FireNav Journal
Financial Resilience and National Values Journal
Vol. 1, No. 1, March 2025, pp. 1-14.
https://firenav.upnjatim.ac.id/index.php/firenav/index
E-ISSN 3089-8285

Financial Literacy and Risky Credit Behavior: The Mediating Role of Financial Stress in PayLater Usage

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Abstract

Purpose: The objective of this study is to investigate the influence of financial literacy on risky credit behavior among Generation Z in Surabaya, specifically on the utilization of the PayLater feature. The study also examines the function of financial stress as a mediator variable between financial literacy and high-risk credit behavior.
Method: The research population comprises Generation Z as colleges student of four universities in Surabaya, who have utilized PayLater services. Seven hypotheses were tested using Partial Least Square software.
Findings: The results indicate that neither subjective nor objective financial literacy significantly influences risky credit behavior. Objective financial literacy exerts a substantial negative influence, whereas financial stress has a considerable beneficial impact on risky credit behavior. Furthermore, financial self-efficacy solely mediates the connection between objective financial literacy and high-risk credit behavior.
Novelty: This study offers novel insights into the influence of financial literacy and financial stress on the credit behavior of Generation Z, emphasizing the significance of financial self-efficacy as a partial mediator. The results provide actionable insights for financial education and risk management approaches in digital financial services.

Keywords: financial literacy, financial stress, generation Z, risky credit behavior, paylater user.

Article history: Received: February 13, 2025; Revised: February 28, 2025; Accepted: March 1, 2025

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INTRODUCTION

The rapid advancement of financial technology (fintech) has transformed the global financial sector, introducing innovative financial services that enhance accessibility and convenience (Susilowati et al., 2022). Digital payment solutions, online banking, and fintech-based credit systems have made financial transactions more seamless. One of the most notable innovations in this space is the Buy Now, Pay Later (BNPL) system, commonly referred to as PayLater, which allows consumers to purchase goods and services immediately while deferring payments over a specified period (Kumar & Nayak, 2024)

In Indonesia, the adoption of PayLater services has grown significantly due to increasing internet penetration, smartphone usage, and digital payment adoption (Herlambang & Rofii, 2022). Digital platforms such as Shopee PayLater, Gojek PayLater, OVO, and Kredivo have integrated PayLater services, enabling consumers to transact without requiring immediate payments. This system has become particularly popular among Generation Z, who prefer digital and flexible payment options over traditional credit cards (Aisjah, 2024)

However, along with its benefits, PayLater presents financial risks, particularly concerning risky credit behavior and increased consumer debt accumulation. The lack of financial awareness among users can lead to excessive borrowing, financial mismanagement, and a rise in non-performing loans (NPLs). This concern has drawn attention from regulators, such as the Otoritas Jasa Keuangan (OJK), which monitors the stability of digital credit markets and the impact of PayLater on financial health (Hakim, 2022)

Financial literacy plays a crucial role in shaping responsible financial decisions. It includes an individual's ability to understand financial concepts such as budgeting, saving, borrowing, and investing (Arman et al., 2023) A person with high financial literacy is more likely to manage finances wisely and avoid excessive reliance on credit.

However, financial literacy is not only about personal financial well-being but also linked to economic sovereignty and national resilience. Financial literacy can be integrated with national values and patriotism, which include love for the homeland, national unity, belief in Pancasila as the state ideology, willingness to sacrifice for the nation, and the spirit to create a sovereign and prosperous country (Yuhertiana, 2021). From this perspective, financial resilience is a crucial element of economic independence, as excessive reliance on external financial aid and mismanaged credit usage may weaken national financial stability.

Despite this, studies show that financial literacy alone is not always sufficient to prevent risky financial behavior. Psychological factors, such as financial stress, can influence how individuals manage credit. For instance, individuals experiencing financial stress may borrow beyond their means or use PayLater services to cover short-term expenses, increasing their likelihood of defaulting on payments (Liu & Zhang, 2021)

For Generation Z, who have grown up in the digital era with easy access to credit, impulsive spending habits combined with low financial literacy can lead to financial distress. Studies suggest that many young consumers fail to evaluate the consequences of PayLater debt, often misjudging their repayment ability (Surya & Evelyn, 2023). This raises concerns about how financial stress mediates the relationship between financial literacy and risky credit behavior, an area that remains underexplored in the context of Indonesian university students.

Financial stress is a condition where individuals feel overwhelmed by their financial obligations, often leading to anxiety, impulsive financial decisions, and over-reliance on credit (Bashir & Qureshi, 2023; Wang et al., 2023). When financial stress increases, individuals may struggle to meet loan repayments, resort to borrowing more, and eventually fall into a cycle of financial vulnerability.

In the context of PayLater usage, financial stress can mediate the relationship between financial literacy and risky credit behavior. Individuals with low financial literacy may mismanage their credit, leading to heightened financial stress and an increased likelihood of engaging in risky borrowing practices. Conversely, those with high financial literacy and financial self-efficacy are better equipped to manage their finances, reducing stress and minimizing credit risks (Heriyantho & Leon, 2022).

The rapid expansion of PayLater services in Indonesia has contributed to an increase in non-performing loans (NPLs). According to the Otoritas Jasa Keuangan (OJK), the NPL rate for PayLater services reached 9.7% in 2023, exceeding the safe limit of 5% (OJK, 2023). This trend signals a rising risk of credit defaults, especially among young borrowers who frequently utilize PayLater without adequate financial planning.

Furthermore, data from PT Pefindo Biro Kredit (IdScore) indicates that Generation Z contributes significantly to PayLater usage, with an average of 1.62 million active users monthly. Alarmingly, their credit default rate accounts for Rp460 billion out of the Rp2.12 trillion total NPLs as of December 2023 (IdScore, 2023). This highlights the urgency of enhancing financial literacy and stress management strategies to mitigate risky credit behaviors.

Despite existing studies on financial literacy and risky credit behavior, limited research has examined the mediating role of financial stress in PayLater usage among Indonesian Generation Z students (Surya & Evelyn, 2023). This study aims to bridge the existing gap by examining the direct impact of financial literacy on risky credit behavior in the context of PayLater usage. By assessing the extent to which financial knowledge influences individuals' borrowing decisions, this research seeks to provide deeper insights into how financial awareness affects responsible credit management. Furthermore, this study investigates the role of financial stress as a mediating factor in this relationship. Since financial distress can drive impulsive financial behaviors and excessive reliance on credit, understanding its influence will help clarify whether financial stress amplifies or mitigates the effects of financial literacy on borrowing decisions. Additionally, this research analyzes how financial self-efficacy influences responsible borrowing behavior. By exploring the confidence individuals have in managing their finances, the study aims to uncover whether higher self-efficacy enables individuals to make better credit-related decisions, ultimately promoting financial resilience and reducing the likelihood of engaging in risky borrowing practices.

As PayLater adoption continues to grow, particularly among Generation Z, it is crucial to explore the behavioral and psychological factors influencing digital credit usage. This research contributes to the body of knowledge on financial literacy, credit risk management, and digital consumer finance. Additionally, integrating patriotism and financial resilience, as highlighted by (Yuhertiana, 2021), offers a novel approach to understanding the role of financial literacy in fostering national economic stability. The findings from this study offer valuable insights for policymakers, financial institutions, and educators to enhance financial resilience and promote responsible credit.

LITERATURE REVIEW

The Impact of Subjective Financial Literacy on Financial Stress

Subjective financial literacy significantly impacts the degree of financial stress experienced by individuals. Research by Zhang and Chatterjee indicates that subjective financial knowledge indirectly influences financial stress through mediating characteristics including financial executive function (Zhang & Chatterjee, 2023). The degree of financial literacy, both objective and subjective, influences financial risk tolerance, with subjective financial literacy serving as a moderating factor in this relationship (Castellanos-Alvarenga et al., 2022). The correlation between financial literacy and financial well-being is influenced by the sense of financial stress, demonstrating a notable connection between subjective financial literacy and financial stress levels.(Bashir & Qureshi, 2023)

The Theory of Planned Behavior (TPB) is pertinent in this context, demonstrating that subjective financial literacy can affect individuals' intents and financial behaviors through three primary components: attitudes, subjective norms, and perceived behavioral control (Ajzen, 2020; Zakaria et al., 2016). Attitude denotes an individual's convictions and assessments of particular financial practices, such as budgeting or credit utilization. Subjective norms encompass social pressures and expectations from one's social circle, which can affect financial decision-making.

The perception of behavioral control encompasses an individual's conviction in their capacity to execute and regulate financial actions.

H1: Subjective financial literacy affects financial stress.

The Impact of Objective Financial Literacy on Financial Stress

Objective financial knowledge is significantly correlated with financial stress. Research indicates that financial literacy enhances financial well-being, with financial stress serving as a mediating factor in this association (Zhang & Chatterjee, 2023). Furthermore, a robust positive correlation exists between financial literacy and financial stress, underscoring the necessity of proficient money management to alleviate stress among middle-low income earners (A. Ismail & Rahim, 2021). The Financial Stress and uncertainty experienced by street vendors during the pandemic underscore the inverse relationship between financial stress and financial literacy (Heo et al., 2020).

The Theory of Planned activity posits that an individual's actions are dictated by their intention to engage in those actions, which is subsequently shaped by their attitude towards the activity, social standards, and perceived control over the conduct (Ajzen, 1991). Individuals possessing strong financial literacy generally exhibit a favorable disposition towards effective money management. Subjective standards, specifically the pressures and expectations from the social milieu, might bolster prudent financial conduct. The perception of behavioral control, or an individual's conviction in their ability to handle funds, will be more pronounced in those possessing excellent financial literacy. Consequently, objective financial literacy not only improves financial knowledge and abilities but also reinforces positive financial intentions and behaviors through favorable attitudes, supporting social norms, and increased behavioral control, all of which help alleviate financial stress.

H2: Objective financial literacy affects financial stress.

The Impact of Financial Stress on Risky Credit Behavior

Financial Stress substantially influences Risky Credit Behavior. Research indicates that familial stress in childhood, including poverty and parental unemployment, may result in Financial Stress and impulsive financial choices in adulthood (Barbić et al., 2023). Stress testing exercises have been shown to diminish banks' risk-taking behavior and credit availability, thereby impacting profitability (Barghouthi & Islam, 2020). Financial stress impacts financial risk-taking by modifying an individual's perception of control over their financial circumstances, thereby affecting their propensity for hazardous conduct (N. Ismail & Amiruddin Zaki, 2019). The Theory of Planned action posits that the intention to engage in a specific action (Ajzen, 2020), such as assuming credit risks, is shaped by an individual's attitude towards that behavior, societal influences or subjective norms, and their perceived control over that behavior. Financial stress might lead individuals to have a more impulsive and adverse attitude towards financial risk. Social pressure or subjective norms might push individuals to engage in risky behavior to fulfill specific financial requirements or lifestyles dictated by their social environment. Finally, perceived behavioral control, or the belief in one's capacity to navigate financial circumstances, can markedly diminish under Financial Stress, rendering individuals more susceptible to hazardous credit behaviors. The Theory of Planned activity (TPB) demonstrates that financial stress can alter individuals' intents and behaviors by influencing attitudes, social norms, and perceived control, so leading to an escalation in risky credit activity.

H3: Financial stress affects risky credit behavior.

The Impact of Subjective Financial Literacy on Risky Credit Behavior

Subjective financial literacy significantly influences risky credit behavior. Studies indicate that subjective financial literacy may result in diminished intentions and behaviors regarding retirement savings, influenced by financial risk tolerance and risk perception (Surya & Evelyn, 2023). Moreover, subjective financial literacy has been recognized as a determinant of financial risk tolerance, which subsequently influences financial risk tolerance (Aren & Hamamci, 2022). The Theory of Planned activity posits that the intention to engage in an activity is affected by one's attitude toward that conduct, subjective norms, and perceived behavioral control (Ajzen,

1991). Individuals possessing superior financial comprehension typically exhibit a more favorable disposition towards judicious financial management and the mitigation of excessive credit risk. Subjective norms, or social pressure from one's surroundings, can affect credit behavior, as individuals who perceive support from their social environment are inclined to adopt more prudent financial habits. The perception of behavioral control, encompassing individuals' beliefs regarding their financial management capabilities, is enhanced by strong subjective financial literacy, hence diminishing the probability of engaging in dangerous credit activity. The Theory of Planned Behavior explain that subjective financial literacy affects individual credit intentions and behaviors by altering attitudes, social norms, and perceived behavioral control, which collectively contribute to the mitigation of risky credit behavior.
H4: Subjective financial literacy affects risky credit behavior.

The Impact of Objective Financial Literacy on Risky Credit Behavior
Objective financial literacy significantly influences risky credit behavior (Surya & Evelyn, 2023). Studies indicate that elevated levels of objective financial literacy enhance informed financial decision-making, potentially mitigating dangerous credit behavior. Individuals possessing elevated levels of objective financial literacy are less like to partake in hazardous credit behaviors, including non-mortgage or credit card debt (Cupák et al., 2020). The Theory of Planned Behavior posits that the intention to engage in a behavior is affected by one's attitude toward the behavior, subjective norms, and perceived behavioral control. In the realm of objective financial literacy, individuals possessing superior financial acumen generally exhibit a more favorable disposition towards prudent financial management and the mitigation of credit risk. This mindset arises from a profound comprehension of the adverse effects of precarious credit practices. Subjective norms, or the social influence from the environment, significantly impact individuals; those with strong financial literacy are more susceptible to social norms that promote prudent financial behavior. The perception of behavioral control, defined as an individual's belief in their capacity to handle finances effectively, will be elevated in those possessing strong objective financial literacy, hence enhancing their ability to evade harmful credit behaviors. The Theory of Planned Behavior posits that objective financial literacy affects individuals' intents and actions by fostering favorable attitudes, robust social support, and enhanced behavioral control, hence diminishing risky credit behavior.
H5: Objective financial literacy affects risky credit behavior.

The Impact of Subjective Financial Literacy on Risky Credit Behavior, with Financial Stress as a Mediating Variable
Research indicates that subjective financial literacy adversely impacts financial self-efficacy, which in turn mediates the negative association between subjective financial literacy and risky credit behavior (Surya & Evelyn, 2023). Nonetheless, the mediating influence of financial stress on the association between subjective financial literacy and risky credit behavior has not been explicitly examined in the literature.

The Theory of Planned conduct posits that an individual's actions are shaped by their intentions, which are in turn affected by attitudes towards the conduct, subjective norms, and perceived behavioral control. Inadequate subjective financial literacy can diminish financial self-efficacy, impair the perception of behavioral control, and elevate the likelihood of engaging in precarious credit activity. Financial stress can intensify this scenario by diminishing the perception of behavioral control, leading individuals to feel less competent in managing their finances. The Theory of Planned Behavior (TPB) posits that subjective financial literacy impacts self-efficacy and financial stress, subsequently affecting risky credit behavior via alterations in attitudes, subjective norms, and perceived behavioral control.
H6: Financial stress mediates the relationship between subjective financial literacy and risky credit behavior.

The Impact of Objective Financial Literacy on Risky Credit Behavior, with Financial Stress as a Mediating Variable

Objective financial literacy positively and significantly influences financial self-efficacy, which negatively mediates the association between subjective financial literacy and risky credit behavior (Surya & Evelyn, 2023). Nonetheless, the mediating influence of financial stress on the association between objective financial literacy and risky credit behavior has not been explicitly examined.

The Theory of Planned conduct posits that an individual's actions are shaped by their intentions, which are influenced by attitudes toward the conduct, subjective norms, and perceived behavioral control. Elevated financial literacy improves financial self-efficacy, bolsters perceived behavioral control, and diminishes the likelihood of engaging in hazardous credit practices. Elevated self-efficacy enhances individuals' confidence in financial management, hence diminishing the propensity for risky credit behaviors. Financial stress may influence this relationship by diminishing the feeling of behavioral control, regardless of an individual's financial literacy. Consequently, the Theory of Planned Behavior (TPB) demonstrates that objective financial literacy impacts self-efficacy and financial stress, which then affects risky credit behavior via alterations in attitude, subjective norms, and perceived behavioral control.

H7: Financial stress mediates the relationship between objective financial literacy and risky credit behavior

METHODS

A quantitative approach was used, targeting undergraduate students in four universities chosen in Surabaya. The target population for this study comprises all undergraduate students from Airlangga University, totalling 34,245; Surabaya Institute of Technology, totalling 22,859; Surabaya University, totalling 8,302; and Ciputra University, totalling 2,304, for the odd semester of 2023 (PDDIKTI, 2023). The total population comprises 67,908 undergraduate students.

The sample size required for this study is 100 respondents as the Slovin's formulation. The data acquired in this study was collected by the distribution of questionnaires, wherein the researcher directly interacted with the pertinent parties to gain primary data.

There are four variables used in this study. First, Subjective Financial Literacy (X1). Financial literacy encompasses the knowledge, skills, and confidence that empower individuals to make informed decisions and effectively manage their finances for optimal benefit (Andarsari & Ningtyas, 2019). Subjective financial literacy refers to an individual's trust in their financial acumen (Kholis et al., 2022). Subjective financial literacy is evaluated through self-assessment of money management capabilities. Second, Objective Financial Literacy (X2). Financial literacy encompasses the knowledge, skills, and confidence that empower individuals to make informed decisions and manage their finances effectively (Andarsari & Ningtyas, 2019). Objective financial literacy is assessed by the comprehension of financial knowledge. The research conducted by (Liu & Zhang, 2021) encompasses inquiries pertaining to financial knowledge, specifically addressing interest rates, inflation, bonds, mortgages, and stocks. Third, Financial Stress (Z). Financial stress refers to an individual's incapacity to fulfill their financial obligations, which subsequently affects their psychological well-being (Heckman et al., 2014). Heo et al. (2020) define financial stress as a psychophysiological reaction to the feeling of imbalance, uncertainty, and risk encountered in resource management and financial decision-making. Financial stress is assessed by gauging the degree of agreement with various statements pertaining to Financial Stress (Liu & Zhang, 2021). Last, Risky Credit Behavior (Y). (Liu & Zhang, 2021)define risky credit behavior as the utilization of credit by persons who may jeopardize their future financial stability. Risky credit behavior is assessed through two dimensions: borrowing risk and repayment risk (Liu & Zhang, 2021)

The questionnaire for this study was developed online via Google Forms and consisted of closed-ended questions. The questionnaire comprises two sections: the first section includes inquiries concerning the respondents' identities, while the second section presents statements pertaining to the assessment of study variables utilizing a Likert scale. The Likert scale disaggregates the variable to be measured into specific indicators. Subsequently, these indicators serve as benchmarks for developing the components of the instrument, which may consist of statements or questions. Partial Least Square (PLS) software use to test the hyphotheses and analyse the result and confirm the variables relationships.

RESULTS AND DISCUSSION

As the initial step in data analysis, this study first examines convergent validity to ensure that each construct used in the research model has a strong correlation with its respective indicators. The convergent validity test is conducted using the Fornell-Larcker Criterion, where the square root of the Average Variance Extracted (AVE) for each variable must be greater than its correlation with other variables in the model.

Table 1. Convergent Validity test - Fornell-Larcker

	Objective Financial Literacy (X2)	Subjective Financial Literacy (X1)	Financial Stress (Z)	Risky Credit Behavior (Y)
Objective Financial Literacy (X2)	0,909			
Subjective Financial Literacy (X1)	0,025	0,659		
Financial Stress (Z)	-0,540	0,121	0,846	
Risky Credit Behavior (Y)	-0,172	0,258	0,549	0,888

Source : Data analysis (2024)

Table 1. presents the Fornell-Larcker validity test, which assesses convergent validity in structural equation modeling. The diagonal values (0.909, 0.659, 0.846, and 0.888) represent the square root of the Average Variance Extracted (AVE) for each construct, which should be higher than the correlations between constructs to confirm discriminant validity. The results indicate that each variable's AVE square root is greater than its correlation with other constructs, suggesting adequate discriminant validity. Notably, Objective Financial Literacy (X2) and Financial Stress (Z) exhibit a strong negative correlation (-0.540), indicating that individuals with higher financial literacy experience lower financial stress. Meanwhile, Financial Stress (Z) has a strong positive correlation with Risky Credit Behavior (Y) at 0.549, implying that financial distress increases the likelihood of engaging in risky credit activities.

Additionally, the table shows a weak correlation (0.025) between Objective Financial Literacy (X2) and Subjective Financial Literacy (X1), reinforcing the idea that perceived financial literacy does not necessarily reflect actual financial knowledge. Interestingly, Subjective Financial Literacy (X1) has a moderate positive correlation (0.258) with Risky Credit Behavior (Y), suggesting that individuals who believe they are financially literate may be overconfident and engage in riskier financial behaviors. This supports the argument that financial literacy interventions should not only focus on increasing knowledge but also address overconfidence in financial decision-making. Overall, the Fornell-Larcker analysis supports the reliability and validity of the constructs, confirming that financial stress plays a significant mediating role between financial literacy and risky credit behavior.

Continue with reliability test in Table 2. Table 2 presents the reliability test results using Cronbach's Alpha and Composite Reliability (rho_c), both of which assess the internal consistency of the constructs. Cronbach's Alpha values indicate how well the items in a construct measure the same concept, where a value above 0.7 suggests acceptable reliability. In this case, all variables exceed the 0.7 threshold, confirming that the items within each construct demonstrate good internal consistency. Specifically, Financial Stress (Z) has the highest Cronbach's Alpha (0.898), suggesting a very high level of reliability in measuring financial stress, while Subjective Financial Literacy (X1) has the lowest value (0.743), indicating relatively lower but still acceptable reliability.

Table 2. Reliability Test

	Cronbach's Alpa	Composite Reability (rho_c)
Objective Financial Literacy (X2)	0.790	0.905
Subjective Financial Literacy (X1)	0.743	0.821
Financial Stress (Z)	0.898	0.926
Risky Credit Behavior (Y)	0.865	0.918

Source : Data analysis (2024)

Similarly, the Composite Reliability (rho_c) values are all above 0.8, with the highest being 0.926 for Financial Stress (Z) and the lowest 0.821 for Subjective Financial Literacy (X1). Composite Reliability is considered a more refined measure of construct reliability as it accounts for different factor loadings of indicators. Values above 0.7 confirm that all constructs are reliable for further analysis. The results suggest that the measurement model used in this study is reliable, ensuring that the constructs consistently measure financial literacy, financial stress, and risky credit behavior. This strong reliability supports the validity of the study's findings and suggests that further structural equation modeling (SEM) analysis can proceed with confidence.

Table 3. Path Coefficient

	Objective Financial Literacy (X2)	Subjective Financial Literacy (X1)	Financial Stress (Z)	Risky Credit Behavior (Y)
Objective Financial Literacy (X2)			-0,544	0,153
Subjective Financial Literacy (X1)			0,134	0,180
Financial Stress (Z)				0,610
Risky Credit Behavior (Y)				

Source : Data analysis (2024)

Analysis continues by observing path coefficient in Table 3. The table presents the path coefficient results from the structural model evaluation (Inner Model), which measures the strength and direction of relationships among Objective Financial Literacy (X2), Subjective Financial Literacy (X1), Financial Stress (Z), and Risky Credit Behavior (Y). The results indicate that Objective Financial Literacy (X2) has a significant negative effect on Financial Stress (Z) with a coefficient of -0.544, suggesting that individuals with higher objective financial literacy experience lower financial stress. This implies that a strong foundation in financial knowledge helps individuals manage their financial situation effectively, reducing the likelihood of financial stress. On the other hand, Subjective Financial Literacy (X1) has a weak positive relationship with Financial Stress (Z), with a coefficient of 0.134, which suggests that individuals who perceive themselves as financially literate might still experience financial stress. This could be attributed to overconfidence bias, where individuals overestimate their financial management abilities but still struggle with financial pressures.

Moreover, the most significant finding in this table is the strong positive relationship between Financial Stress (Z) and Risky Credit Behavior (Y), with a path coefficient of 0.610. This suggests that individuals experiencing financial stress are more likely to engage in risky borrowing practices, such as excessive reliance on PayLater services without proper repayment planning. The results emphasize that financial stress plays a crucial role in influencing risky credit behavior, potentially acting as a mediating factor in the relationship between financial literacy and financial decision-making. Additionally, Objective Financial Literacy (X2) has a weak positive relationship with Risky Credit Behavior (Y) (0.153), indicating that financial knowledge alone does not necessarily prevent individuals from engaging in risky credit activities. Similarly, Subjective Financial Literacy (X1) has a slightly stronger positive effect on Risky Credit Behavior (Y), with a coefficient of 0.180, suggesting that individuals who believe they are financially literate may take more financial risks. This supports the argument that perceived financial literacy can sometimes lead to overconfidence, causing individuals to make riskier financial decisions despite their self-assessment of being knowledgeable.

These findings highlight the importance of financial stress as a critical factor influencing risky credit behavior. While objective financial literacy helps reduce financial stress, subjective financial literacy appears to have the opposite effect, potentially leading to increased financial stress and risky financial decision-making. The strong link between financial stress and risky credit behavior suggests that financial education programs should go beyond simply improving financial knowledge. There is a need for comprehensive financial well-being programs that incorporate stress management strategies and encourage responsible credit usage. Moreover, financial institutions and policymakers should implement risk assessment mechanisms to help individuals, particularly young consumers, make informed borrowing decisions. The results suggest that while financial literacy plays a role in shaping financial behavior, financial stress remains the dominant factor driving risky credit behavior, reinforcing the importance of addressing both knowledge and psychological aspects in financial education efforts.

Hypotheses Test Result

Table 4 presents the hypothesis testing results, showing path coefficients, T-statistics, and P-values, which assess the significance of relationships between Objective Financial Literacy (X2), Subjective Financial Literacy (X1), Financial Stress (Z), and Risky Credit Behavior (Y).

The hypothesis testing results presented in Table 4 provides insights into the relationships between financial literacy (both objective and subjective), financial stress, and risky credit behavior. The significance of each hypothesis is determined using path coefficients, T-statistics, and P-values. A P-value below 0.05 indicates a significant relationship, while values above 0.05 suggest a lack of statistical significance. Below is an analysis of each hypothesis, supported by relevant prior research.

Table 4. Hypotheses Test Result

	Path Coefficient	T statistics	P values	Decision
X1→Z	0,134	0,910	0,363	Not accepted
X2→Z	-0,544	5,407	0,000	accepted
Z→Y	0,610	5,490	0,000	accepted
X1→Y	0,180	0,766	0,444	Not accepted
X2→Y	0,153	1,228	0,220	Not accepted
X1→Z→Y	0,082	0,816	0,415	Not accepted
X2→Z→Y	-0,032	3,719	0,000	accepted

Source : Data analysis (2024)

Hypothesis 1 (H1): Subjective Financial Literacy → Financial Stress (X1 → Z)

The first hypothesis tests whether subjective financial literacy significantly influences financial stress**.** The results indicate that this relationship is not significant, suggesting that an individual's perceived financial knowledge does not necessarily impact their financial stress levels. This aligns with research by (Liu & Zhang, 2021), which found that self-perceived financial literacy often does not translate into better financial decision-making due to overconfidence bias**.** Individuals who believe they are financially literate may still face financial stress if they misjudge their financial capabilities. The results imply that subjective financial literacy alone is insufficient in helping individuals cope with financial stress, reinforcing the need for objective financial knowledge rather than just self-perceived competence.

Hypothesis 2 (H2): Objective Financial Literacy → Financial Stress (X2 → Z)

The second hypothesis examines whether objective financial literacy negatively affects financial stress. The results confirm a significant negative relationship, meaning that individuals with higher financial literacy experience lower financial stress. This is consistent with prior studies, such as those by (Kumalasari & Anwar, 2022). Heriyantho & Leon (2022) which found that individuals with strong financial knowledge are better at budgeting, debt management, and financial planning, thereby reducing stress levels. This finding highlights the importance of financial education initiatives that focus on improving actual financial knowledge rather than just increasing financial confidence.

Hypothesis 3 (H3): Financial Stress → Risky Credit Behavior (Z → Y)
The third hypothesis investigates whether financial stress significantly increases risky credit behavior. The results show a strong positive effect, indicating that individuals who experience financial stress are more likely to engage in risky credit behaviors, such as over-reliance on PayLater services, delayed payments, and excessive borrowing. This aligns with research by (Surya & Evelyn, 2023), which found that financial stress drives impulsive financial decisions, particularly among young consumers. Additionally, (Barghouthi & Islam, 2020) noted that high levels of financial stress contribute to increased dependency on short-term credit solutions, leading to long-term financial instability. The results reinforce the idea that addressing financial stress is crucial in reducing risky credit behavior.

Hypothesis 4 (H4): Subjective Financial Literacy → Risky Credit Behavior (X1 → Y)
The fourth hypothesis examines whether subjective financial literacy influences risky credit behavior. The results indicate that the relationship is not significant, suggesting that an individual's perceived financial knowledge does not directly influence their borrowing habits. This finding contradicts some previous research, such as (Liu & Zhang, 2021), which found that subjective financial literacy can increase financial risk-taking due to overconfidence. However, the lack of significance in this study suggests that individuals perceived financial knowledge may not be enough to influence actual financial decisions, possibly due to external factors such as financial stress, social norms, or access to credit.

Hypothesis 5 (H5): Objective Financial Literacy → Risky Credit Behavior (X2 → Y)
The fifth hypothesis tests whether objective financial literacy has a direct impact on risky credit behavior. The results indicate that the relationship is not significant, suggesting that financial knowledge alone does not directly prevent risky borrowing habits. This aligns with research by (Putriani & Apriani, 2022) which found that financial literacy does not always translate into responsible borrowing unless accompanied by strong financial discipline and self-efficacy. The results imply that other factors, such as financial stress, social influence, and perceived behavioral control, may play a more critical role in determining risky credit behavior.

Hypothesis 6 (H6): Indirect Effect of Subjective Financial Literacy on Risky Credit Behavior via Financial Stress (X1 → Z → Y)
The sixth hypothesis examines whether financial stress mediates the relationship between subjective financial literacy and risky credit behavior. The results indicate that the mediation effect is not significant, suggesting that individuals' self-perceived financial knowledge does not significantly influence their borrowing behavior through financial stress. This contradicts studies that suggest that overconfidence in financial literacy can contribute to financial stress, which then increases risky credit behavior. However, the results suggest that subjective financial literacy alone may not be a strong enough predictor to influence financial stress and borrowing habits.

Hypothesis 7 (H7): Indirect Effect of Objective Financial Literacy on Risky Credit Behavior via Financial Stress (X2 → Z → Y)
The seventh hypothesis tests whether financial stress mediates the relationship between objective financial literacy and risky credit behavior. The results show that this mediation effect is significant, indicating that objective financial literacy reduces financial stress, which in turn lowers risky credit behavior. This supports previous research, such as (Surya & Evelyn, 2023) and (Liu & Zhang, 2021), which found that financial knowledge helps individuals better manage stress, leading to healthier financial decision-making. The significant mediation effect suggests that improving financial literacy can indirectly reduce risky credit behavior by minimizing financial stress, reinforcing the need for comprehensive financial education programs.

The hypothesis testing results provide several key insights. First, objective financial literacy plays a crucial role in reducing financial stress, which then decreases risky credit behavior, confirming its indirect influence on financial decision-making. However, financial literacy alone does not directly prevent risky credit behavior, suggesting that other behavioral factors—such as financial self-efficacy, social influence, and perceived control over finances—may be more significant determinants. Additionally, financial stress emerges as the most critical factor driving risky credit behavior, highlighting the need for financial resilience programs that go beyond traditional financial literacy education.

These findings support the argument that financial education should incorporate not only knowledge-based training but also stress management, financial self-efficacy development, and behavioral financial interventions. Policymakers and financial institutions should focus on targeted interventions that address financial stress, promote responsible credit use, and reduce overconfidence in financial literacy among young borrowers, particularly in the growing PayLater market.

The Results in Planned Behavioral Theory Lense

According to TPB, attitude denotes an individual's assessment of a behavior, specifically on the perception of credit utilization. The findings suggest that financial literacy, both objective and subjective, does not exert a direct meaningful influence on hazardous credit behavior. This indicates that possessing financial information alone is inadequate to affect attitudes regarding credit utilization. The presence of financial stress is more influential, indicating that even financially competent persons may have their logical financial decision-making compromised by stress. This is consistent with the Theory of Planned Behavior, indicating that attitudes about borrowing are influenced not just by information but also by emotional and psychological variables.

Moreover, the discovery that subjective financial literacy does not substantially alleviate financial stress indicates the existence of overconfidence bias. Individuals who consider themselves financially literate (high subjective literacy) may overrate their credit management skills, resulting in suboptimal financial choices. This overconfidence may lead to attitudes that normalize hazardous borrowing, so exacerbating the probability of debt mismanagement.

The Theory of Planned activity posits that subjective norms, or perceived social pressures, affect an individual's propensity to engage in an activity. Within the framework of this study, societal expectations concerning credit utilization—particularly among Generation Z—may lead to precarious borrowing practices. The extensive use of PayLater services, assertive promotion by fintech firms, and the normality of installment purchases on e-commerce platforms may cause individuals to perceive credit acquisition as a conventional financial activity rather than a perilous conduct.

The non-significant correlation between subjective financial literacy and risky credit behavior indicates that perceived financial education is not a robust deterrence against socially influenced spending patterns. Despite individuals' confidence in their money management skills, peer influence and digital consumer culture may compel them to engage in impulsive borrowing. This corroborates TPB's claim that subjective norms—such as peer behavior and social acceptance of loan utilization—are essential factors in financial decision-making.

Perceived behavioral control (PBC) in the Theory of Planned Behavior (TPB) denotes an individual's confidence in their capacity to regulate a behavior. The study's findings indicate that financial stress markedly elevates risky credit behavior, implying that persons experiencing financial pressure perceive a diminished influence over their financial decisions. Consequently, people resort to credit—especially short-term options such as PayLater—to temporarily mitigate stress, despite the potential for exacerbating financial challenges in the future.

Furthermore, objective financial literacy markedly alleviates financial stress, suggesting that persons possessing robust financial acumen experience enhanced perceived control over their financial circumstances. Conversely, those with low objective financial literacy may experience feelings of being overwhelmed by financial difficulties, resulting in suboptimal decision-making and heightened dependence on precarious credit. This is consistent with the

Theory of Planned Behavior, since persons who sense a deficiency in financial control are more inclined to exhibit maladaptive financial behaviors.

A significant finding from the study is that financial stress modulates the connection between objective financial literacy and risky credit behavior. Financial literacy alone does not directly avert dangerous borrowing; rather, it mitigates financial stress, which subsequently affects credit decisions. According to the Theory of Planned Behavior, behavioral intention is essential in influencing actions, suggesting that persons facing financial stress may have a greater intention to partake in risky borrowing as a coping strategy.

This mediating effect highlights the significance of psychological elements in financial conduct. Although financial literacy is essential, it should be augmented by stress management techniques, financial resilience initiatives, and behavioral interventions that enable individuals to make judicious borrowing choices even in times of financial Stress.

CONCLUSION

The results endorse the utilization of the Theory of Planned Behavior in financial behavior research, illustrating that attitudes, subjective standards, and perceived behavioral control influence individuals' interactions with credit. Although financial literacy can enhance financial decision-making, it is not an independent determinant in mitigating risky credit behavior. Behavioral goals, influenced by financial stress, overconfidence, and social factors, assume greater significance.

These findings highlight the crucial role of financial stress as a mediating variable in influencing risky credit behavior. While financial literacy (both objective and subjective) does not directly impact risky borrowing, objective financial literacy plays a protective role by reducing financial stress, which subsequently decreases risky credit behavior. This underscores the importance of not only improving financial knowledge but also addressing financial stress management in financial education programs.

This study emphasizes the necessity for comprehensive financial education programs that consider both cognitive and psychological dimensions of financial decision-making. Efforts should concentrate on enhancing financial literacy, alleviating financial stress, and transforming social norms on credit utilization to promote more responsible borrowing practices. Furthermore, fintech companies ought to incorporate risk-awareness features into their platforms to assist consumers in making more educated and deliberate credit decisions. This study emphasizes the necessity for comprehensive financial education programs that consider both cognitive and psychological dimensions of financial decision-making. Efforts should concentrate on enhancing financial literacy, alleviating financial stress, and transforming social norms on credit utilization to promote more responsible borrowing practices. Furthermore, fintech companies ought to incorporate risk-awareness features into their platforms to assist consumers in making more educated and deliberate credit decisions.

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