Doom Spending and Financial Health Among Millennials and Gen Z in the Digital Era

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Abstract
Doom spending, defined as emotionally driven consumption under economic uncertainty, has emerged as a distinctive behavioral phenomenon among younger generations in the digital era. This study examines the effect of doom spending on financial health—measured through debt management and savings behavior—among undergraduate Millennials and Gen Z in Indonesia, while analyzing the roles of financial literacy and social media interaction. Using survey data from 80 undergraduate students and Partial Least Squares Structural Equation Modeling (PLS-SEM), the results indicate that doom spending has no significant direct effect on debt management ($\beta = 0.105$; $p > 0.05$) or savings behavior ($\beta = 0.214$; $p > 0.05$). In contrast, financial literacy has a strong positive effect on both debt management ($\beta = 0.585$; $p < 0.001$) and savings behavior ($\beta = 0.521$; $p < 0.001$). Doom spending is significantly influenced by social media interaction ($\beta = 0.716$; $p < 0.001$), although social media does not directly affect financial health outcomes. These findings suggest that doom spending functions primarily as a psychosocial coping behavior rather than an indicator of poor financial capability. The study contributes to behavioral finance literature by clarifying the non-destructive nature of emotional consumption when supported by adequate financial literacy, with implications for financial education and digital platform design.

Keywords: doom spending; debt management; financial health; financial literacy; Indonesia; social media interaction

1. Introduction

Millennials and Generation Z constitute the most productive demographic groups in today's economy. However, they face unprecedented financial uncertainty, shaped by global economic volatility, labor market instability, and rapid digital transformation. The expansion of digital platforms, financial technology, and social media has fundamentally altered consumption patterns, encouraging instant gratification and emotionally driven financial decisions (Gomber et al., 2017; Panos & Wilson, 2020). Within this context, a relatively new behavioral phenomenon, doom spending, has emerged as a coping mechanism in response to anxiety, stress, and pessimism about future economic prospects.

Doom spending refers to emotionally motivated consumption undertaken not out of necessity or utility maximization, but as a psychological response to perceived uncertainty and distress (Dittmar et al., 2014; Garðarsdóttir & Dittmar, 2012). Unlike impulse buying, which is often triggered by situational stimuli or promotional cues, doom spending is rooted in deeper emotional and cognitive processes, particularly anxiety about economic insecurity and social comparison (Kahneman, 2020). Behavioral finance literature suggests that such consumption behavior is closely linked to affective decision-making (System 1 thinking), where emotional impulses override rational financial planning (Thaler, 1999; Kahneman, 2020).

Existing studies on consumption behavior among young adults have predominantly focused on impulse buying, materialism, and hedonic lifestyles (Wardani et al., 2021; Maulana et al., 2025). However, empirical research explicitly examining doom spending remains limited, particularly in developing countries. This represents a critical research gap, as socio-economic vulnerability, digital penetration, and financial literacy levels differ substantially between developed and emerging economies (Lusardi & Mitchell, 2014; OECD, 2020). In Indonesia, young adults are among the most digitally connected groups, actively using e-commerce platforms, digital wallets, and buy-now-pay-later services, which may intensify emotionally driven consumption when accompanied by inadequate financial capability (Gomber et al., 2017; Panos & Wilson, 2020).

Financial literacy has been widely recognized as a key determinant of financial health, encompassing individuals' knowledge, skills, and confidence in managing personal finances, including debt and savings (Lusardi & Mitchell, 2014; Sherraden et al., 2017). Individuals with higher financial literacy tend to exhibit more prudent financial behaviors, such as budgeting, prudent debt management, and consistent saving (Panos & Wilson, 2020; Suryati et al., 2023). From the perspective of Financial Capability Theory, financial literacy functions as a rational buffer that enables individuals to navigate complex financial environments and resist emotionally driven consumption (Sherraden et al., 2017).

In parallel, social media interaction plays a dual role in shaping financial behavior among Millennials and Gen Z. On the one hand, social media facilitates access to informal financial education through influencers and peer learning (Rajagukguk & Susanti, 2024). On the other hand, continuous exposure to curated lifestyles, targeted advertising, and peer comparison can intensify fear of missing out (FOMO), thereby encouraging emotional and compensatory consumption (Abdullah & Suja'i, 2022; Habib & Almamy, 2025). Prior studies consistently

show that social media engagement is positively associated with impulse buying and lifestyle consumption, yet its direct impact on objective financial health outcomes remains inconclusive. Despite growing attention to digital consumption behavior, the empirical relationship between doom spending and financial health, particularly debt management and savings behavior, remains underexplored. Moreover, limited research has examined whether financial literacy and social media interaction mediate the relationship between emotional consumption and financial outcomes. Addressing this gap is crucial, as understanding whether doom spending reflects financial incapability or merely a psychological coping strategy has important implications for financial education and policy design.

Therefore, this study introduces three main contributions to the existing literature. First, it empirically distinguishes doom spending from impulse buying by conceptualizing it as a psychosocial coping mechanism rather than a purely irrational financial behavior. Second, it provides empirical evidence from the context of a developing country, Indonesia, where digital financial adoption is high but financial literacy remains uneven. This setting remains underexplored in prior research, which has been dominated by analyses of developed economies. Third, this study demonstrates that emotional consumption does not necessarily deteriorate financial health when financial literacy is adequate, thereby challenging the dominant assumption in behavioral finance that emotionally driven spending is inherently harmful.

2. Literature Review

2.1 Doom Spending as a Psychosocial Consumption Behavior

Recent developments in behavioral finance emphasize the growing importance of psychological and emotional factors in shaping consumption decisions, particularly among younger generations in digitally mediated environments (Kahneman, 2011; Dittmar et al., 2014). Doom spending has emerged as a distinct form of emotionally driven consumption, characterized by spending behavior motivated by anxiety, stress, and pessimism regarding future economic conditions. Unlike impulse buying, which is typically triggered by situational stimuli such as promotions or environmental cues, doom spending reflects a deeper psychosocial response to perceived uncertainty and loss of control (Garðarsdóttir & Dittmar, 2012).

From a theoretical perspective, doom spending can be explained through mental accounting theory, which posits that individuals cognitively segregate financial resources into separate mental accounts, allowing discretionary spending to coexist with disciplined financial management (Thaler, 1999; Prelec & Loewenstein, 1998). This mechanism enables individuals to engage in emotional consumption without necessarily undermining long-term financial commitments such as savings or debt obligations. In addition, dual-process theory provides further insight by distinguishing between affective decision-making (System 1) and rational financial planning (System 2). Doom spending primarily operates within System 1, driven by emotional coping mechanisms, while financial health outcomes are more closely associated with System 2 processes involving deliberation and self-control (Kahneman, 2011).

Empirical research on emotional consumption has predominantly focused on impulse buying, materialism, and hedonic lifestyles, often concluding that emotionally driven spending leads to adverse financial outcomes (Wardani et al., 2021; Maulana et al., 2025). However, empirical evidence explicitly examining doom spending remains limited, particularly in developing economies. Existing studies are largely concentrated in Western contexts and frequently treat emotional consumption as inherently irrational or financially harmful (Dittmar et al., 2014). This narrow conceptualization overlooks the possibility that emotional consumption may function as a short-term psychosocial coping strategy rather than a marker of financial incapability. Consequently, empirical investigation is needed to position doom spending as a psychosocial behavior and to examine its actual relationship with objective financial health indicators in emerging economies.

2.2 Financial Literacy and Financial Health

Financial literacy has been widely recognized as a fundamental determinant of financial health, encompassing individuals' knowledge, skills, and confidence in managing personal financial matters such as budgeting, saving, and debt management (Lusardi & Mitchell, 2014). Extensive empirical evidence demonstrates that individuals with higher levels of financial literacy are more likely to exhibit prudent financial behaviors, including responsible borrowing, consistent saving, and long-term financial planning (Panos & Wilson, 2020; OECD, 2020).

Financial Capability Theory emphasizes that financial literacy is a core cognitive resource that enables individuals to navigate complex financial environments and make informed decisions (Sherraden et al., 2017). In the digital era, where access to credit and consumption opportunities is increasingly frictionless through digital wallets and buy-now-pay-later services, financial literacy plays a critical protective role by enhancing self-regulation and reducing vulnerability to emotionally driven financial decisions (Gomber et al., 2017; Panos & Wilson, 2020). Individuals with adequate financial literacy are better equipped to evaluate financial trade-offs, assess risks, and maintain discipline even when exposed to consumption temptations.

Previous studies have consistently reported a positive relationship between financial literacy and financial health outcomes across diverse demographic groups (Lusardi & Mitchell, 2014; Suryati et al., 2023). However, limited attention has been given to the interaction between financial literacy and emotional consumption behaviors such as doom spending. Most existing research treats financial literacy as a direct predictor of financial outcomes, without considering its potential role in buffering or neutralizing the effects of emotionally motivated spending. This gap is particularly salient among young adults, who face heightened exposure to digital consumption pressures while simultaneously developing their financial capability. Addressing this gap is essential to understanding whether emotional consumption necessarily translates into financial vulnerability or can coexist with financial resilience when supported by adequate financial literacy.

2.3 Social Media Interaction and Emotional Consumption

Social media has become a dominant force shaping consumption behavior among Millennials and Generation Z. Continuous exposure to curated lifestyles, peer comparison, and targeted advertising intensifies emotional responses such as fear of missing out (FOMO), social anxiety, and perceived inadequacy, which may encourage compensatory consumption behavior (Abdullah & Suja'i, 2022; Habib & Almamy, 2025). Empirical studies consistently report a positive association between social media engagement and impulse buying, hedonic consumption, and lifestyle-oriented spending (Wardani et al., 2021).

In the context of doom spending, social media interaction may act as an emotional amplifier by reinforcing narratives of economic uncertainty, social comparison, and consumption as a form of emotional relief. Algorithm-driven content exposure magnifies stress-related consumption tendencies, particularly during periods of economic instability (Habib & Almamy, 2025). As such, social media interaction is more closely linked to emotionally driven consumption behavior than to rational financial decision-making.

Nevertheless, the relationship between social media interaction and financial health outcomes remains inconclusive. While some studies suggest that excessive social media use increases consumption pressure and financial risk-taking, others highlight its potential role as an informal channel for financial education, peer learning, and information sharing (Rajagukguk & Susanti, 2024). Social media platforms increasingly disseminate content related to budgeting, saving, and investment, which may mitigate the negative financial effects of emotional consumption. This dual role suggests that social media interaction does not deterministically undermine financial health but operates conditionally, depending on individuals' financial literacy and self-regulation capacity. Despite its relevance, empirical research examining the indirect and conditional effects of social media interaction on financial health through emotional consumption remains limited, particularly in emerging economies.

3. Method

3.1 Research Design and Approach

This study adopts a quantitative explanatory research design to examine the relationships between doom spending, financial literacy, social media interaction, and financial health among Millennials and Generation Z. A survey-based approach was employed to capture individual perceptions and financial behaviors within a digital consumption context. This design is appropriate for testing causal relationships among latent constructs and aligns with prior behavioral finance research focusing on consumption and financial decision-making.

3.2 Population and Sample

The study population comprises undergraduate students enrolled at Institut Teknologi dan Bisnis Ahmad Dahlan, Jakarta, representing young adults in the early stages of financial independence. Respondents were selected using a purposive sampling technique based on the following criteria:

1. Aged between 18 and 25 years (representing late Millennials and Generation Z);
2. Active users of social media platforms;
3. Users of digital financial services, such as digital wallets or online payment applications;
4. Independently managing personal finances.

A total of 80 valid responses were collected and analyzed. The sample size is considered adequate for Partial Least Squares Structural Equation Modeling (PLS-SEM), which is suitable for exploratory studies with relatively small samples and complex models (Hair et al., 2017). According to the ten-times rule, the minimum sample requirement was met based on the maximum number of structural paths directed to a latent construct in the model.

3.3 Data Collection Technique

Primary data were collected via a structured online questionnaire distributed via digital platforms. The questionnaire was designed to ensure anonymity and voluntary participation, thereby reducing response bias. Data collection was conducted over a defined period to ensure consistency in respondents' socio-economic conditions.

3.4 Measurement of Variables

All constructs in this study were measured using multi-item scales adapted from validated instruments in previous studies on financial behavior, consumption, and digital interaction. Responses were recorded using a five-point Likert scale, ranging from 1 (*strongly disagree*) to 5 (*strongly agree*).

a) Doom Spending was measured by indicators capturing emotionally driven consumption behavior undertaken as a response to stress, anxiety, and future uncertainty.
b) Financial Literacy reflects respondents' understanding of basic financial concepts, including budgeting, debt management, and saving behavior.
c) Social Media Interaction measures the intensity and influence of engagement with social media content related to lifestyle, consumption, and financial information.
d) Financial Health was operationalized using two dimensions: debt management and savings behavior, reflecting respondents' ability to manage liabilities responsibly and maintain consistent savings.

3.5 Data Analysis Technique

Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with the assistance of SmartPLS software. SEM-PLS was selected due to its robustness in handling non-normal data, small sample sizes, and exploratory research objectives (Hair et al., 2017). The analysis followed a two-stage procedure. First, the measurement model (outer model) was evaluated to assess construct validity and reliability using indicator loadings, Cronbach's alpha, composite reliability, and average variance extracted (AVE). Second, the structural model (inner model) was assessed to test the hypothesized relationships among constructs by examining path coefficients, t-statistics, and p-values obtained via bootstrapping. Hypothesis testing was conducted at a 5% significance level ($p < 0.05$). In addition, mediation effects were evaluated

using indirect path analysis to determine whether financial literacy and social media interaction mediated the relationship between doom spending and financial health.

4. Results

4.1 Respondent Profile

This study involved 80 undergraduate students at Institut Teknologi dan Bisnis Ahmad Dahlan, Jakarta, aged 18-25 years, representing Millennials and Generation Z. The majority of respondents were female (63.7%), and 36.3% were male. Most respondents reported monthly expenditures of less than IDR 2 million and were unmarried (82.5%), indicating that they were in the early stage of financial independence. This demographic profile suggests limited financial experience, which is consistent with prior studies indicating that young adults are more vulnerable to emotionally driven financial behavior and social consumption pressure (Lusardi & Mitchell, 2014).

4.2 Measurement Model Evaluation

The measurement model was assessed to examine construct validity and reliability. Reliability was evaluated using Cronbach's alpha and composite reliability (CR), while convergent validity was assessed through average variance extracted (AVE). All constructs demonstrated satisfactory reliability, with Cronbach's alpha and CR values exceeding the recommended threshold of 0.70. In addition, all AVE values were above 0.50, indicating adequate convergent validity. These results confirm that the measurement instruments used in this study are reliable and valid for further structural analysis.

Table 1. Construct Validity and Reliability Test

Variable	Cronbach's Alpha	Composite Reliability	AVE	Information
Doom Spending (DS)	0.802	0.870	0.625	Reliable & Valid
Financial Literacy (LK)	0.877	0.916	0.732	Reliable & Valid
Social media (MS)	0.854	0.896	0.633	Reliable & Valid
Debt Management (PU)	0.766	0.864	0.681	Reliable & Valid
Savings Rate (TT)	0.747	0.887	0.797	Reliable & Valid

Source: Data processed from SmartPLS output (2025)

Validity and reliability analysis showed that all variables in this study, namely *doom spending*, financial literacy, social media interaction, debt management, and savings level, met the good criteria with Cronbach's Alpha value above 0.70 and *Average Variance Extracted (AVE)* above 0.60. This indicates that each construct in the model exhibits adequate internal consistency and convergent validity, as suggested by Hair et al. (2017).

4.3 Structural Model Evaluation

The structural model was evaluated to test the proposed hypotheses by examining path coefficients (β), t-statistics, and p-values obtained through bootstrapping.

Table 2. Direct Hypothesis Test Results

Hypothesis	Relationship Pathway	Line Coefficient (β)	T-Statistic	P-Value	Decision
H1	Doom Spending → Debt Management	0.105	0.771	0.441	Insignificant
H2	Doom Spending → Savings Rate	0.214	1.416	0.157	Insignificant
H3	Doom Spending → Financial Literacy	0.114	0.919	0.358	Insignificant
H4	Doom Spending → Social Media	0.716	12.809	0.000	**Significant**
H5	Financial Literacy → Debt Management	0.585	7.348	0.000	**Significant**
H6	Financial Literacy → Savings Rate	0.521	4.512	0.000	**Significant**
H7	Social Media → Debt Management	0.035	0.254	0.799	Insignificant
H8	Social Media → Savings Rates	-0.116	0.706	0.481	Insignificant

Source: Data processed from SmartPLS output (2025)

The results indicate that doom spending has no significant direct effect on either debt management or savings behavior. However, doom spending has a strong positive effect on social media interaction (β = 0.716, p < 0.001), suggesting that individuals who engage in emotional consumption are more intensively involved in social media activities. Financial literacy demonstrates a significant positive effect on both debt management and savings behavior, highlighting its critical role in shaping financial health among young adults. Conversely, social media interaction does not significantly influence financial health indicators.

4.4 Mediation Analysis

To examine the indirect effects, mediation analysis was conducted to test whether financial literacy and social media interaction mediate the relationship between doom spending and financial health.

Table 3. Indirect Influence Test Results (Mediation)

Hypothesis	Mediation Pathway	Line Coefficient (β)	T-Statistic	P-Value	Information
H9	Doom Spending → Financial Literacy → Debt Management	0.067	0.874	0.383	Insignificant
H10	Doom Spending → Financial Literacy → Savings Levels	0.060	0.867	0.387	Insignificant
H11	Doom Spending → Social Media → Debt Management	0.025	0.247	0.805	Insignificant
H12	Doom Spending → Social Media → Savings Rates	-0.083	0.696	0.487	Insignificant

Source: Data processed from SmartPLS output (2025)

The results show that neither financial literacy nor social media interaction mediates the relationship between doom spending and financial health. This indicates that doom spending operates as an **independent psychosocial behavior**, rather than indirectly affecting financial outcomes through these mechanisms.

5. Discussion

This study provides empirical evidence on the relationship between doom spending, financial literacy, social media interaction, and financial health among Millennials and Generation Z in a digital consumption environment. The findings offer important insights into how emotionally driven consumption behavior interacts with cognitive and social factors, contributing to the growing literature on behavioral finance and financial capability.

5.1 Doom Spending and Financial Health

Contrary to common assumptions, the results indicate that doom spending has no significant direct effect on debt management or savings behavior. This finding suggests that emotionally motivated consumption among young adults does not necessarily translate into deteriorating financial health. From a behavioral finance perspective, this phenomenon can be explained by mental accounting theory, which posits that individuals mentally segregate their finances into distinct categories, allowing them to consume without directly compromising savings or debt obligations (Thaler, 1999; Prelec & Loewenstein, 1998). In this context, respondents may allocate specific budgets for discretionary spending while maintaining discipline in core financial commitments. Moreover, **Dual-Process Theory** provides further explanation for this result. Doom spending appears to be driven primarily by System 1 thinking, characterized by fast, emotional, and intuitive responses to stress and uncertainty. In contrast, financial health indicators such as debt management and saving behavior are governed by System 2 thinking, which is slower, rational, and analytical (Kahneman, 2020). This cognitive separation helps explain why emotional consumption does not automatically undermine financial stability.

5.2 The Role of Financial Literacy in Financial Health

The findings strongly confirm the pivotal role of **financial literacy** in shaping financial health outcomes. Financial literacy exhibits a significant positive effect on both debt management and savings behavior, indicating that individuals with higher financial knowledge are better equipped to make rational financial decisions. This result is consistent with previous studies demonstrating that financial literacy enhances budgeting discipline, prudent debt usage, and long-term financial planning (Lusardi & Mitchell, 2014; Panos & Wilson, 2020; Suryati et al., 2023). From the perspective of Financial Capability Theory, financial literacy functions as a foundational competence that enables individuals to navigate complex financial environments and resist emotionally driven financial decisions (Sherraden et al., 2017). In the digital era, where access to credit and consumption opportunities is increasingly frictionless, financial literacy serves as a "cognitive safeguard" that mitigates the potential negative consequences of emotional consumption. These findings reinforce the argument that strengthening financial literacy is a critical intervention for improving financial resilience among younger generations.

5.3 Social Media Interaction and Emotional Consumption

This study also reveals a strong positive relationship between doom spending and social media interaction, suggesting that increased social media engagement is closely associated with emotionally driven consumption behavior. Social media platforms intensify exposure to curated lifestyles, peer comparison, and targeted advertising, which can amplify anxiety and fear of missing out (FOMO), thereby encouraging compensatory consumption (Abdullah & Suja'i, 2022; Habib & Almamy, 2025). These results align with prior research emphasizing the role of digital social pressure in shaping consumption behavior among young adults. However, social media interaction does not exhibit a significant direct effect on debt management or savings behavior. This finding indicates that while social media influences emotional consumption tendencies, it does not necessarily impair financial outcomes when individuals possess adequate self-regulation and financial knowledge. Recent studies suggest that social media also functions as a channel for informal financial education, providing access to saving tips, budgeting strategies, and investment knowledge (Rajagukguk & Susanti, 2024). Thus, the impact of social media on financial behavior appears to be conditional rather than deterministic.

5.4 Absence of Mediation Effects

The mediation analysis demonstrates that neither financial literacy nor social media interaction mediates the relationship between doom spending and financial health. This result reinforces the interpretation of doom spending as a **stand-alone psychosocial phenomenon**, rather than a behavioral pathway leading to financial deterioration. In line with **Dual-Process Theory**, doom spending reflects short-term emotional coping mechanisms that do not necessarily alter long-term financial decision-making frameworks (Kahneman, 2020). These findings extend the behavioral finance literature by challenging the assumption that emotionally driven consumption automatically signals financial vulnerability. Instead, the results suggest a more nuanced understanding in which emotional consumption can coexist with financial stability, particularly when individuals possess sufficient financial literacy and cognitive control.

5.5 Theoretical and Practical Implications

Theoretically, this study contributes to the literature by situating doom spending within a psychosocial and cognitive framework, rather than treating it solely as irrational financial behavior. The findings highlight the non-linear relationship between emotional consumption and financial health, emphasizing the moderating role of cognitive capabilities.

In practice, the results underscore the importance of integrating financial literacy and emotion **regulation** into financial education programs. Universities and policymakers should design financial education initiatives that address not only technical financial knowledge but also the psychological dimensions of consumption behavior. In addition, digital financial service providers and fintech platforms can incorporate educational nudges and spending-awareness features to help young users reflect on their consumption patterns without restricting financial autonomy.

6. Conclusion

This study examined the relationship between doom spending, financial literacy, social media interaction, and financial health among Millennials and Generation Z in the digital era. The findings provide important insights into the nature of emotionally driven consumption and its implications for young adults' financial well-being. The results indicate that doom spending has no significant direct effect on debt management or savings behavior. This suggests that doom spending among young adults is better understood as a psychological and social coping response rather than a manifestation of poor financial capability. Emotional consumption can coexist with financial stability when individuals maintain cognitive control over core financial decisions. In contrast, financial literacy plays a decisive and protective role in financial health. Higher levels of financial literacy significantly improve both debt management and savings behavior, reinforcing its importance as a foundation for rational financial decision-making in an increasingly digital and consumption-oriented environment. Meanwhile, social media interaction significantly influences doom spending behavior, but does not directly affect financial outcomes, indicating that the financial impact of social media is conditional on individual literacy and self-regulation.

From a theoretical perspective, this study contributes to the behavioral finance literature by positioning doom spending as a stand-alone psychosocial phenomenon, operating independently from long-term financial health when supported by adequate financial capability. The findings extend mental accounting theory and dual-process theory by demonstrating that emotional and rational financial behaviors may operate in parallel rather than in conflict. Practically, the results highlight the need for integrated financial education strategies that combine technical financial literacy with emotional awareness and self-regulation skills. Higher education institutions should embed financial education into curricula to equip young adults with the cognitive tools necessary to navigate digital consumption pressures.

From a policy perspective, these findings imply that interventions aimed at suppressing emotional consumption may be less effective than those strengthening financial literacy and

emotional self-regulation. Universities are encouraged to integrate behavioral finance and emotional awareness into financial education curricula. Furthermore, digital financial platforms may enhance consumer welfare by embedding nudges that promote spending awareness and reflective prompts that support mindful consumption, without limiting financial access.

Despite its contributions, this study has several limitations. The use of a student sample and a relatively small sample size may limit the generalizability of the findings. Future research should extend this model to broader demographic groups, incorporate longitudinal designs, and explore additional psychological variables such as financial anxiety, self-control, or well-being. Such efforts would further enrich the understanding of emotional consumption behavior and its long-term financial implications. Overall, this study underscores that strengthening financial literacy remains the key to fostering financial resilience among younger generations, even amid emotionally driven consumption trends in the digital era.

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