuan finansial serta mengurangi stres. Selanjutnya, penyedia layanan perlu terus berinovasi dengan fitur-fitur seperti laporan keuangan rinci, pengingat anggaran, dan analisis pengeluaran, serta mendidik pengguna agar dapat menggunakan fitur ini secara optimal untuk meningkatkan kepuasan dan loyalitas.

Kata kunci: Dompet Digital, Financial Behavior, Mental Akuntansi

INTRODUCTION

Nowadays, technological changes have influenced human financial management in various parts of the world (Manurung & Silalahi, 2022). One of them is the increasing use of digital wallets, especially among the millennial generation (Purnama et al., 2021) , which was born in an era of rapid technological development (Purba et al., 2023). The millennial generation is very familiar with technology in carrying out various activities, including financial management.

Technological developments, on the one hand, really help the millennial generation to make financial decisions more quickly, but on the other hand they must understand the risks taken from the financial instruments they choose (Purba et al., 2023). One financial instrument often used is a digital wallet, which can make it easier for users to carry out online and offline transactions. Currently, various digital wallet applications are available in Indonesia, such as ShopeePay, GoPay, Link Aja, Dana, and Ovo (Manurung & Silalahi, 2022). A digital wallet is a type of electronic payment account that allows users to save money for future transactions, consumers can make payments for groceries, online purchases, and others (Effendy, 2021). The use of digital wallets among millennials is increasing, this trend makes daily transactions easier and brings changes in their financial behavior.

Making decisions to manage finances is called mental accounting. Mental accounting differs from person to person, in how a person classifies, separates and allocates resources (Saltzman, 2021). A person's mental accounting can increase their understanding of basic financial concepts in making financial decisions (Purba et al., 2023) and can train discipline or self-control in managing their finances (Silaya & Persulessy, 2018). Similar research conducted by (Manurung & Silalahi, 2022) and (Watmah et al., 2020) shows the results that the use of digital wallets has an effect on mental accounting.

One of the things that represents behavioral finance is mental accounting (Abdani & Nurdin, 2019), behavioral finance is a financial science that studies how behavior in finance is influenced by psychological factors (Ogunlusi & Obademi, 2021), where rational attitudes are not always the basis their actions but also the irrational attitudes they have (Fridana & Asandimitra, 2020); (Mahadevi & Haryono, 2021). Mental accounting can be related to various things in decision making, making categories and evaluating situations when there are two or more possible outcomes (Farrell et al., 2016). Mental accounting is very important in financial management (Cristanti et al., 2021), managing finances in a disciplined and rational manner makes it easier to apply mental accounting (Ardimansyah et al., 2023). Similar research was conducted by (Purba et al., 2023) which shows that mental accounting influences financial behavior, where mental accounting helps in allocation and control to improve financial behavior and achieve financial goals. Previous research only focused on the influence of using digital wallets on mental accounting, this research adds financial behavior variables.

Adding financial behavior variables to this research is important to provide a more comprehensive picture of the impact of using digital wallets. This allows identification of direct and indirect relationships between digital wallet use, mental accounting, and financial behavior. In addition, understanding how mental accounting influences financial behavior provides deeper insight into financial management mechanisms, which is important for the development of effective intervention strategies. These more complete results also help digital wallet service providers develop features that support healthy financial behavior and are relevant to the millennial generation, who often use technology to manage their finances.

Mental accounting is categorized into behavioral accounting, which is applied to organize and evaluate financial decisions (Ardimansyah et al., 2023). Mental accounting differs from one

person to another (Saltzman, 2021), A person's mental accounting can increase their understanding of basic financial concepts when making financial decisions, such as funding decisions (Purba et al., 2023). Funding decisions are related to the use of digital wallets, where nowadays, the millennial generation more often uses digital wallets for transactions.

A digital wallet is an electronic financial application that has the function of saving, paying, and performing other transactions online and connecting to the Internet network (Silalahi et al., 2022). The use of digital wallets gives them the idea that they don't need to spend cash when buying goods. The use of digital wallets can be done using a smartphone (Watmah et al., 2020).

Mental accounting has a relationship with demographic factors including gender, age and income. Mental accounting plays a decisive role in making purchasing decisions using digital wallets. The influence of using digital wallets is supported by research conducted by (Watmah et al., 2020) and (Manurung & Silalahi, 2022), which shows that digital wallets have an effect on mental accounting.

Mental accounting is very important in financial management (Cristanti et al., 2021), mental accounting for financial behavior can be significant and can influence a person's financial decisions. Financial behavior is a representation of mental accounting (Abdani & Nurdin, 2019). Research conducted (Purba et al., 2023) shows that mental accounting influences financial behavior. Mental accounting can help the budget to keep its balance under control in accordance with the financial goals achieved (Loureiro & Haws, 2015). Mental accounting will create wiser financial behavior that influences management and planning and then evaluation.

Based on the description above, the research hypothesis consists of:
H_1: Using a digital wallet influences mental accounting
H_2: Mental accounting influences financial behavior

RESEARCH METHOD

Population and Sample

Researchers cannot estimate population size, so it is "infinite". Sampling is by "judgment sampling" where the researcher's personal preferences are taken into account. The minimum sample size is 100 for survey research, however, to increase the accuracy of the research results, the questionnaire was distributed to 300 respondents who represent the millennial generation in West Java. Carried out in West Java because the use of digital wallets in West Java in 2024 will show a significant increase in various aspects of daily life, from shopping to paying bills. With a population of 35 million internet users in West Java, most of them use digital wallets for various financial purposes, with 81% of respondents in the survey using them regularly. The sampling technique uses cluster sampling, the characteristics of the respondents are residents who were born between 1981-1996 and are accustomed to using financial technology.

Data processing

This research uses a quantitative approach with data collection techniques carried out by distributing questionnaires that are filled out online by respondents. The questionnaire distribution process is carried out by distributing it online using google form so that it can be accessed easily via mobile devices. The survey design is made simple, clear and short so that it is easy to understand. Surveys are provided also in paper format to meet respondents'

RESULTS AND DISCUSSION

Outlier Test Results

Examination of outlier data was carried out using the Mahalanobis distance method. Data is said to be an outlier if the p2 value <0,001. The examination results showed that no data samples were indicated as outliers, so the 249 data could be continued and processed at the next stage.

Normality Test Results

Data in the normality test is said to be normal if it has a critical ratio (CR) of ± 2,58. The test results show that the data has a critical ratio value of ± 2,58, so it can be said to be normally distributed.

Validity Test Results

The discriminant validity value determines the validity test. The criteria for passing validity testing is if the discriminant validity calculation value is > 0,500. The test results are said to be valid because all discriminant validity values are > 0,500.

Reliability test results

The reliability test is determined from the construct reliability value. Data is said to pass if the construct reliability calculation value is > 0,500. All construct reliability values are > 0.60 based on the test results, so the data is declared reliable.

Model Feasibility Test Results
Goodness of Fit

GFI (Goodness-of-Fit Index) is an index used to evaluate the suitability or appropriateness of a model in structural analysis or structural equation modeling (SEM). In practice, the GFI is used in conjunction with other fit indices to provide a more comprehensive picture of model fit. Some other fit indices frequently used in SEM analysis include:
1. AGFI (Adjusted Goodness-of-Fit Index): Is a version of the GFI that is adjusted for the number of parameters in the model.
2. CFI (Comparative Fit Index): Compares the hypothesized model with the null model.
3. RMSEA (Root Mean Square Error of Approximation): Measures goodness-of-fit based on approximation error.
4. NFI (Normed Fit Index): Compares the hypothesized model with a null model based on a normalized index.

Table 1. Goodness of Fit

Goodness of fit Indices	Batas	Result	Remarks
GFI	>0,900	0,898	Marginal
AGFI	>0,900	1,08	Good
TLI	>0,900	0,962	Good
NFI	>0,900	0,883	Marginal
RMSEA	>0,800	0,998	Good

Based on Table 1 above, the model feasibility test was carried out using the goodness of fit indices test by looking at the GFI, AGFI, TLI, NFI, and RMSEA values. Based on the test results, it was found that there were three criteria that were declared good, namely AGFI with a value of 1,08 > (0,900), TLI with a value of 0,962 > (0,900) and RMSEA with a value of 0,998 > (0.900), while the other two were marginal, namely GFI with value 0,898 (limit > 0,900) and NFI with a value of 0,883 (limit > 0,900). So, this research model is accepted and suitable for further testing.

Results

This study uses primary data types and sources obtained directly from the research object in questionnaires, with 249 respondents declared valid for statistical analysis (Table 2).

Table 2. Respondent characteristic

Variable	Category	Frequency	Percentage (%)
Gender	Man	99	39,8
	Woman	150	60,2
Age	28-32	102	40,9
	33-37	80	32,1
	38-43	67	27
Profession	Civil Servant/ Private Employees	172	69,1
	Freelancer	38	15,2
	Entrepreneur	25	10,1
	Housewife	14	5,6
Experience using fintech	0-1 Years	99	39,8
	1-2 Years	62	24,9
	3-4 Years	55	22,1
	4-5 Years	23	9,2
	Above 5 Years	10	4

Hypothesis testing is carried out using Structural Equation Model (SEM) analysis. The magnitude of the influence between one variable and another variable with the tolerance error limit is 5% (0.05). Therefore, the hypothesis will be accepted if the P-value is <0.05.

1. If the P-value ≤ 0.05, then the decision is to reject H0 (the hypothesis is supported).
2. If the P-value ≥ 0.05, then the decision is to accept H0 (the hypothesis is not supported).

Table 3. Hypothesis Test Result

	Estimate	S.E.	P	Result
Digital Wallet → Mental Accounting	,261	,074	0,032	Accepted
Mental Accounting → Financial Behavior	,138	,065	0,027	Accepted

Based on Table 2, it can be seen that digital wallets have an effect on mental accounting. The influence of using a digital wallet on mental accounting is supported by the dimensions of ease of use and usefulness. With the convenience offered by using digital wallets, consumers prefer to use digital wallets. Digital wallets offer various conveniences that can influence a person's mental accounting behavior; using a digital wallet allows users to access anywhere, making transactions easier; some digital wallet applications also offer integrated financial management features that allow users to more easily track and control expenses without sharing money. physically. Apart from that, the benefits offered by digital wallets also affect mental accounting, where users will get lots of promotions and cashback when using their application. Financial management is also more efficient with features such as bill reminders, routine bill management, or digital storage of budget plans, digital wallets can help users manage finances more efficiently. The more sophisticated and numerous digital wallets provide various conveniences in transactions, the higher the interest in using digital wallets (Latief & Dirwan, 2020). Digital wallets offer tools to strengthen and better organize mental accounting through features that make tracking, allocating, and managing funds easier. This research is in line with research conducted by (Watmah et al., 2020) and (Manurung & Silalahi, 2022) which shows that digital wallets have an effect on mental accounting. This mental accounting is easy to apply if someone has disciplined themselves to manage their finances.

Mental accounting is very important in financial management (Cristanti et al., 2021), as it plays a decisive role in making decisions and controlling money in a more structured and planned manner. Especially for the millennial generation who were born in the era of technological development. The influence of mental accounting on financial behavior can influence a person's financial decisions by coding, categorizing, and budgeting inflows and outflows and how to process them to gain profits (Kresnawati et al., 2018). Mental accounting allows users to organize user funds based on certain categories, such as daily needs, savings, or spending on entertainment. Mental accounting also influences how users prioritize their spending. The way users separate their funds in mental accounting can also influence the level of risk they take in financial decisions. This research shows that mental accounting has an effect on financial behavior, in line with research conducted by (Purba et al., 2023).

This research confirms that digital wallets are essential in strengthening users' mental accounting and influencing their financial behavior. The ease of use and benefits offered by digital wallets make them an effective tool for managing personal finances, especially for the millennial generation, which is familiar with technology. Thus, digital wallets not only make transactions easier but also help users better organize and control their finances.

CONCLUSION

Based on the results and discussion that have been described, it can be concluded that the ease and benefits provided by digital wallets have an influence on mental accounting. Mental accounting influences financial behavior; mental accounting on financial behavior can

significantly influence a person's financial decisions and help manage finances in a more structured and planned manner with discipline and rationality.

The practical implication for digital wallet users is to take advantage of existing features to improve their financial management. Effective use can help them achieve personal financial goals and reduce financial stress. Meanwhile, digital wallet service providers need to continue to innovate and improve features that support mental accounting, such as more detailed financial reports, budget reminders, and expense analysis. Educating users on optimally utilizing these features is also important to increase user satisfaction and loyalty.

The limitation of this research is that it was conducted with a survey of respondents of the millennial generation only. For further research, a survey can be conducted on Generation Z with birth years from 1990 to 2010. Generation Z certainly has the characteristics of high adaptation to the use of digital wallets, influenced by their preference for fast and easy transactions, as well as making e-commerce platforms an integral part of their style of life.

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