# Discussion Papers In Economics And Business


## Financial behavior for status seeking purposes of consumers in emerging markets. A case study of suburban Jakarta, Indonesia.


A.R.S. Ibn Ali



Discussion Paper 21-21

November 2021

Graduate School of Economics
Osaka University, Toyonaka, Osaka 560-0043, JAPAN

# Financial behavior for status seeking purposes of consumers in emerging markets. A case study of suburban Jakarta, Indonesia.

A.R.S. Ibn Ali

## Abstract

This study addresses the influencing factors on financial behavior of consumers in emerging markets. In particular, we examine the role of psychographic variables (i.e., lifestyle, brand loyalty, and personality) and demographic variables (i.e., age, income, education, family size, and occupation) in affecting individual decisions to use several types of consumer loans. A survey was conducted to collect data from 447 Indonesian consumers, and a probit model analysis was used to measure the effect of the variables. The results revealed that the effect of psychographic and demographic variables varies depending on financial product types (i.e., housing loans, car loans, and motorbike loans). Saving is positively associated with the use of car loans, but is negatively associated with the use of motorbike loans. The findings could be useful for marketers of financial products to improve market segmentation and target their offerings more effectively.

**JEL Classification**: G21, G41, G51, G53

**Keywords**: Microcredit, status consumption, emerging markets, psychographic variables, demographic variables, financial behavior.

# 1 Introduction

Microcredit refers to small loans for individuals who need funds for income-generating programs or immediate family needs, such as health or schooling expenditures. Its importance and popularity have grown over the last decade in many developing countries (Mersland, 2005). Microcredit is issued to help people improve their quality of life by providing them a small amount of money for a limited time (Zoynul, 2013). According to Rahman (2009a), consumer credit is used to buy consumer products and services, for personal spending, for non-business purposes, and to improve one's quality of living. For example, forms of consumer credit such as bank loans are given to individuals who want to purchase consumer durables to improve their lifestyles.

Beck and Siegel (2016) point out that many forms of consumer credit are used for personal, household, or agricultural purposes – not for industrial or business purposes. Consumers can immediately purchase household goods by borrowing money. Thus, microcredit helps consumers improve their financial efficiency while maintaining their social and recreational habits. For example, consumers employ microcredit to purchase household goods such as washing machines, sewing machines, cars, motorcycles, and computers. Microcredit allows people to use these goods right away. Consumers also use microcredit to do their jobs, and to engage in professional, recreational, and social activities. Microcredit can help alleviate poverty by enabling low-income people to have an opportunity to raise their livelihood (Félix and Belo, 2019). This is critical for consumers in developing countries as many of them earn low incomes.

Microfinance has been used in many developing countries, such as Bangladesh, to help poor people improve their living standards (Alam et al., 2020). It is also reported that microcredit enable consumers to display their achievements and uniqueness, giving rise to new lifestyles among consumers in developing markets (Nabi, O'Cass, and Siahtiri, 2017). Such financial products are considered to improve people's quality of life by allowing them to pay for unaffordable or unsustainable goods or services. Before the emergence of microcredit, people would save their money to buy a new good or service; however, they can now obtain the cash flow they need right away by applying for loans (Sbaih and Massad, 2016). The rising population and the struggle for improved living conditions have paved the way for the consumer credit industry (Khawar and Abbas et al., 2018).

Previous studies indicate that financial behavior may vary among people from different social classes, socioeconomic status, and demographic characteristics (Temizel, Sayılır, and Sevim, 2017). However, it is currently unclear how the use of microcredit varies depending on consumers' lifestyle and behavioral characteristics. Addressing this issue could help deepen our understanding of financial behavior in emerging markets and provide marketers with useful insights for developing an effective marketing strategy. This study aims to narrow the gap in the literature. We focus on consumer purchasing behavior of microcredit products that are intended to enhance the purchaser's status. We conducted a survey to collect data from Indonesian consumers to identify their purchasing of microcredit products with the intention to seek social status. We attempt to explain how financial behavior is influenced by consumer lifestyles. The main contribution of this study is twofold. First, it helps to better understand how consumer purchasing of financial products varies among consumers with different lifestyle characteristics. Second, it provides marketers with insights in order to improve market segmentation and target their products effectively.

# 2 **Literature Review**

## ***2.1 Financial behavior and status consumption***

Consumer financial behavior is a domain of micro-economics, behavioral finance, and marketing (Van Raaij, 2012). Among financial products, consumer loans are the most popular products for consumers in developing countries. According to Beckett, Hewer, and Howcroft (2000), consumer loans refer to all forms of credit available to individuals or groups of individuals to purchase products and services for personal use. People in developing countries face difficulty in satisfying their needs for high-priced products, in addition to meeting their basic needs. Individuals' incomes are insufficient to meet these needs and live comfortably. Consequently, they require significant financial assistance from additional sources, such as banks and other financial institutions. Banks extend loans to individuals and organizations for various reasons, depending on their requirements and desires. Consumers can conveniently purchase various goods by borrowing money. This borrowing includes home loans, educational loans, car loans, personal loans, and property loans. Such financial services enable people to realize their aspirations, although they have to repay the loan over a long period of time (Patro, 2015). According to Mariyono (2019), microcredit has a positive impact on a variety of expenditures, including access to high-priced products that can elevate one's standard of living. Furthermore, commercial banks play an important role for individuals and society by lending capital. Consumers can improve their financial efficiency while maintaining their social and recreational habits by using brands (Rahman, 2009a).

Consumers buy expensive goods to satisfy their needs for self-actualization and recognition from other people. In other words, purchasing expensive products can help consumers attain higher social status (Bergman, 2010). In the literature, status consumption is defined as the motivating process whereby individuals attempt to improve their social standing through the conspicuous purchase of commercial goods that convey or signify status for them as well as for other people (Bock, Eastman, and McKay, 2014). Status consumption is an individual's motivational construct that reflects their desire to purchase for the sake of social prestige. Choi and Burnham (2020) argue that consumers' desire for identity drives them to search out goods and services that reflect their status. Because status-seeking entails considering one's social position, it can have a more substantial impact on social-self brand perceptions than on inner-self brand perceptions. Many customers in developing countries are pursuing higher status and are buying goods that demonstrate their accomplishments and individuality as their wealth grows (Nabi, O'Cass, and Siahtiri, 2017). For consumers in developing countries, the pursuit of status consumption can hardly be realized unless they obtain financial support from other parties, such as banks. In this study, we focus on the use of financial products (i.e., loans) by consumers in Indonesia in order to investigate their status-seeking behavior and elucidate how such behavior is influenced by their lifestyle.

### *2.2 Psychographic Variables*

Psychographics was a term first introduced by Demby (1974) that encompasses psychological and demographic aspects of individuals. In order to better understand consumer behavior and design more appropriate advertising, the authors suggest the need to add psychological variables rather than simply relying on geodemographic variables (Ngwenya and Paas, 2012). According to Baharun et al. (2011), consumers are classified into distinct categories based on their lifestyle and personality in psychographic segmentation. In general, geographic segmentation, demographic segmentation, and psychographic segmentation are the three types of segmentation. Each approach has its distinct traits. In this study, we focus on the role of psychographic and demographic variables in explaining financial behavior. With respect to psychographic variables, we focus on the role of lifestyle, brand loyalty, and personality. With respect to demographic variables, we examine the influence of age, income, education, and family size. In the following discussion, we describe the potential effect of these variables.

### *2.3 Lifestyle*

Lifestyle is the positioning of individuals which creates the direction of life and reflects the value characteristics in every action in a pattern of behavior (Haryanto, Febrianto, and Cahyono, 2019). According to Rahman (2009b), people's lifestyles are assessed based on how they spend their time, what they value in their immediate environment, and how they see themselves and the world around them. Rahman outlined the components that make up lifestyle. These include interests in family, house, career, environment, leisure, fashion, food, media, and achievements; and opinions on social issues, politics, industry, economy, education, future, and culture. Lifestyle information helps marketers understand customers' basic needs and how products fit into their lives. Consumer financial product portfolios are the combinations of products, such as checking accounts, saving accounts, loans, and investment products, that individuals own. These portfolios have received considerable attention in the extant literature. This is because the combinations in which such products are owned can be useful for gaining insight into households' financial strategies, detecting consumers' interests in specific financial products, and assessing the priorities of consumers in owning various financial products (Ngwenya and Paas, 2012). Kamleitner and Kirchler (2007) suggest the four most common reasons for taking out a loan. Three of these reasons can roughly be categorized as lifestyle maintenance (o protect investments, balance out income demands, and cope with financial crises or adversity). The fourth reason can be classified as lifestyle enhancement (to take advantage of exceptional circumstances). For example, 82% of US citizens were reported to use consumer credit when buying a car.

### *2.4 Brand loyalty*

Brand loyalty has emerged as an important marketing concept for many customer-driven businesses. Evidence from previous studies suggests that customers with a high level of loyalty tend to spend more money and purchase more frequently than other customers. It is well known that customer loyalty is linked to various purchasing habits, including price aversion, word-of-mouth advertising, and improved tolerance with respect to product/service consistency (Kim, Lee, and Lee, 2008). Moreover, self-brand relations have been found to be a major determinant of communication behavior among consumers (Choi and Burnham, 2020). Regardless of their income level or social standing, loyal consumers appear to be willing to spend more money on luxury products to enhance their status. However, due to limited incomes, many consumers in developing countries rely on loans to afford expensive products that can help them attain a desired social status (Chan, To, and Chu, 2015).

### *2.5 Personality*

According to Onditi (2013), personality is a trait that differentiates people from each other. Nevertheless, similarities among people can be found. Individuals with various personalities might behave in a variety of ways in the same circumstances. Individuals' characteristics such as habits, regular patterns or ways of thinking, speaking, and acting are included in their personality. Being energetic, punctual, dependable, or benevolent are examples of personality traits. The importance of personality variables—in addition to other components such as risk propensity and subjective frame of reference—must be considered when evaluating the influence of attitudes on credit utilization (Cosma and Pattarin, 2012). According to Nandan and Saurabh (2016), human behavior is complex, and the financial aspect of human behavior is even more complex. The financial behavior of a person depends on a large number of personal and environmental influences. Personality traits might be a determining factor for why certain people are more disposed to use money as a means of influencing and impressing others (Mayfield, Perdue, and Wooten, 2008). This is because consumers purchase items not just to possess, own, and consume them, but also to build a personal image, express their personality, and solidify their position in society (Pelau and Chinie, 2018). In addition, Brown and Taylor (2014) infer that personality traits change during the course of a person's life.

### *2.6 Demographic Variables*

Individuals with various demographic traits behave in a variety of ways in the same circumstances. In the marketing field, demographic variables have been used to explain different consumer responses. Age, income, education, culture, and nationality are some of the demographic features frequently referenced. These variables can influence customers' repurchase behavior by contributing to a range of thresholds or tolerance levels (Onditi, 2013). In addition, demographic factors are frequently critical drivers of happiness (Geldenhuys and Henn, 2017).

### *2.7 Age*

Age has been shown to play an important role in various aspects of consumer behavior (Frangos et al., 2012). Consumers' preferences, attitudes and buying behavior are influenced by their age (Limbu, Huhmann, and Xu, 2012). Marketers also tend to assess how a person's needs and wants change as they get older. There is also an indication that financial behavior may be influenced by a consumer's age. For example, credit card use is negatively correlated with age; that is, younger persons use credit cards more frequently than older individuals (Stafford, 1996). Young people have been described as stressing the significance of material goods, being more concerned with consuming than saving, and considering money as a necessary component of personal achievement. As a result, a wide range of credit behaviors and borrowing requirements emerge (Chau and Ngai, 2010). Young people nowadays are making an increasing number of financial decisions at their earlier ages. Their social position is evolving, and they are taking on new economic obligations (Frączek and Klimontowicz, 2015). These obligations include financial decisions on saving, credit cards, mortgages, retirement insurance, and investments (Rutherford and Fox, 2010).

### *2.8 Income*

In marketing, income is the most frequently used criterion for market segmentation. Household income determines the capacity to buy durable and nondurable goods, save money, and even borrow money. Furthermore, higher-income households are better able to select high-quality products and acquire status-enhancing things, such as appliances and automobiles (Dahana, Kobayashi, and Ebisuya, 2018). Customers with a high income are also typically less reluctant to accept high interest rates on housing loans (Heyns, 2007). In contrast to higher income groups who use credit to improve their lifestyles, low-income households are more likely to utilize consumer credit to maintain their lives (Kamleitner, Hoelzl, and Kirchler, 2012). Microfinance institutions help low-income families grow their microbusinesses, increase their income earning ability, and raise their living standards (Ammar, Musa Ahmed, and Ammar is student 2016). According to Wright (1999), compared to individuals who did not borrow, microcredit program borrowers have a higher per capita income rate. Using Canadian data, Kamleitner, Hoelzl, and Kirchler (2012) also find that credit utilization rises as income rises, but also as saving falls.

### *2.9 Education*

Individuals can obtain personal financial management knowledge through education, which can improve their financial literacy and impact their financial behavior in adulthood. Thus, households with higher levels of education are more likely to be able to save and have greater access to financial services. Furthermore, research shows that education is linked to purchasing behavior (Dahana, Kobayashi, and Ebisuya, 2018). Education opens the door to higher-paying jobs and, as a result, improved living standards. In earlier studies, higher wages and socioeconomic status were positively associated with life satisfaction (Geldenhuys and Henn, 2017). More young people are pursuing higher education now than in past generations, thanks to better access to student loans and changes in government regulations (Rudi, Serido, and Shim, 2020). Education is regarded as an investment in human capital. Tuition fees, study materials, and the indirect cost of postponed labor market involvement are included in the investment costs. The opportunity cost of attending school, which is the final component, is generally the most critical expense for students in higher education. Higher future wages, improved employment stability, and greater career prospects are all advantages of pursuing higher education (Canton and Blom, 2004). Lower-income students are more likely to borrow money than are their higher-income counterparts. Similarly, compared to their continuing-generation classmates, first-generation college students are more likely to borrow money. For example, student borrowing has reached record levels in the United States, recently surpassing $1.59 trillion, with the average student loan debt per household tripling over the past 20 years (Board of Governors of the Federal Reserve, 2019). In 2017, nearly two out of three graduating undergraduate students took out student loans, with an average debt per student of $28,650 (The Institute for College Access & Success, 2018) (Air 2020).

### *2.10 Family size*

Family size governs the amount spent on various products such as food, clothing, and other necessities. Intuitively, a family with a larger size would purchase products in greater quantities than a family with a smaller size (Kumar and Kumar, 2019). Thus, family size is considered to influence consumer dependence on the credit market, where larger families would rely on microcredit products more than smaller families. Even if they do not have all the necessary financial resources at the time of purchase, families can immediately benefit from their purchases. The use of financial products will be paid for with future earnings (Constantin and Cristinel, 2017).

### *2.11 Occupation*

Working circumstances are more strongly linked to occupation than other socioeconomic variables. Occupation is a measure of one's place in the socioeconomic hierarchy (Wang et al., 2018). Thus, a person's occupation or job has an impact on their purchasing decisions. The type of employment has a significant impact on lifestyles, purchasing choices, and decisions. A doctor's purchase may readily be distinguished from that of a lawyer, teacher, clerk, merchant, or landlord. As a result, marketing managers must devise various marketing tactics to meet the purchasing motivations of various professional groups (Ali and Ramya, 2016). Nouman et al. (2013) indicate that households with higher education, more money, and larger family size might have a greater opportunity to use financial products.

## 3 Method

### *3.1 Sample*

We conducted a survey to collect data for analysis in suburban Jakarta, the capital of Indonesia. We considered Indonesia to be an appropriate country to collect data for this study because it is an emerging country with an increasing number of middle-class people who aspire to raise their status. Furthermore, Indonesia was one of the Asian countries that introduced commercial microfinance relatively early. The country's gross domestic product (GDP) per capita has been consistently increasing over the past decade, indicating that people's income is rising (Rachmawati, 2015). Indonesia has a population of 261 million, ranking it fourth in the world after China, India, and the US (BPS, 2018). The demographic profile is young (average age of 28.6 years in 2016), with about 45 million people aged between 15 and 24 years (BPS, 2016). Indonesia's economy is growing at a fast rate (over 5% per year). The country is ranked as the world's tenth- largest economy based on purchasing power parity and is a G20 member (Setiawan, 2015; The World Bank, 2018; Johan, Rowlingson, and Appleyard, 2021). In this survey, we collected household information concerning behavioral, demographic, and psychographic variables because we want to examine how consumer financial behavior is influenced by these variables. Hired interviewers were instructed to go to several places, such as traditional markets, shopping centers, and economically deprived areas, to find potential respondents. We were able to collect data from 447 respondents offering complete information. When interviewers found potential respondents, they would ask for participation in the survey in exchange for a financial reward.

### *3.2 Data description*

At the higher end, respondents aged 20 to 30 years accounted for 32.76% of the overall sample, and those aged 40 to 50 years accounted for 16.14% of the sample. At the lower end, participants aged between 60 and 70 years, and those aged above 70 years, accounted for 1.79% and 0.22% of the sample respectively. In terms of respondents' income, the highest percentage of participants earned between Rp500,000 and Rp25,000,000 annually at 60.40% of the sample. Regarding education, 11.85% of participants had elementary school, 2.68% of participants had graduate school, and 14.09% of participants had junior high school. Senior high school and undergraduate levels were at 50.33% and 13.90% of the sample respectively. Vocational school participants were at 7.15%. With respect to family size, more than half of the participants lived with their spouses and children. Living alone and living with a spouse were at 4.92% and 16.33% of the sample respectively. Living with parents and living with parents and children were at 5.14% and 11.18% respectively. Respondents outside these family categories were at 2.70%. In terms of occupation, the highest percentage of respondents were office workers at 45.19% of the sample. Farmers, fishermen, and business owners were at 0.22%, 0.44%, and 6.04% respectively. Public servants and teachers participated at rates of 7.15% and 0.90% respectively. Outside these occupations, 20.35% and 19.71% of respondents fell into the categories of "other" and "uncertain" respectively. The highest quality-conscious and highest safety-conscious respondents were at 55.48% and 65.99% respectively. Those who use the internet 0-4 hours daily were the highest percentage of respondents at 92.62%. With respect to weekend activities, the highest percentage of respondents stayed at home and the lowest percentage went shopping, at 73.15% and 3.13% of the sample respectively. Respondents who go out to eat 1-2 times a week were the highest percentage of respondents at 51.68%. Respondents with monthly savings of between Rp100,000 and Rp500,000 represented the highest percentage in this survey.

Table 1 displays the sample's descriptive statistics. The sample size was determined using a test where the margin of error is less than 5%. The results show that buying behavior is significantly affected by concerns about quality and safety. With respect to motorcycle loans, those who spend less time on the internet, go shopping less frequently, and are more likely to eat out, have a lower saving tendency, and are less quality-conscious. Car loan users who go shopping during the weekend have high quality-consciousness, save more money, and place less importance on product safety relative to other consumers. With respect to housing loans, individuals who spend their weekends shopping are more likely to use the product than other consumers. The results also suggest that the probability of housing loan adoption increases with the amount of money an individual spends on housing.

**Table 1** Descriptive statistics of the sample

| Variables | Sample size | Percentage |
|---|---|---|
| **Age** | | |
| 20's | 140 | 31.31% |
| 30's | 153 | 34.22% |
| 40'S | 102 | 22.90% |
| 50'S | 42 | 9.39% |
| 60's | 8 | 1.79% |
| older than 70's | 1 | 0.22% |
| **Income** | | |
| Rp100.000 – Rp500.000 | 22 | 4.93% |
| Rp500.000 – Rp.2.500.000 | 270 | 60.40% |
| Rp2.500.000 – Rp.10.000.000 | 105 | 23.48% |
| Rp10.000.000 – Rp.35.000.000 | 42 | 9.39% |
| More than Rp35.000.000 | 8 | 1.80% |
| **Education** | | |
| Elementary school | 53 | 11.85% |
| Graduate school | 12 | 2.68% |
| Junior high school | 63 | 14.09% |
| Senior high school | 225 | 50.33% |
| Undergraduate school | 62 | 13.90% |
| Vocational school | 32 | 7.15% |
| **Family size** | | |
| Living alone | 22 | 4.92% |
| Living with husband/wife | 73 | 16.33% |
| Living with husband/wife and children | 267 | 59.73% |
| Living with parents | 23 | 5.14% |
| Living with parents and children | 50 | 11.18% |
| Other | 12 | 2.70% |
| **Occupation** | | |
| Farmer | 1 | 0.22% |
| Fisherman | 2 | 0.44% |
| Office worker | 202 | 45.19% |

| | | |
|---|---|---|
| Other | 91 | 20.35% |
| Owned business | 27 | 6.04% |
| Public servant | 32 | 7.15% |
| Teacher | 4 | 0.90% |
| Uncertain | 88 | 19.71% |
| **Internet** | | |
| 0-4 Hours | 414 | 92.62% |
| 5-8 Hours | 24 | 5.36% |
| 9-12 Hours | 8 | 1.80% |
| 13 or More Hours | 1 | 0.22% |
| **Weekend activities** | | |
| Going shopping | 14 | 3.13% |
| Going to entertainment spots | 35 | 7.85% |
| Other | 51 | 11.40% |
| Spending time with friends | 20 | 4.47% |
| Staying at home | 327 | 73.15% |
| **Eating Outside** | | |
| 1 to 2 times | 231 | 51.68% |
| 3 to 5 times | 43 | 9.62% |
| Almost everyday | 34 | 7.61% |
| Almost never do | 139 | 31.09% |
| **Saving** | | |
| 0 | 66 | 14.77% |
| 0 – Rp100.000 | 79 | 17.68% |
| Rp100.000 – Rp500.000 | 216 | 48.32% |
| Rp500.000 – Rp2.500.000 | 50 | 11.18% |
| Rp2.500.000 – Rp10.000.000 | 32 | 7.15% |
| More than Rp10.000.000 | 4 | 0.90% |
| **Quality** | | |
| 1- Not Important | 8 | 1.80% |
| 2 | 24 | 5.36% |
| 3 | 167 | 37.36% |
| 4- Important | 248 | 55.48% |
| **Safety** | | |

| | | |
|---|---|---|
| 1- Not Important | 10 | 2.23% |
| 2 | 12 | 2.70% |
| 3 | 130 | 29.08% |
| 4- Important | 295 | 65.99% |
| | | |

### *3.3 Model-free evidence*

Prior to the analysis, we summarized the data to find some model-free evidence regarding microcredit usage by the respondents. Figure 1 depicts microcredit usage for various age categories. Individuals aged between 20 and 30 years appear to be the highest loan taking group, while those aged between 60 and 70 years rarely take loans. Younger individuals are more likely to use home loans and car loans (70% and 52% respectively). Motorbike loans, appliance loans, and others loans are also popular with young customers. Overall, we find that young individuals aged between 20 and 30 years were highly motivated to use credit loans. This is consistent with previous studies suggesting that generation Y (those born between 1977 and 1994) is socialized in a materialistic culture. As a result, they are more compelled to engage in status-seeking spending in order to demonstrate their affluence and purchasing power (Kim and Jang, 2014). Furthermore, middle-income young individuals appear to be the highest loan taking segment. This reflects the findings of Johan, Rowlingson, and Appleyard (2021) that young people have an essential role in promoting middle-income group growth, and that middle-income group economic involvement is a predictor of long-term market growth. In terms of buying behavior, middle class consumers are more likely to be conscious about price and quality, but are less interested in brand. According to Erdem (2008), in the case of regularly purchased convenience products, there is a substantial positive connection between price and quality.

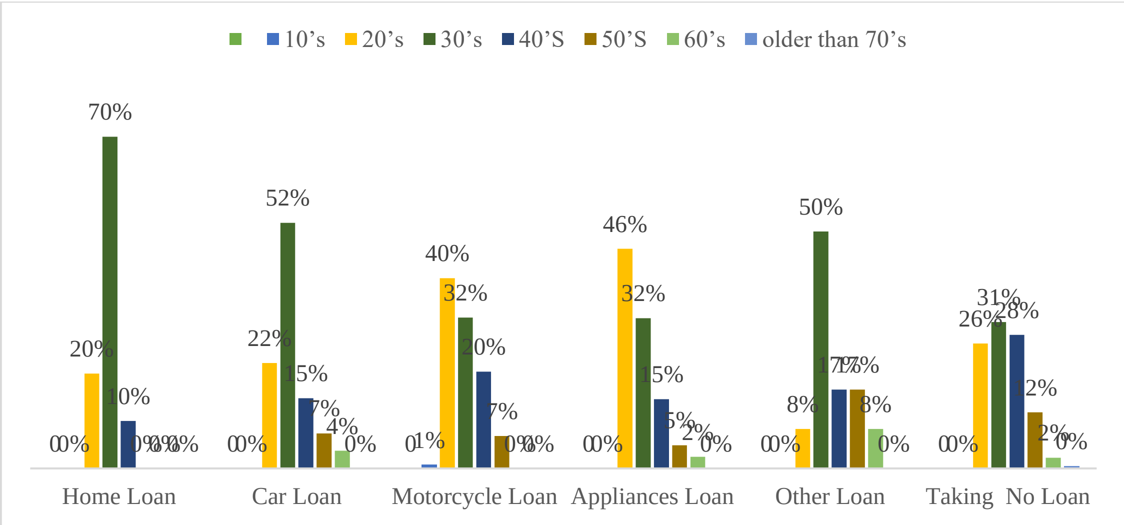


**Figure 1.** Microcredit use for different age levels

Figures 2 and 3 show the relationship between price-consciousness, quality-consciousness, and the use of several loan products. Both price and quality consciousness were measured using a 4-point scale (1 = not important, 4 = very important). As shown in Figure 2, individuals with high price-consciousness are more likely to adopt loans than those with low price-consciousness. This is particularly true for home, car, motorcycle, and appliance loans. Also, quality-conscious individuals have a high tendency to use loans. As shown in Figure 3, the percentages of quality-conscious individuals who use loans to buy a house or car are 70% and 85% respectively. Although not as high as the figures for these product categories, the percentage of quality-conscious individuals was also high in other product categories.

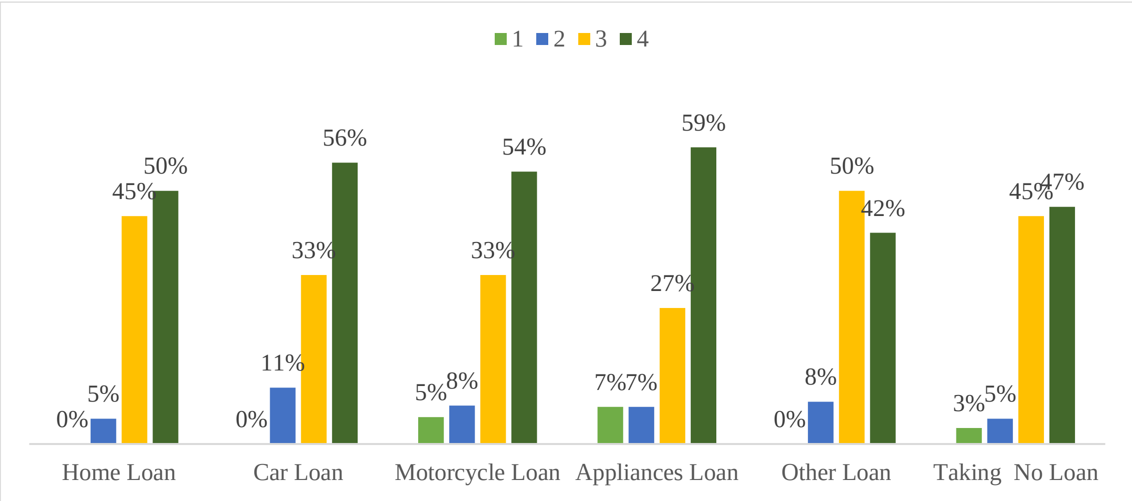


**Figure 2.** Microcredit use for different price consciousness levels

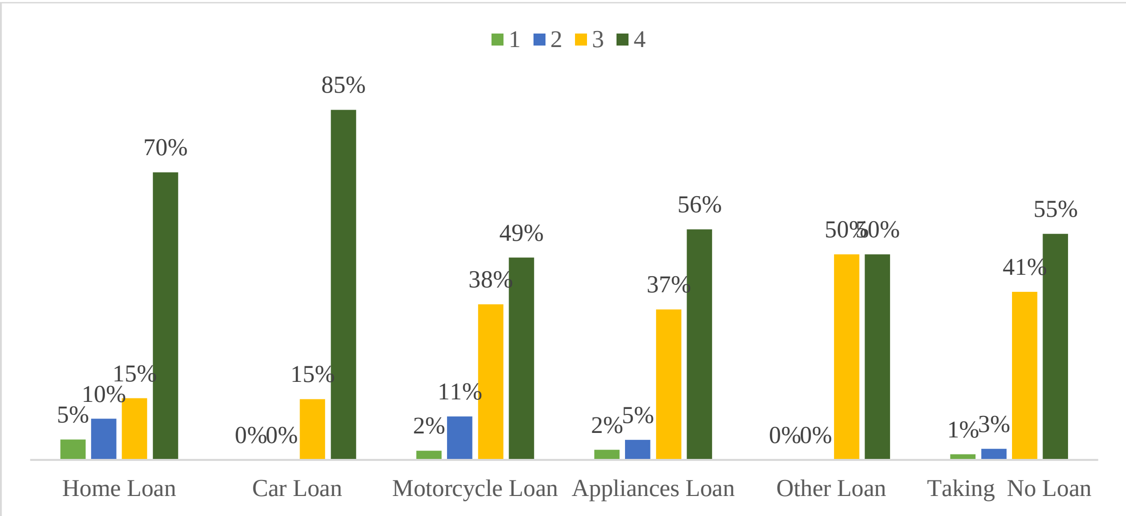


**Figure 3**. Microcredit use for different quality consciousness levels

### *3.4 Analytical model*

We employed a probit model to estimate the effect of the variables on microcredit adoption. The dependent variables are the states of whether consumers took a housing loan, car loan, or motorbike loan. We used the maximum likelihood method to estimate the model parameters for each dependent variable

## 4 Results

The results of the probit model analysis are shown in Table 1. With respect to housing loans, individuals who spend their weekend on shopping are more likely to use the product than other consumers. The results also suggest that the probability of housing loan adoption increases with individuals' spending on housing. People who go shopping during the weekend, have high quality-consciousness, save more money, and put less importance on product safety adopt car loans more than other consumers. The results for motorbike loans reveal that individuals who spend less time on the internet and go shopping less frequently tend to adopt motorbike insurance more than other consumers. Furthermore, those who are more likely to eat outside the home, have a lower saving tendency, and are less quality-conscious show a higher likelihood of adopting motorbike loans.

**Table 2**. Estimation results of probit model

| | Housing Loan | | Car Loan | | Motorbike Loan | |
|---|---|---|---|---|---|---|
| | Estimate | p-Value | Estimate | p-Value | Estimate | p-Value |
| (Intercept) | -13.66 | 1.00 | -15.74 | 0.99 | 5.34 | 0.99 |
| Work | 0.01 | 0.90 | 0.05 | 0.51 | 0.00 | 0.96 |
| TV | 0.08 | 0.19 | 0.03 | 0.66 | 0.01 | 0.78 |
| Book | 0.11 | 0.47 | 0.02 | 0.90 | 0.10 | 0.18 |
| Internet | 0.03 | 0.63 | 0.01 | 0.92 | **-0.11** | **0.01** |
| Going shopping | **0.90** | **0.08** | **1.09** | **0.07** | **-1.32** | **0.02** |
| Entertainment | -0.37 | 0.43 | 0.43 | 0.25 | -0.36 | 0.19 |
| Spending time with friend | -0.02 | 0.98 | 0.23 | 0.78 | -0.13 | 0.71 |
| others | 0.00 | 1.00 | 0.48 | 0.33 | **0.49** | **0.02** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Eating outside | 0.15 | 0.41 | 0.02 | 0.93 | **0.27** | **0.00** |
| Saving | -0.14 | 0.79 | **2.38** | **0.01** | **-0.57** | **0.03** |
| Housing | **0.64** | **0.00** | **0.49** | **0.02** | **0.06** | **0.05** |
| Education | 0.03 | 0.43 | -0.01 | 0.87 | 0.02 | 0.15 |
| Price | 0.00 | 0.99 | 0.11 | 0.65 | 0.08 | 0.43 |
| Quality | 0.00 | 0.99 | 0.70 | 0.05 | **-0.31** | **0.01** |
| Brand | -0.13 | 0.45 | -0.30 | 0.12 | 0.11 | 0.21 |
| Safety | -0.10 | 0.64 | **-0.72** | **0.00** | -0.03 | 0.79 |
| Traditional market | -0.49 | 0.20 | -0.72 | 0.19 | -0.28 | 0.16 |
| Individual store | -0.32 | 0.39 | 0.11 | 0.78 | 0.04 | 0.86 |
| Super market. | -5.29 | 0.99 | 0.73 | 0.21 | -0.25 | 0.56 |
| Mall | -4.05 | 1.00 | -3.29 | 0.99 | 0.61 | 0.40 |
| others | -3.97 | 1.00 | -3.73 | 1.00 | -4.21 | 0.99 |
| Brand loyalty | -0.19 | 0.19 | 0.10 | 0.68 | -0.02 | 0.81 |
| Age20 | 4.21 | 1.00 | 3.74 | 1.00 | -5.33 | 0.99 |
| Age30 | 4.95 | 1.00 | 4.21 | 1.00 | -5.66 | 0.99 |
| Age40 | 4.13 | 1.00 | 3.54 | 1.00 | -5.84 | 0.99 |
| Age50 | -0.26 | 1.00 | 4.61 | 1.00 | -6.02 | 0.99 |
| Age60 | -0.16 | 1.00 | 5.68 | 1.00 | -10.09 | 0.98 |
| Age70 | 3.71 | 1.00 | 5.79 | 1.00 | -11.25 | 0.98 |
| Family size | -0.08 | 0.57 | -0.13 | 0.45 | -0.05 | 0.50 |

Note. Bolds indicate significant estimates at $\alpha = 0.05$

## 5 Discussion

This study examines the influencing factors on the financial behavior of consumers in emerging markets. By implementing probit model analysis to examine financial products, we confirmed the role of psychographic and demographic variables in affecting individual decisions to use several types of consumer loans. First, we find that customers of housing loans who spend their weekend on shopping are more likely to use the product than other customers. The likelihood of housing loan assumption increases with individual expenditure on housing. Second, car loan users are more likely to go shopping during weekends, have high quality-consciousness, save more money, and put less importance on product safety. Third, people using motorbike loans spend less time on the internet, go shopping less frequently, and tend to adopt motorbike insurance more than other consumers. Furthermore, motorbike loan users tend to eat outside, save less, and be less quality and safety conscious.

We found that saving is positively connected with the use of car loans, and is negatively associated with the use of motorbike loans. Furthermore, individuals with high price and quality consciousness are more likely to adopt loans. This is especially true for housing loan and car loan users.

## 6 Implications

The emerging markets worldwide are enormous, and will continue to grow in the future (Dahana et al., 2018). This phenomenon reveals promising business opportunities in these markets, as many consumer needs remain unmet (Prahalad, 2005). A primary unmet need is the need for status. Thus, most consumers, regardless of their income level or social standing, are willing to spend large sums of money on luxury products to improve their status. However, to engage in status consumption, most consumers will buy luxury goods with credit cards or through lending products so as to fulfill their personal desires (Chan, To, and Chu, 2015).

Previous studies indicate that financial behavior may vary among people due to differences in social class, socioeconomic status, and demographic characteristics (Shim et al., 2009; Prihantoro et al., 2011; Temizel, Sayılır, and Sevim, 2017). This study contributes to the literature by clarifying the factors that affect consumers' decisions to use several types of consumer loans in emerging markets in order to engage in status consumption.

Our findings can help identify the consumer's financial behavior in relation to status consumption propensity. We believe that these findings are critical, and that financial organizations can use them to better aim their marketing efforts at target customers. This study also indicates that for status-seeking purposes, consumers are more likely to take housing loans, car loans, and motorcycle loans. With respect to housing loans, individuals who spend their weekend shopping are more likely to use the product than other consumers. Those who go shopping during weekends, have high quality-consciousness, save more money, and put less importance on product safety tend to adopt car loans. Individuals who spend less time on the internet, are more likely to eat outside, have a lower saving tendency, and are less quality-conscious have a higher likelihood of adopting motorbike loans.

We acknowledge that excessive spending on financial products may not be desirable from a societal perspective. This could particularly be true for consumers with low incomes, as their need to borrow money for status enhancement could lead to financial difficulties in the future.

This situation could eventually lead to social issues such as criminality and inadequate education, which are likely to result in a decline in people's well-being. Therefore, it is important for policymakers to prevent low-income consumers from engaging in status consumption excessively.

## 7 Limitations and future research direction

This study examined the influencing factors on financial behavior of Indonesian consumers that are willing to engage in status consumption. Our probit model analysis revealed that the effect of psychographic and demographic variables varies depending on financial product types (i.e., housing loans, car loans, and motorbike loans). Saving is positively associated with the use of car loans, but is negatively associated with the use of motorbike loans. Our results suggest that for status-seeking purposes, consumers are more likely to use housing loans, car loans and motorbike loans. We believe that our findings contribute to the modern literature by providing not only novel evidence to better understand status consumption propensities in emerging countries but also practical guidance for firms in more effectively targeting their products.

We also note some limitations of this study. First, we only examined the status-seeking approach and financial behavior of consumers in one country. Further research using samples from different countries would improve this study's generalizability, although we expect that the principles we found would also apply in other emerging markets. Second, we only investigated the tendencies of status consumption in relation to financial products. Future research may need to address how our results would be different for products that are consumed in a more private context. In the developing world, the emergence of microcredit and other financial services has contributed to a growth in awareness of the intra-household economy. It has become clear that the financial services sector must understand financial activities within households if credit and other financial services are to be distributed effectively (Pahl, 2008). Therefore, incorporating motivations into the framework would be a direction for future research.

## References:


Liolerance, L., (2020) “Community College Business Intelligence: A Case Study at Lone Star College–Tomball Campus on a Business Intelligence Approach to Community College Challenge.” *The Air Professional File Spring 2020,* Article 149

Alam, M.,, Ullah, R., Mirza, A.I., Saleem, W., Elahi, M., Sultan, H., (2019) “Impact of Microcredit Scheme on Socio-Economic Status of Farmers (A Case Study of PRSP in District Gujranwala),” *South Asian Studies,* Vol. 29 No. 1, pp. 163-172

Ammar, A., and Ahmed, M, E, (2016)"Factors Influencing Sudanese Microfinance Intention to Adopt Mobile Banking", *Cogent Business and Management*,Vol. 3 No.1, pp.1154257.

Baharun, R, Hamid. A.B.A, Shamsudin,S.A, Salleh.M.Z.N. Zaidin,N, and Sulaiman,Z (2011) “Market Segmentation in Malaysia by Using Psychographic Dimensions for Unit Trust Products”, *African Journal of BusinessManagement,*Vol.5 No.13,pp.5040-5047.

Beckett, A, Hewer.P, and Howcroft,B (2000) “An Exposition of Consumer Behaviour in the Financial Services Industry,” *International Journal of Bank Marketing,*Vol.18 No.1,pp.15–26.

Amanda,B (2010) “-Conspicuous Consumption-A Study of Prestige-Related Consumer Behavior” (Unpublished Master’s Thesis) Lund, Sweden.

Bock, E.D, Eastman,K.J, and McKay,B( 2014) “The Impact of Economic

Perceptions on Status Consumption: An Exploratory Study of the Moderating Role of Education," *Journal of Consumer Marketing,* Vol. 31 No.2, pp. 111–117.

Brown, S. and Taylor,K (2014) "Household Finances and the 'Big Five' Personality Traits," *Journal of Economic Psychology,* Vol. 45, pp.197–212.

Canton, E, and Blom, A (2004)"- Can Student Loans Improve Accessibility to Higher Education and Student Performance? An Impact Study of the Case of SOFES, Mexico "World Bank Policy Research Working Paper 3425."

Chan,Y.W, Chester, K.M. To, and Chu,C.W (2015) -"Materialistic Consumers Who Seek Unique Products: How Does Their Need for Status and Their Affective Response Facilitate the Repurchase Intention of Luxury Goods?" „*Journal of Retailing and Consumer Services,* Vol.27 pp. 1–10.

Chau, Sum,V, Ngai,Liqing W.L.C (2010) "The Youth Market for Internet Banking Services: Perceptions, Attitude and Behaviour", *Journal of Services Marketing* Vol.24 No .1, pp. 42–60.

Choi,L. and Burnham,T (2020) "Brand Reputation and Customer Voluntary Sharing Behavior: The Intervening Roles of Self-Expressive Brand Perceptions and Status Seeking," *Journal of Product and Brand Management*, Vol.30 No.4, pp. 565-578.

Constantin,C, (2017) -"The impact if incomes and loans on households expenditures, case of Romania", *Journal of Smart Economic Growth,* Vol.2 No. 4,pp. 13–22.

Cosma, S. and Pattarin,F (2012) "Attitudes, Personality Factors and Household Debt Decisions: A Study of Consumer Credit," *SSRN Electronic Journal*, pp.194-216.

Dahana, D.W, Kobayashi, T and Ebisuya,A (2018) “Empirical Study of Heterogeneous Behavior at the Base of the Pyramid: The Influence of Demographic and Psychographic Factors,” *Journal of International Consumer Marketing,* Vol. 30 No. 3, pp. 173–91.

Rachmawati, E.D, (2015)“Market Opportunities and Regulations Microfinance in Indonesia”, *Journal of East Asian studies,* No.13 pp. 173-194.

Erdem,T. Michael, P.Keane, Sun, B (2008) “A Dynamic Model of Brand Choice When Price and Advertising Signal Product Quality,” *Marketing science,* Vol. 54 No.4,pp.351-353.

Félix, Santana,G.E and Belo. Freitas,T (2019) “The Impact of Microcredit on Poverty Reduction in Eleven Developing Countries in South-East Asia,” *Journal of Multinational Financial Management* ,Vol. 52–53, pp. 100590

Frączek, B. and Monika (2015) “Financial Literacy and Its Influence on Young Customers Decision Factors”, *Journal of Innovation Management,Vol.* 3 No.1, pp. 62–64.

Frangos, Christos C, Konstantinos C, F, Ioannis S, Giannis, M and Aikaterini C,V (2012) “Factors Affecting Customers’ Decision for Taking out Bank Loans: A Case of Greek Customers,” *Journal of Marketing Research and case studies,* Vol. 16, pp. 927167.

Fred.W, Raaij,V (2012). “Consumer Financial Behavior.” *Foundations and Trends in Marketing,* Vol.7 No.4, pp.231-351.

Geldenhuys, M, and. Henn,C. ( 2017) “The Relationship between Demographic Variables and Well-Being of Women in South African Workplaces,” *SA Journal of*

*Human Resource Management,*Vol.15, pp. 1-15.

Haryanto, B. Febrianto, A.and Cahyono,E (2019) “Lifestyle and consumer preferences in choosing local or foreign brands: A study of consumer behavior in sukakarta-Indonesia,*"Journal of Management and Entrepreneurship,*Vol. 21, No.1, pp. 74-88

Sias.H (2007) “Home Loan Profitability Optimisation in the Financial Industry.”

Johan,I.Rowlingson,K and Appleyard,L ( 2021). “The Effect of Personal Finance Education on The Financial Knowledge, Attitudes and Behaviour of University Students in Indonesia,” *Journal of Family and Economic Issues* Vol. 42 No. 2, pp. 351–67.

Kamleitner, B., and. Kirchler,E (2007) “Consumer Credit Use: A Process Model and Literature Review,” *European review of applied psychology,* Vol.57 No. 4, pp. 267-283.

Kamleitner, B, Hoelzl, E,and Kirchler, E( 2012) “Credit Use: Psychological Perspectives on a Multifaceted Phenomenon” *International Journal of Psychology* ,Vol. 47 No. 1, pp 1–27.

Abbas, K.S, Hassan, A.H, Hashmi, M.Z and Waqar, N (2018) “How cognitive,emotional and behavioral determinants affect consumer credit approach?", *Global scientific Journals*, Vol. 6, No. 3, pp. 164-171.

Kim, D, and Jang,S ( 2014) “Motivational Drivers for Status Consumption: A Study of Generation Y Consumers,” *International Journal of Hospitality Management* ,Vol. 38, pp. 39–47.

Kim, Gon,W, Soojin, L, Young, H,L ( 2008) “Co-Branding and Brand Loyalty,” *Journal of Quality Assurance in Hospitality & Tourism,*Vol. 8 No. 2, pp. 1-23.

Kumar, R., and Rakesh, K (2019) “Impact of various demographic factors on consumer behaviour- an empirical study of electronic products in rural Himachal(India),” *Indian Journal of economics and Business,*Vol.19 No.1, pp. 109-127.

Limbu, B,Y. Huhmann, A.B, and Bing Xu (2012) “Are College Students at Greater Risk of Credit Card Abuse? Age, Gender, Materialism and Parental Influence on Consumer Response to Credit Cards,” *Article in Journal of FinancialServicesMarketing,*Vol.17 No.2,pp.148–62.

Joko, M (2019) “Micro-Credit as Catalyst for Improving Rural Livelihoods through Agribusiness Sector in Indonesia,” *Journal of Entrepreneurship in Emerging Economies,*Vol.11, No.1, pp. 98–121.

Mayfield, C, Perdue, G. and Wooten, K ( 2008) “-Investment Management and Personality Type” *Financial service Review*, Vol. 17, No. 3, pp.219-236.

Roy, M (2005) -“Microcredit for Self-Employed Disabled Persons in Developing Countries,” Oslo, Norway: Atlas Alliance.

Ramya, N. and Ali, M, SA (2016) “Factors Affecting Consumer Buying Behavior,” International Journal of Applied Research,Vol. 2 No.10, pp. 76–80.

Zoynul, M,A. and Fahmida,M (2013) "Women empowerment through microcredit:A case study of Dinajpur, Bangladesh," *Studies in Business and Economics,* Vol. 8 No. 2, pp. 5-19.

Musa, I, C. and Hasan, M ( 2018) “-The Influence of Social, Economic, and Demographic Characteristic on Working Hours of Micro, Small, and Medium

Enterprises (MSMEs) in Makassar City," In *Journal of Physics: Conference Series*. Vol. 1028.

Nabi, N. O'Cass, A. and Siahtiri,V ( 2017) "Status Consumption in Emerging Countries," Australian and New Zealand Marketing Academy, No.1, pp. 1-42

Nandan,T. and Saurabh,K (2016) "-Big-Five Personality Traits, Financial Risk Attitude and Investment Intentions: Study on Generation Y," *International Journal of Business Forecasting and Marketing Intelligence,* Vol.2 No. 2, pp. 128-150.

Ngwenya,M.A and Paas,L.J (2012) "Lifecycle Effects on Consumer Financial Product Portfolios in South Africa: An Exploratory Analysis of Four Ethnic Groups," *Journal of Economic Psychology,* Vol. 33 No. 1, pp. 8–18.

Nouman,M. Siddiqi, F.M.Syed,A and Hussain,Z (2013) "Impact of socio economic characteristics of farmers on access to agricultural credit,"*Sarhad J.Agric,* Vol.29 No. 3, pp. 469-476.

Onditi. A, Arvinlucy (2013) "Relationship between Customer Personality, Service Features and Customer Loyalty in the Banking Sector: A Survey of Banks in Homabay County, Kenya," *International Journal of Business and Social Science*, Vol. 4, No. 15, pp. 132-150.

Patro,S,C (2015) "Customer Perception Towards Borrowing Bank Loans." *International Journal of Productivity Management and Assessment Technologies* ,Vol. 3 No. 1, pp 31–45.

Prihantoro, Dj. Sumarna,A (2011) "Adoption of Psychographic Model in Determining Factors That Influence Insurance Interest and Perception (Case Study on Micro, Small and Medium Enterprises in the Province of

Yogyakarta),” *The first international credit union conference on social micro.* pp. 154-163.

Pelau, C.Serban, D. Chinie, A, C (2018) "The influence of personality types on the impulsive Buying behavior of a consumer" International conference on Business Excellences,Vol. 12 No.1, pp. 751-759.

Purwidianti, W.and Tubastuvi, N (2019) “The Effect of Financial Literacy and Financial Experience on SME Financial Behavior in Indonesia,” *Journal dinamika manajemen,*Vol. 10 No.1, pp. 40-45.

Rahman, A (2009) “Consumer Credit as Lifestyle Activities Facilitators for Consumers of Bangladesh.” *International Journal of Marketing Studies,* Vol.10 No.1, pp. 114-126.

Royne, M,S (1996) “Demographic Discriminators of Service Quality in the Banking Industry,” *Journal of Services Marketing,* Vol.10 No. 4, pp. 6–22.

Rudi, J, H, Serido,J and Shim,S (2020) “Does Student Loan Status Matter?” “*JournalofFamilyPsychology,*Vol.34 No.8,pp.949-959.

Rutherford, G.L, and Wanda S. F ( 2010) “Financial Wellness of Young Adults Age 18-30,” *Family and Consumer Sciences Research Journal,* Vol.38 No. 4, pp. 468–84.

Sari, AP. (2019). -“The effect of product quality,price and brand imge toward customer loyalty with the mediation of customer satisfaction on personal care product of unilever Indonesia Surakarta”. (Bechelor’s Thesis), Faculty of Economics and Business, Universitas Muhammadiyah Surakarta.

Sbaih, Q.and Massad,S(2016) Consumption Loans Effects on Standards of Living

In Palestine'Research Paper, Vol. 52 pp. 315391.

Shim, S. Jing J. Xiao, Bonnie L. Barber, and Angela C. Lyons. (2009) "-Pathways to Life Success: A Conceptual Model of Financial Well-Being for Young Adults," *Journal of Applied Developmental Psychology* ,Vol. 30 No. 6, pp. 708–723.

Sevim, N. Temizel, F. Saylr, O (2012) "The Effects of Financial Literacy on the Borrowing Behavior of Turkish Financial Consumers, *International Journal of consumer studies*," Vol. 36, pp. 573-579.

Wang, Q, Shen,J. Sotero,M, Casey A. Li, and Hou,Z (2018) "Income, Occupation and Education: Are They Related to Smoking Behaviors in China?" *Plos ONE,* Vol. 13 No. 2, pp. 0192571.

Wright, Graham A N. (1999) "The Impact of Microfinance Services: Increasing Income or Reducing Poverty" *Market led solutions for financial services.*

Elizabeth Bock,D., Eastman Kilsheimer, J.and McKay,B.( 2014), "The Impact of Economic Perceptions on Status Consumption: An Exploratory Study of the Moderating Role of Education" *Journal of Consumer Marketing"* Vol.31 No.2,pp111–117.

Yin wing, C. Chester K.M. To, and Chu,ching W. (2015), "Materialistic Consumers Who Seek Unique Products: How Does Their Need for Status and Their Affective Response Facilitate the Repurchase Intention of Luxury Goods?," *Journal of Retailing and Consumer Services,*Vol.27 pp 1–10.

Tortoriello, M. Perrone,V.and McEvily,B.(2011) "Cooperation among Competitors as Status-Seeking Behavior: Network Ties and Status Differentiation," *European Management Journal,*Vol.29 No.5 pp 335-346

Constantin, and Cristinel (2017). “ The impact of incomes and loans on households expenditures, case of Romania,” *Journal of Smart Economic Growth*" Vol. 2 No.4, pp. 13-22.

Heaney, J, Goldsmith, E,Ronald,and Jusoh, Wan( 2008). “Status Consumption Among Malaysian Consumers,” "*Journal of international consumer Marketing*"Vol.17 No.4,pp.83-98