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Raden Johnny HADI RAHARJO¹

Abstract

Indonesia stands as a colossus in the digital payment frontier, boasting the largest market in Southeast Asia with a staggering 92 million users in 2020 alone and a transaction value eclipsing 18.7 billion US dollars. It's within this vibrant backdrop that our research unravels the enigma of Gen Z, the digital-native cohort swiftly commandeering these platforms. Riding the wave of e-Wallet domination, with over 70 service providers and an impressive 104 million users, our findings dive deep into the pulsating core of Gen Z's behaviors. At the intersection of culture and commerce, we discover that cultural nuances, notably acceptance of inequality and collectivism, significantly sculpt their brand allegiance. Concurrently, a superior customer experience emerges as a pivotal anchor for their loyalty. Yet, the shimmering digital horizon reveals disparities: a discernible gender imbalance and concerning gaps in financial literacy among these young consumers. For forward-thinking businesses, the clarion call is unmistakable: to triumph in the Indonesian market, one must deftly navigate its cultural tapestry, elevate customer experiences, and champion financial literacy. This study doesn't just decode the Gen Z phenomenon in Indonesia but illuminates the roadmap for businesses to thrive in the heart of Southeast Asia's digital payment behemoth.

Keywords: cultural factors, customer experience, customer loyalty, PLS Structural Equation Modeling, business strategy.

Introduction

The Development of Information and Communication Technology has transformed paradigms in various aspects of life, including financial transactions. The growth of fintech and digital payment in Indonesia has shown remarkable achievements, being the fastest and highest in Southeast Asia. According to the

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e-Conomy SEA 2020 report published by Google, Temasek, and Bain & Company, the number of digital payment users in Indonesia reached 92 million in 2020. This positions Indonesia as the largest digital payment market in the region and experiences significant growth year after year (Google, Temasek, Bain & Company, 2020). Bank Indonesia also recorded that the value of digital payment transactions in Indonesia in 2020 reached 18.7 billion US dollars, reflecting the rapid adoption by the society in using digital payment as a more convenient and efficient payment method (Bank Indonesia, 2020). In this context, the dominance of e-Wallets as the most popular form of digital payment in Indonesia is also prominent. According to the report by the Indonesian Fintech Association (AFTECH), there are more than 70 e-Wallet service providers in Indonesia with a total of 104 million users in 2020 (AFTECH, 2020). Factors such as a large user base, significant transaction value, the dominance of e-Wallets, as well as the regulatory support and innovation provided by the Indonesian government (Law No. 11 of 2020 on Job Creation and OJK Regulations) have strengthened Indonesia's position as a leader in the fintech and digital payment industry in Southeast Asia (google, temasek, 2020; Report, 2020). The use of digital payment products has become common in Indonesia, especially among Generation Z. According to DataReportal (2023), digital payment usage in Indonesia has reached 212.9 million or about 77% of the total population, with 32.5% or 69 million of them being Generation Z users.

Generation Z, as a digital-native generation, has a high adoption rate of technology (Terrell, 2019). According to a survey conducted by KIC (Hartanto, 2023), the majority of this generation uses e-Wallets (68%). In addition to ATMs, ownership of bank accounts among Generation Z is surpassed by e-Wallets due to the ease of opening an account compared to a traditional bank. According to KIC (Hartanto, 2023), financial behavior also includes utilizing credit/pay-later facilities. In an online survey conducted with respondents from 34 provinces, 13.8% of the respondents have utilized credit/pay-later facilities. These activities are primarily for fulfilling their daily needs such as fashion, gadgets, food, fuel, communication, and tickets.

However, their knowledge of financial literacy is still lacking. This limitation can affect their decision-making in using digital payment products and their loyalty towards those products. At the same time, Indonesian culture, which highly values interpersonal relationships and community, can influence how they perceive and use digital payment products. This research aims to explore how this culture affects their loyalty towards digital payment products. The increasing use of digital payment products indicates a change in consumer behavior, with a growing tendency to engage in digital transactions. The usage of digital payment products such as Jenius, Shopee Pay, OVO, and GoPay among Generation Z has various implications, including financial literacy, customer experience, culture, and customer loyalty. However, there is limited research on financial literacy related to digital payment products, despite the crucial role financial literacy plays in their usage. As mentioned by Fong et al (2021), financial literacy contributes to

good financial understanding and decision-making, including the use of digital payment products.

From the perspective of customer experience, researchers have identified that positive customer experiences can influence customer loyalty (Kumar & Reinartz, 2018). Customer experiences are formed by various aspects, including service quality, transaction speed, and user-friendliness. From a cultural standpoint, research by Hofstede (Minkov & Kaasa, 2021) we develop a test for the purpose of validating models of culture. We apply this test to Minkov's revised two-dimensional variant of Hofstede's subjective-culture model, consisting of individualism-collectivism (IDV-COLL states that culture influences individuals' attitudes and behaviors, including the use of technology and digital products. Indonesia has a unique culture that differs from other countries, thus it is necessary to examine how this culture influences customer loyalty in the use of digital payment products. However, research that investigates the influence of customer experience, financial literacy, and culture on customer loyalty in the use of digital payment products is still very limited, particularly among Generation Z in Indonesia. Therefore, this research is designed to fill this knowledge gap and provide a deeper understanding of the topic. Considering the importance of customer loyalty for business sustainability, this research is expected to serve as a reference for digital payment service providers in designing their strategies to enhance customer loyalty.

This study aims to examine how customer experience, financial literacy, and culture influence customer loyalty towards digital payment products among Generation Z in Indonesia. Thus, it can help digital payment service providers understand what influences their customer loyalty and how to improve it. This study will also examine how customer experience influences their loyalty towards digital payment products. Positive experiences can impact customer loyalty and encourage them to continue using the product (Kumar & Reinartz, 2018). Therefore, this research is highly important and relevant in the current context of Indonesia. With the findings of this study, digital payment service providers can design their strategies to enhance customer loyalty, ultimately helping them to grow their business. The usage of digital payment has significantly increased worldwide, including in Indonesia. Technological advancements and changes in lifestyle have influenced Generation Z, the generation that has grown up alongside digital technology, to adopt digital payment methods more frequently (Terrell, 2019).

Literature Review

Generation Z

Generation Z, also known as Gen Z, is the generation born between the years 1997 and 2012, although this time range can vary depending on the source (Terrell, 2019). This generation emerged after Generation Y, or more commonly known as the millennial generation. In the digital context, Generation Z is often described as

“digital natives,” meaning they grew up in the digital era and have been surrounded by technology since their childhood. Their skills and understanding of technology are naturally better than previous generations. This includes understanding the use of the internet, social media, mobile devices, and, of course, digital payment methods.

Financial literacy

Financial literacy is a pivotal factor affecting consumers’ decision-making processes and behaviors. It involves understanding financial concepts, making financial decisions, and being aware of various financial products and services (Atkinson & Messy, 2012). This knowledge impacts how consumers use financial products, their satisfaction with these products, and ultimately their loyalty to the provider of these products.

Several studies have examined the correlation between financial literacy and customer loyalty. For example, Hilgert *et al.*, (2002) found that consumers with higher financial literacy were more likely to remain loyal to their financial service providers, given that their understanding allowed them to appreciate the value and convenience offered. In a similar vein, Shim et al (2010) specifying four-levels that connect anticipatory socialization during adolescence to young adults’ current financial learning, to their financial attitudes, and to their financial behavior. A total of 2,098 first-year college students (61.9% females demonstrated that financial literacy is a significant predictor of credit card behavior, including the likelihood of full payment and credit card loyalty. However, these studies often concentrate on traditional banking and credit products, with less attention given to emerging digital financial products. The digital landscape changes rapidly, and these shifts necessitate further examination of how financial literacy influences customer loyalty towards digital payment providers. Additionally, most studies in the past have largely focused on Western contexts, leaving a gap in understanding these relationships in different cultural settings like Indonesia.

This present study attempts to address these gaps by exploring the relationship between financial literacy and customer loyalty in the context of digital payments among Generation Z in Indonesia. By investigating this underexplored demographic and geographic segment, the research will provide a nuanced understanding of how financial literacy influences customer loyalty in a digital financial environment. The study is further differentiated by considering the potential moderating role of cultural factors and customer experience, which have been somewhat neglected in previous studies. By doing so, this research aims to present a more comprehensive model of customer loyalty in digital payment contexts.

Customer Experience and Its Relationship with Customer Loyalty

Customer experience plays a vital role in driving customer satisfaction and loyalty. According to Lemon and Verhoef (2016) customer experience is a multidimensional construct that encompasses service quality, transaction speed and ease, and the user interface and design. Positive experiences can foster customer loyalty, as they generate satisfaction, reduce perceived risk, and increase trust in the service provider. Prior research has shown strong associations between customer experience and loyalty. For instance, a study by Kour et al (2020) revealed that better customer experiences directly impact customer loyalty in the banking sector. In a similar vein, an investigation by Kumar & Reinartz (2018) identified a positive correlation between positive customer experience and customer loyalty across several industries, including retail, telecommunications, and financial services.

In the context of digital payments, a study by Bilgihan et al (2016) affirmed that positive customer experience-such as smooth transactions, easy-to-use interfaces, and quality service-significantly contributes to customer loyalty. Their findings revealed that customers tend to remain loyal to digital payment platforms that provide superior experiences. However, previous studies predominantly focused on general industries or traditional banking, with limited emphasis on digital payment systems, especially in non-Western contexts. Furthermore, research seldom targeted Generation Z-a digitally-native demographic poised to be the future consumers. The current study aims to fill these gaps by examining how customer experience influences customer loyalty towards digital payment products among Generation Z in Indonesia. It posits that:

Hypothesis 1: Higher levels of customer experience in using digital payment products will result in higher customer loyalty among Generation Z in Indonesia.

Culture and Its Influence on the Use of Digital Payment Products and Its Relationship with Customer Loyalty

Culture is a pivotal factor that affects human behavior, including in the realm of financial services and digital payments. Minkov & Kaasa (2021) cultural dimensions theory suggests that cultural norms, values, and practices impact how individuals perceive and use technology, including digital payment products. Several studies have documented the influence of culture on technology acceptance and usage. For instance, Erumban & de Jong (2006) found that cultural factors significantly affected technology acceptance in developing countries. Taras *et al.* (2016) cultures have been treated as though they reside exclusively within, or perfectly overlap with countries. Indeed, the terms “country” and “culture” are often used interchangeably. As evidence mounts for substantial within-country cultural variation, and often between-country similarities, the problem with equating country and culture becomes more apparent. To help resolve the country-culture conundrum, we evaluate the extent to which political boundaries

are suitable for clustering cultures based on a meta-analysis of 558 studies that used Hofstede's (Culture's consequences: international differences in work-related values. Sage Publications, Beverly Hills, 1980) findings. Hofstede (1980) found that cultural dimensions, particularly collectivism and power distance, influenced the adoption and usage of technology.

When it comes to digital payment usage and customer loyalty, culture appears to play a role as well. Li *et al.*, (2009) conducted a study in China and found that cultural factors significantly influenced customer loyalty towards mobile banking services. In a similar vein, Sharma *et al.* (2019) found that cultural values influenced the continued usage of digital payment systems and the loyalty towards these services. However, previous studies have mainly focused on developed countries or specific cultural contexts, with limited focus on how culture influences the usage of digital payment products and customer loyalty in diverse settings, like Indonesia, which has a unique and rich cultural backdrop.

The present study aims to fill these gaps by examining how cultural values affect the usage of digital payment products and the resultant customer loyalty among Generation Z in Indonesia. Based on the above literature, this study hypothesizes that:

Hypothesis 2: Cultural values will influence the use of digital payment products and consequently affect customer loyalty among Generation Z in Indonesia.

Customer Loyalty and Its Implications

Customer loyalty is considered a crucial determinant of business success and sustainability. It is generally defined as a customer's commitment to repurchase or continue using a company's product or service over time (Bilgihan *et al.*, 2016). It consists of attitudinal loyalty, reflected in positive word-of-mouth and preference for a brand, and behavioral loyalty, exhibited in repeat purchases and resistance to switch to competitors.

Several studies have demonstrated the importance of customer loyalty. For instance, Kumar & Reinartz (2018) revealed that loyal customers are more likely to make repeat purchases, recommend a brand to others, and remain customers even in the face of competitor efforts. Similarly, Berezina *et al.* (2016) collected 510 hotel guests from TripAdvisor.com for Sarasota, Florida. The research findings revealed some common categories that are used in both positive and negative reviews, including place of business (e.g., hotel, restaurant, and club) showed that customer loyalty leads to increased customer lifetime value, resulting in improved profitability for businesses. In the context of digital payment services, customer loyalty is even more critical due to the industry's competitive nature. Loyal customers are more likely to continue using a digital payment platform despite the availability of alternative options. This loyalty can be influenced by several factors, including customer experience, financial literacy, and cultural factors (Bilgihan *et al.*, 2016); Li *et al.*, 2009; Sharma *et al.*, 2019).

Methodology

Consistent with the recommendations of Creswell & Creswell (2018), this study adopts a cross-sectional survey design. Cross-sectional designs facilitate the collection of data from a broad spectrum of respondents at a single point in time, serving as an efficient method to examine relationships between variables. Therefore, this design was deemed suitable for our goal of investigating the relationships between financial literacy, customer experience, cultural factors, and customer loyalty towards digital payment products among Generation Z in Indonesia.

Population and Sample

The population of this study constitutes Generation Z in Indonesia who have used digital payment products. Consistent with guidance from Trochim, W. M. K., Donnelly, J. P., & Arora (2016), a sample of 502 respondents was selected using a convenience sampling technique. Convenience sampling, a type of non-probability sampling method, allows for the collection of readily available data and is often employed due to its speed, cost-effectiveness, and ease of use.

Data Collection

Data for this study were collected utilizing an online questionnaire, a tool frequently employed in behavioral research (Gomm, 2008). The questionnaire was meticulously developed based on the operational definitions of the variables and incorporated several questions aligned with each indicator of the variables.

Measures

The questionnaire was partitioned into sections, each representing one of the four variables of interest: financial literacy, customer experience, cultural factors, and customer loyalty. Each section consisted of multiple items designed based on the indicators of the respective variables, following best practices in survey design (Fowler, 2014).

- *Financial Literacy*: This section incorporated questions assessing the respondents' understanding of financial concepts, their ability to make informed financial decisions, and their knowledge of financial products and services.
- *Customer Experience*: This section included items probing the quality of service, transaction speed and ease, and the interface and design of the digital payment products.
- *Cultural Factors*: This section solicited responses on cultural aspects related to collectivism and acceptance of inequality.

- *Customer Loyalty*: This section comprised questions relating to the respondents' repurchase intentions and brand loyalty.

Operational Definition: Financial Literacy

Financial literacy in this context refers to an individual's understanding and knowledge of financial concepts and products, enabling them to make informed and suitable decisions in a financial context (Lusardi & Mitchell, 2014) which casts financial knowledge as a form of investment in human capital. Endogenizing financial knowledge has important implications for welfare, as well as policies intended to enhance levels of financial knowledge in the larger population. Next, we draw on recent surveys to establish how much (or how little. This variable includes three dimensions:

- *Understanding of Financial Concepts (Dimension)*: The indicators include understanding basic financial concepts such as interest rates, inflation, and diversification (Atkinson & Messy, 2012). Questions in this dimension may involve scenarios or statements that measure the respondents' understanding of these concepts.
- *Financial Decision-Making (Dimension)*: The indicators include the ability to make well-informed financial decisions, such as planning for retirement or investments (Lusardi & Mitchell, 2014) which casts financial knowledge as a form of investment in human capital. Endogenizing financial knowledge has important implications for welfare, as well as policies intended to enhance levels of financial knowledge in the larger population. Next, we draw on recent surveys to establish how much (or how little. Questions could involve scenarios where respondents need to make financial decisions.
- *Knowledge of Financial Products and Services (Dimension)*: The indicators include knowledge about financial products and services like savings, credit cards, and insurance (HUSTON, 2010). Questions could measure the respondents' knowledge about various existing financial products and services.

Operational Definition: Customer Experience (XI)

Customer experience refers to the subjective response customers have to any direct or indirect contact with a company (Meyer & Schwager, 2007). This contact can happen at various touchpoints and throughout different stages of the customer journey. This variable includes three dimensions:

1. *Service Quality (Dimension)*: Indicators include customer satisfaction, response to complaints, and service reliability (Lemon & Verhoef, 2016). Questions might include: (a) The digital payment service consistently performs well; (b) The digital payment service provides up-to-date features; (c) The digital payment service handles customer issues effectively and timely.

2. Ease and Speed of Transaction (Dimension): Indicators include speed of transaction, ease of payment, and efficiency of processes (Lemon & Verhoef, 2016). Questions might include: (a) Transactions using the digital payment service are processed quickly; (b) It is easy to navigate and conduct transactions using the digital payment service; (c) The process of setting up and using the digital payment service is straightforward.

3. Interface and Design (Dimension): Indicators include quality of application design, ease of navigation, and suitability to user needs (Lemon & Verhoef, 2016). Questions might be: (a) The interface of the digital payment service is user-friendly; (b) The design of the digital payment service is appealing; (c) The digital payment service aligns with my needs and preferences.

Operational Definition: Cultural Factors (X2)

Cultural factors refer to the shared beliefs, values, customs, behaviors, and artifacts that members of a society use to cope with their world and with one another, transmitted from generation to generation through learning (Taras *et al.*, 2016)cultures have been treated as though they reside exclusively within, or perfectly overlap with countries. Indeed, the terms “country” and “culture” are often used interchangeably. As evidence mounts for substantial within-country cultural variation, and often between-country similarities, the problem with equating country and culture becomes more apparent. To help resolve the country-culture conundrum, we evaluate the extent to which political boundaries are suitable for clustering cultures based on a meta-analysis of 558 studies that used Hofstede’s (Culture’s consequences: international differences in work-related values. Sage Publications, Beverly Hills, 1980. This variable encompasses two dimensions:

1) Collectivism (Dimension): Indicators include values that prioritize group over individual, cooperation, and social harmony (Taras *et al.*, 2016)cultures have been treated as though they reside exclusively within, or perfectly overlap with countries. Indeed, the terms “country” and “culture” are often used interchangeably. As evidence mounts for substantial within-country cultural variation, and often between-country similarities, the problem with equating country and culture becomes more apparent. To help resolve the country-culture conundrum, we evaluate the extent to which political boundaries are suitable for clustering cultures based on a meta-analysis of 558 studies that used Hofstede’s (Culture’s consequences: international differences in work-related values. Sage Publications, Beverly Hills, 1980. Questions might be: (a) I prefer digital payment services that promote a sense of community and collaboration; (b) I prefer using digital payment services that are popular within my social group; (c) My decisions about digital payment services are influenced by the opinions of my family, friends, and social network.

2) Acceptance of Inequality (Dimension): Indicators encompass acceptance of social and economic inequality, deference to authority, and belief in hierarchy

(Taras *et al.*, 2016) cultures have been treated as though they reside exclusively within, or perfectly overlap with countries. Indeed, the terms “country” and “culture” are often used interchangeably. As evidence mounts for substantial within-country cultural variation, and often between-country similarities, the problem with equating country and culture becomes more apparent. To help resolve the country-culture conundrum, we evaluate the extent to which political boundaries are suitable for clustering cultures based on a meta-analysis of 558 studies that used Hofstede’s (Culture’s consequences: international differences in work-related values. Sage Publications, Beverly Hills, 1980. Questions could be: (a) I trust digital payment services that are recognized and respected authorities in the financial industry; (b) I believe that it’s normal for some digital payment services to have more power and control than others; (c) I accept that some digital payment services have more privileges and advantages than others due to their reputation or size.

Operational Definition: Customer Loyalty (Y1)

Customer loyalty refers to the degree of commitment and willingness of customers to continue using a specific product or service (Bilgihan *et al.*, 2016). This variable consists of two dimensions:

1) Repurchase Intent (Dimension): Indicators include intent to make repeat purchases, frequency of use, and brand preference (Bilgihan *et al.*, 2016). Questions could include: (a) I intend to continue using this digital payment service for my future transactions; (b) I prefer this digital payment service over other alternatives available in the market; (c) I frequently use this digital payment service for my transactions.

2) Brand Loyalty (Dimension): Indicators include resistance to alternative offers, level of satisfaction with the brand, and brand recognition (Bilgihan *et al.*, 2016). Questions might be: (a) I would recommend this digital payment service to others; (b) I feel satisfied with this digital payment service; (c) I trust and feel confident in this digital payment service.

Data Analysis

The data analysis was executed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the SmartPLS software, a tool widely recognized for its robustness in handling complex models (Hair *et al.*, 2019). PLS-SEM’s ability to provide substantial explanatory power and its suitability for predictive research applications made it the preferred choice for this study (Hair *et al.*, 2019). In summary, this chapter outlined the methodological framework followed in this study. The subsequent chapter will present the results derived from the data collected and analyzed following this methodology.

Results

Certainly, the findings from The demographic, the Discriminant Validity test and the Convergent Validity test can be analyzed as follows:

The demographic data for the respondents is as follows:

1) Gender: Out of the 502 respondents, 31% were male and 69% were female. This equates to approximately 156 males and 346 females. This skew towards female respondents may influence the study results, as women may have different behaviors, attitudes, and preferences than men in relation to digital payment systems.

2) Financial literacy: Approximately 47% of respondents, or about 236 individuals, were financially literate, while 53% or 266 individuals were not. This indicates a significant number of respondents lacked basic financial knowledge, which may affect their understanding and usage of digital payment systems.

3) Education: In terms of educational attainment, 76% of respondents (or about 381 individuals) had completed high school, 21% (or about 105 individuals) held a bachelor's degree, and 3% (or around 15 individuals) held a master's degree. The relatively high number of high school-educated respondents may indicate the accessibility and usage of digital payment platforms among younger, less formally educated individuals.

4) Digital Payment Usage: The digital payment platforms usage among the respondents is as follows: (a) ShopeePay is the most widely used platform, with approximately 358 out of 502 respondents (or 71.4%) using it. This suggests ShopeePay's offerings or user experience might be highly appealing to this demographic. It's also plausible that ShopeePay's integration with Shopee's online marketplace plays a significant role in its popularity; (b) Dana is the second most popular platform, used by about 279 respondents (or 55.6%). This indicates that over half of the surveyed Gen Z individuals find Dana's features or services satisfactory; (c) Gopay is used by roughly 47.6% of the respondents, or around 239 individuals. Its significant usage might be attributed to its integration with Gojek's suite of services; (d) OVO, despite its wide range of features and partnerships with various businesses, is used by only 25.4% of respondents (approximately 127 individuals). This could be an area of concern and warrants further exploration to understand the relatively lower preference for this platform; (e) LinkAja, as a newer platform, has a lower adoption rate (around 11.1% or 56 users). Its growth and popularity among Gen Z users should be monitored over time; (f) Traditional banking apps like BCA, BRI, BNI, and Mandiri have very low usage (each with approximately 1.6% or 8 users). This suggests that Gen Z users might prefer digital wallets over traditional banking apps for their transactions. This can be due to the perceived ease of use, features, or user experience provided by digital wallet platforms.

It's also important to note that some respondents use more than one digital payment platform.

Discriminant Validity

The discriminant validity measures the degree to which items differentiate among constructs or measure distinct concepts. From your analysis, all values are above the 0.7 threshold(Hair *et al.*, 2019), indicating good discriminant validity. This suggests that each of the constructs - acceptance of inequality, brand loyalty, collectivism, cultural factors, customer experience, customer loyalty, ease and speed of transaction, interface and design, repurchase intent, service quality - are distinct from each other.

Table 1. Outer Loading

	Acceptance of Inequality	Brand Loyalty	Collectivism	Cultural Factors (X2)	Customer Experience (X1)	Customer Loyalty (Y1)	Ease and Speed of Transaction	Interface and Design	Repurchase Intent	Service Quality
x.1.2										0.957
x.1.2					0.914					
x.1.5							0.869			
x.1.5					0.799					
x.1.8								0.935		
x.1.8					0.897					
x1.1										0.958
x1.1					0.885					
x1.3										0.835
x1.3					0.807					
x1.4							0.935			
x1.4					0.865					
x1.6							0.941			
x1.6					0.941					
x1.7								0.930		
x1.7					0.881					
x1.9								0.844		
x1.9					0.868					
x2.1			0.920							

x2.1				0.874					
x2.2			0.917						
x2.2				0.885					
x2.3			0.886						
x2.3				0.848					
x2.4	0.936								
x2.4				0.901					
x2.5	0.914								
x2.5				0.824					
x2.6	0.886								
x2.6				0.889					
x3.1						0.853			
x3.2						0.768			
x3.3						0.792			
x3.4						0.879			
x3.5						0.902			
x3.6						0.812			
y1.1								0.914	
y1.2								0.900	
y1.3								0.808	
y1.4		0.958							
y1.5		0.956							
y1.6		0.836							

Convergent Validity

Convergent validity indicates the degree to which multiple items to measure the same concept are in agreement. Here again, all values exceed the 0.7 threshold (Hair *et al.*, 2010), demonstrating a high level of convergent validity. This suggests that all measures of each construct align well and represent that construct accurately.

Table 2. Discriminant Validity

	Acceptance of Inequality	Brand Loyalty	Collectivism	Cultural Factors (X2)	Customer Experience (X1)	Customer Loyalty (Y1)	Ease and Speed of Transaction	Interface and Design	Repurchase Intent	Service Quality
Acceptance of Inequality	0.912									
Brand Loyalty	0.762	0.918								
Collectivism	0.832	0.834	0.908							
Cultural Factors (X2)	0.957	0.834	0.958	0.871						
Customer Experience (X1)	0.835	0.947	0.934	0.925	0.874					
Customer Loyalty (Y1)	0.847	0.942	0.882	0.904	0.946	0.836				
Ease and Speed of Transaction	0.802	0.826	0.932	0.906	0.951	0.857	0.915			
Interface and Design	0.838	0.895	0.922	0.919	0.976	0.920	0.912	0.904		
Repurchase Intent	0.823	0.738	0.808	0.853	0.807	0.922	0.769	0.816	0.875	
Service Quality	0.762	1.000	0.834	0.834	0.947	0.942	0.826	0.895	0.738	0.919

Reliability Test (Cronbach's Alpha)

A Cronbach's alpha of more than 0.7 is acceptable(Hair *et al.*, 2019). Your values are all greater than 0.845, suggesting high reliability. This means the questions within each construct are consistent in measuring the same attribute.

Table 3. Construct Reability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Acceptance of Inequality	0.899	0.901	0.937	0.832
Brand Loyalty	0.905	0.910	0.942	0.844
Collectivism	0.893	0.894	0.934	0.824
Cultural Factors (X2)	0.936	0.937	0.949	0.758
Customer Experience (X1)	0.961	0.963	0.967	0.764
Customer Loyalty (Y1)	0.913	0.916	0.933	0.698
Ease and Speed of Transaction	0.903	0.911	0.939	0.838
Interface and Design	0.887	0.888	0.931	0.818
Repurchase Intent	0.845	0.849	0.907	0.766
Service Quality	0.905	0.912	0.942	0.844

Composite Reliability

A composite reliability score of more than 0.7 indicates good internal consistency(Hair *et al.*, 2019). Your analysis shows scores exceeding this threshold, further confirming the high reliability of your constructs.

Model Fit: The standardized root mean square residual (SRMR) should ideally be less than 0.08 for a good fit (Hu & Bentler, 1999). Your SRMR scores are slightly higher, indicating that the model fit might be improved.

Table 4. Model Fit

	Saturated Model	Estimated Model
SRMR	0.091	0.097
d_ ULS	7.538	8.437
d_ G	n/a	n/a
Chi-Square	infinite	infinite
NFI	n/a	n/a

Hypothesis Testing

Your p-values are all below 0.05, indicating the relationships hypothesized in your model are statistically significant (Hair *et al.*, 2019). Cultural factors (X2), and customer experience (X1) have a significant impact on acceptance of inequality, collectivism, customer loyalty (Y1), ease and speed of transaction, interface and design, service quality, and brand loyalty. Customer loyalty (Y1) significantly impacts brand loyalty and repurchase intent.

Table 5. Path coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Cultural Factors (X2) -> Acceptance of Inequality	0.957	0.957	0.008	126.177	0.000
Cultural Factors (X2) -> Collectivism	0.958	0.958	0.006	154.458	0.000
Cultural Factors (X2) -> Customer Loyalty (Y1)	0.198	0.190	0.079	2.512	0.012
Customer Experience (X1) -> Customer Loyalty (Y1)	0.763	0.772	0.076	10.051	0.000
Customer Experience (X1) -> Ease and Speed of Transaction	0.951	0.952	0.007	138.081	0.000

Customer Experience (X1) -> Interface and Design	0.976	0.976	0.004	275.302	0.000
Customer Experience (X1) -> Service Quality	0.947	0.947	0.011	86.724	0.000
Customer Loyalty (Y1) -> Brand Loyalty	0.942	0.942	0.008	119.076	0.000
Customer Loyalty (Y1) -> Repurchase Intent	0.922	0.922	0.011	83.004	0.000

Discussion

The study provides a profound understanding of the complex interaction between various facets such as customer experience, cultural factors, and customer loyalty in relation to brand loyalty and repurchase intent. Delving into the specifics of the findings, the conclusions can be drawn in an in-depth manner.

Business Analysis: This research enriches our understanding of customer loyalty and repurchase intent in the context of Gen Z consumers, particularly highlighting the influential roles of cultural factors and customer experience. Our findings demonstrate a significant correlation between cultural factors and both acceptance of inequality and collectivism. As per prior studies (Markus & Kitayama, 2010), these findings reinforce the essential role cultural factors play in molding business strategies. As such, companies should consider local cultural nuances when developing products, services, and marketing strategies. In this case, there is a clear necessity for businesses to focus on the cultural values and beliefs of Gen Z consumers.

The influence of customer experience on customer loyalty was also significantly positive, in agreement with previous studies (Lemon & Verhoef, 2016). Our data indicates that a more seamless and enjoyable customer experience can lead to heightened customer loyalty. Consequently, businesses should strive to improve customer touchpoints across all stages of the customer journey, thus ensuring a positive and memorable experience that fosters loyalty. Furthermore, customer experience significantly influenced aspects of a service such as its interface and design, service quality, and transaction ease and speed. A higher quality customer experience translates into a more seamless transaction process, superior service quality, and user-friendly interfaces (Li *et al.*, 2009).

Cultural Factors and their Influence

Our analysis demonstrated significant effects of cultural factors on the acceptance of inequality and collectivism. This underscores the importance of cultural understanding in tailoring effective business strategies. For instance, in

societies where acceptance of inequality is ingrained, businesses might want to adopt different marketing strategies or design their services and products differently, compared to societies that prioritize equality. Similarly, understanding the degree of collectivism within a society can help businesses better position their offerings. In a highly collectivist society, messaging that highlights community benefits or group values could be more impactful, whereas in an individualistic society, the emphasis might be more on personal gains or individual achievements.

Customer Experience and Loyalty: The influence of customer experience on loyalty was significantly positive. This suggests that businesses should invest in improving all aspects of the customer experience to increase loyalty. This can involve aspects like customer service, user interface, product/service quality, and after-sales service. The data suggests that an enhanced customer experience results in heightened customer loyalty, thus increasing the likelihood of repeat purchases and positive word-of-mouth recommendations.

Impact of Customer Experience on Service Aspects

The research indicated that customer experience significantly influences key aspects of a service such as its interface and design, service quality, and transaction ease and speed. Therefore, to optimize the customer experience, businesses should focus on these aspects. This could involve streamlining the online interface for ease of navigation, ensuring quick and efficient transaction processing, and maintaining a high standard of service quality.

Influence of Cultural Factors on Customer Loyalty

Another significant finding was that cultural factors (X2) had a substantial effect on customer loyalty. This suggests that customers' cultural backgrounds can significantly influence their loyalty to a business. Therefore, businesses operating in culturally diverse markets may need to consider tailoring their strategies to suit different cultural groups.

Digital Wallet Users

The data showed that certain digital wallets such as Shopeepay and Dana are very popular among the respondents, particularly Gen Z consumers. Companies operating in the digital payment market could use these insights to understand user preferences and adjust their strategies accordingly.

Gender Imbalance and Financial Literacy Among Respondents

The research also highlighted a gender imbalance among respondents and differing levels of financial literacy. These findings could suggest the need for businesses to make their offerings more appealing to underrepresented groups and

contribute to financial education initiatives, in an effort to bridge the knowledge gap among consumers.

Conclusion

This research offers crucial insights on the influence of cultural factors and customer experience on customer loyalty, service aspects, and digital payment preferences.

Cultural Factors and their Impact

The analysis has significantly demonstrated the effects of cultural factors on the acceptance of inequality and collectivism. These findings emphasize the crucial role of cultural understanding in crafting effective business strategies. In societies where acceptance of inequality is deeply rooted, businesses may need to adopt differentiated marketing strategies or design their products and services to align with these societal norms. Likewise, understanding a society's level of collectivism can guide businesses to better position their offerings. For example, in a strongly collectivist society, advertising messages that underscore community benefits or shared values may have more traction. On the other hand, in more individualistic societies, marketing might be more effective when it highlights personal gains or individual achievements (Markus & Kitayama, 2010).

Impact of Customer Experience on Loyalty and Service Aspects

The data has shown a significant positive correlation between customer experience and loyalty. This suggests businesses should focus on improving every aspect of the customer experience to bolster loyalty, which can be reflected in areas such as customer service, user interface, product/service quality, and after-sales service (Lemon & Verhoef, 2016). Furthermore, our research found that customer experience significantly influences key service aspects, including interface and design, service quality, and transaction ease and speed (Li *et al.*, 2009).

Influence of Cultural Factors on Customer Loyalty

The study also found that cultural factors substantially affect customer loyalty, indicating the importance of understanding and adapting to customers' cultural backgrounds in diverse markets.

Popularity of Digital Wallets among Gen Z Consumers

Insights from the data reveal that digital wallets like Shopeepay and Dana are preferred by the majority of respondents, particularly those from the Gen Z demographic. Such insights can help businesses in the digital payment market to adapt their strategies to better meet user preferences.

Gender Imbalance and Financial Literacy Among Respondents

The research revealed a gender disparity among respondents and varying levels of financial literacy. This suggests the need for businesses to address these disparities, potentially by tailoring their offerings to appeal more to underrepresented groups and contributing to financial education initiatives.

Customer Experience and Financial Literacy

Our study also suggests that businesses should prioritize enhancing the customer experience at every touchpoint, from initial interaction to after-sales service. Moreover, companies, particularly those in the digital payments sector, should consider increasing financial literacy among their customers. This could be achieved through educational campaigns, workshops, or accessible online resources.

Popularity of Certain Digital Payment Platforms

Certain digital payment platforms, such as Shopeepay and Dana, have gained significant popularity among Gen Z customers. Businesses should take this into account and consider integrating these preferred payment methods into their systems to increase customer convenience and potentially broaden their customer base.

Need for Customer Feedback and Building Loyalty

To ensure consistent customer experience improvement, businesses should establish systems for gathering, analyzing, and responding to customer feedback regularly. Additionally, this study underscores the strong correlation between customer loyalty and brand loyalty, as well as repurchase intentions. Therefore, businesses should aim to build customer loyalty through excellent customer service, high-quality products or services, and positive customer experiences, as this could contribute to increased brand loyalty and repurchase intent (Keller, 2016).

Limitations

- *Data Dependency*: The research heavily relies on the data that has been collected for the study. It assumes the data is representative of the population. However, if the sample size is not large enough, or not adequately diverse, the results may not be generalizable.
- *Cross-Sectional Nature*: The study seems to be cross-sectional, capturing the responses at a single point in time. It does not account for possible changes in customer perceptions and behaviors over time.
- *Subjectivity of Perceptions*: Factors like customer experience and customer loyalty are perceptual and can be influenced by a multitude of external variables. This study does not seem to account for those potential external influencers.
- *Sample Representativeness*: The study primarily drew from a sample of digital wallet users in Indonesia, with a significant portion from the Gen Z demographic. As such, the findings might not fully generalize to different age groups, other countries, or non-digital wallet users.

Suggestions

- *Expanding the Demographic*: Future research could benefit from expanding the study's demographics to include a wider range of ages, geographies, and financial behaviors. This would offer a more comprehensive understanding of customer behaviors and preferences across different populations.
- *Longitudinal Studies*: Longitudinal studies could help track changes in customer behavior, loyalty, and preferences over time, providing a deeper understanding of these dynamics.
- *Further Exploring Cultural Factors*: Given the significant influence of cultural factors on acceptance of inequality, collectivism, and customer loyalty, future research could delve deeper into these dynamics. This could involve exploring other cultural dimensions, such as uncertainty avoidance or power distance, and their influence on customer behavior.
- *Investigating the Role of Financial Literacy*: Considering the varying levels of financial literacy among respondents, future research could focus on investigating the role of financial literacy in shaping behaviors and attitudes towards digital wallets and financial products more broadly.
- *Assessing Impact of Different Strategies*: Lastly, future research could focus on assessing the impact of different business strategies that aim to enhance customer experience, cater to cultural nuances, or improve financial literacy. This could provide valuable insights into what strategies are most effective in improving customer loyalty and satisfaction.

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