

The Effect of Objective and Subjective Financial Literacy on Risky Credit Behavior Moderated by Financial Self-efficacy

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ABSTRACT

This study seeks to investigate the impact of both objective and perceived financial knowledge on high-risk credit behaviors among accounting students in Surabaya, with confidence in managing finances serving as a mediator. Utilizing Structural Equation Modeling (SEM) and Partial Least Squares (PLS) for data analysis, the research collected data from 100 accounting students in Surabaya who use pay later services, selected through purposive sampling. The results indicate that objective financial knowledge significantly influences confidence in managing finances, which subsequently has a significant effect on high-risk credit behaviors. However, objective financial knowledge does not have a direct impact on high-risk credit behaviors, and perceived financial knowledge does not influence either high-risk credit behaviors or confidence in managing finances. Additionally, confidence in managing finances does not mediate the relationship between either type of financial literacy and high-risk credit behaviors. This study underscores the importance of enhancing financial knowledge and self-confidence among accounting students to curb high-risk credit behaviors. The findings offer valuable insights for future research in this area and contribute to the development of theories related to planned behavior, financial knowledge, and confidence in managing finances in mitigating high-risk credit behaviors, particularly with the increasing use of pay later credit options.

Keywords: Pay Later; Objective Financial Literacy; Subjective Financial Literacy; Financial Self-Efficacy; Risky Credit Behavior.

ABSTRAK

Penelitian ini berupaya untuk menyelidiki dampak pengetahuan keuangan yang objektif dan dirasakan terhadap perilaku kredit berisiko tinggi di kalangan mahasiswa akuntansi di Surabaya, dengan keyakinan dalam mengelola keuangan sebagai mediator. Memanfaatkan Structural Equation Modeling (SEM) dan Partial Least Squares (PLS) untuk analisis data, penelitian ini mengumpulkan data dari 100 mahasiswa akuntansi di Surabaya yang menggunakan layanan pay lateral, yang dipilih melalui *purposive sampling*. Hasil penelitian menunjukkan bahwa pengetahuan keuangan yang objektif secara signifikan mempengaruhi kepercayaan dalam mengelola keuangan, yang kemudian memiliki efek signifikan pada perilaku kredit berisiko tinggi. Namun, pengetahuan keuangan yang objektif tidak berdampak langsung pada perilaku kredit berisiko tinggi, dan pengetahuan keuangan yang dirasakan tidak memengaruhi perilaku kredit berisiko tinggi atau kepercayaan diri dalam mengelola keuangan. Selain itu, kepercayaan diri dalam mengelola keuangan tidak memediasi hubungan antara kedua jenis literasi keuangan dan perilaku kredit berisiko tinggi. Studi ini menggarisbawahi pentingnya meningkatkan pengetahuan keuangan dan kepercayaan diri di antara mahasiswa akuntansi untuk mengekang perilaku kredit berisiko

tinggi. Temuan ini menawarkan wawasan berharga untuk penelitian masa depan di bidang ini dan berkontribusi pada pengembangan teori yang terkait dengan perilaku terencana, pengetahuan keuangan, dan kepercayaan dalam mengelola keuangan dalam mengurangi perilaku kredit berisiko tinggi, terutama dengan meningkatnya penggunaan opsi kredit bayar nanti.

Kata kunci: Bayar Nanti; Literasi Keuangan Objektif; Literasi Keuangan Subjektif; Efikasi Diri Finansial; Perilaku Kredit Berisiko.

INTRODUCTION

The rapid development of information technology in recent years has caused consumer financing to have a major influence on modern life and consumption behavior (Liu & Zhang, 2021). Financing features Buy Now Pay Later (BNPL) has become a new trend in society in the last few years. BNPL is provided on a sales platform which gives consumers the option to pay for products in installments (Guttman-Kenney et al., 2023). The growing trend of using pay later has also not escaped accounting students in Surabaya as part of Generation Z who are known as digital natives and tech-savvy. Students want to appear contemporary, be confident in their appearance, and try to follow current trends to be in harmony with their friends and social environment (Widiyanti et al., 2022)

Previous research data shows that 91% of 200 respondents who are active students in the city of Surabaya agree that online loans are a financial solution (Setiawan et al., 2024). Pay Later helps students meet their financial needs in a short time with a guarantee of security, however if the use of pay later is not followed by wise control and a good understanding of the accumulation of debt costs then this can disrupt financial stability and push them towards risky credit behavior. Theories regarding social and behavioral sciences, theory of planned behavior (TPB) explains that control lies in the resources, opportunities and skills available until a certain time limit to determine the achievement of a person's behavior (Yulianis & Sulistyowati, 2021). This research will present financial literacy and financial self-efficacy as existing resources and skills to determine the existence of risky credit behavior.

This research was conducted to test the effect objectives and subjective financial literacy on risky credit behavior which is mediated by financial self-efficacy in accounting students in the city of Surabaya. This research focuses on accounting students to find out how far the financial understanding that accounting students have gained influences credit management so that they can avoid risky credit behavior. This research can contribute to the development of science, especially the theory of risky credit in personal financing. Individual financial literacy influences consumption behavior (Liu & Zhang, 2021). Objective and subjective financial literacy will help detect the existence of students who feel they have higher financial literacy than their actual condition (Molina-Garcia et al., 2023). Liu & Zhang (2021) found that apart from financial literacy, financial self-efficacy also influences risky credit behavior.

TPB considers a person's attitude in measuring perceived behavioral control (Yulianis & Sulistyowati, 2021). In the context of risky credit behavior, this attitude can be influenced by level objective financial literacy owned by individuals. Surya and Evelyn (2023) found that objective financial literacy has a significant effect on risky credit behavior, the higher the individual's level of knowledge and understanding regarding financing, the lower the individual's risky credit behavior. When accounting students have high objective financial literacy, which is measured by their knowledge and understanding regarding credit management in using the pay later feature, it makes them increasingly want to use credit but with good control, then objective financial literacy influences risky credit behavior.

H1: Objective financial literacy influences risky credit behavior

Subjective financial literacy helps determine individual financial understanding subjectively and the level of risky credit behavior. This opinion is supported by Li et al (2020) who prove that there is a direct negative influence on the relationship between subjective financial literacy and decisions in taking insurance credit. Based on the results of previous research and the theory that has been explained, the logic of thinking is that the higher an individual's perception regarding knowledge and understanding in credit management, the lower the individual's risky credit behavior. When accounting students have high subjective financial literacy, which is measured by their perception regarding knowledge in credit management with the pay later feature, this will have an effect on risky credit behavior.

H2: Subjective financial literacy influences risky credit behavior

Based on the TPB framework, objective financial literacy and financial self-efficacy have a continuous relationship. Furthermore, Lone & Bhat (2022) found a significant positive influence of the relationship between objective financial literacy and financial skills variables on financial self-efficacy. Better knowledge and understanding of taking credit increase an individual's confidence in managing credit. Accounting students who have high objective financial literacy, measured through their understanding and knowledge of credit management with the pay later feature, will have a higher level of financial self-efficacy.

H3: Objective financial literacy influences financial self-efficacy.

A higher individual perception indicates higher self-confidence in credit management. Singh et al (2019) proves that financial self-efficacy is not only influenced by knowledge, but also the individual's perception in managing their finances. Accounting students with high subjective financial literacy, which is measured by their perception regarding knowledge in credit management with the pay later feature, has an influence on their financial self-efficacy.

H4: Subjective financial literacy influences financial self-efficacy.

Financial self-efficacy related to assessing how well a person can carry out the actions necessary to face prospective situations, one of which is managing individual

finances. Anastasia & Lestaritio (2020) found that financial self-efficacy influences how individuals choose financial products, including credit financing. Individuals with high financial self-efficacy, as measured by their perception of credit management with the pay later feature, will have an influence on their risky credit behavior.

H5: Financial Self-efficacy influences risky credit behavior.

Researchers take appropriate resources from the TPB to model the thinking framework, with roles financial self-efficacy as mediation between objective financial literacy and risky credit behavior. High objective financial literacy creates a higher level of financial self-efficacy, thereby encouraging individuals to avoid risky credit behavior. In line with research conducted by Liu & Zhang (2021), it is proven that financial self-efficacy partially mediates the relationship between subjective financial literacy and risky credit behavior.

H6: Financial self-efficacy mediates the relationship between objective financial literacy and risky credit behavior.

Subjective financial literacy The high level of financial self-efficacy is also higher, thus encouraging individuals to avoid risky credit behavior. Heriyanto & Leon (2022) prove that financial self-efficacy partially mediates the relationship between subjective financial literacy and risky credit behavior. Thus, financial self-efficacy mediates the relationship between subjective financial literacy and risky credit behavior.

H7: Financial self-efficacy mediates the relationship between subjective financial literacy and risky credit behavior

METHODOLOGY

This work follows a quantitative approach with an associative method. According to Sugiyono, quantitative research methods are rooted in the philosophy of positivism (Sugiyono, 2022). This study examines causal relationships to elucidate the connection between variables. Causal relationships entail using the independent variable as the influencing factor and the dependent variable as the influenced factor (Sugiyono, 2022). Statistical data analysis will be conducted to test the established hypotheses. The primary goal of this research is to assess the effect of independent variables (objective financial literacy and subjective financial literacy) on the dependent variable (high-risk credit behavior), with the inclusion of a mediating variable (financial self-efficacy) in the modeling process.

The study's target population comprises accounting students in Surabaya who actively use pay-later services and have completed courses in risk management or financial management. The research utilized purposive sampling and the Slovin formula to select 100 respondents. Questionnaires were the primary data collection method, distributed among accounting students in Surabaya. The data was analyzed

using Structural Equation Modeling (SEM) techniques. and model paths with latent variables (Ghozali & Latan, 2020). Partial Least Squares (PLS) using the SmartPLS 4 application was the chosen method. The research findings will undergo testing in both the outer and inner models.

Objective financial literacy (X1) is measured using five indicators, namely knowledge regarding the effects of inflation, loan interest, bond interest rates, mortgage interest, and investment. Subjective financial literacy (X2) is measured using three indicators, namely the individual's perception of his ability to manage personal finances, repay loans, and the knowledge he has. Financial self-efficacy (Z) is measured using five indicators, namely the individual's perception of his ability to control spending, not acting wastefully, commitment to not overspending, and perception of his ability to face the consequences of excessive credit. High-risk credit behavior (Y) is measured using five indicators, namely the extent to which individuals utilize the pay later feature, shopping frequency, price considerations, accuracy in paying bills and sufficient funds to repay loans.

RESULT AND DISCUSSION

Assessments of validity and reliability were performed on the outer model. Validity was checked using convergent validity, discriminant validity, and the Average Variance Extracted (AVE) value. Reliability was measured through Cronbach's alpha and composite reliability values. Convergent validity involved evaluating the outer loading of each indicator. The results from the outer model analysis are as follows:

Table 1. Validity Test Results for All Indicators

Variables	Indicators	Outer Loading	Criteria
Objective Financial Literacy (X1)	X1.1	0.832	Valid
	X1.2	0.780	Invalid
	X1.3	0.172	Invalid
	X1.4	0.795	Valid
	X1.5	0.527	Valid
Objective Financial Literacy (X2)	X2.1	0.770	Valid
	X2.2	0.831	Valid
	X2.3	0.829	Valid
Risky Credit Behavior (Y)	Y.1	-0.291	Invalid
	Y.2	-0.362	Invalid
	Y.3	0.218	Invalid
	Y.4	0.485	Invalid
	Y.5	0.919	Valid
	Z.1	0.828	Valid

Financial Self-efficacy (Z)	Z.2	0.765	Valid
	Z.3	0.712	Valid
	Z.4	0.757	Invalid
	Z.5	0.693	Invalid

Source: Processed Data (2024)

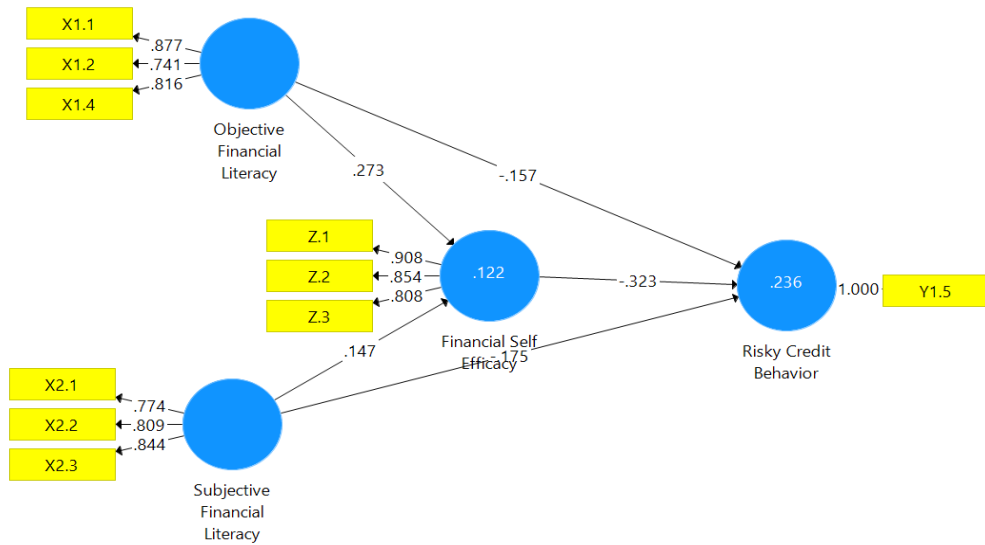


Figure 1. Data Processing Results for All Indicators on Research Variables

Source: Processed Data (2024)

An indicator is considered True if it meets the outer loading value >0.7. The following are the outer loading values which have been summarized in the table below:

Table 2. Normal Indicator Validity Test Results

Variables	Indicators	Outer Loading	Criteria
Objective Financial Literacy (X1)	X1.1	0.877	Valid
	X1.2	0.741	Valid
	X1.4	0.816	Valid
Objective Financial Literacy (X2)	X2.1	0.774	Valid
	X2.2	0.809	Valid
	X2.3	0.844	Valid
Risky Credit Behavior (Y)	Y.1	1,000	Valid
Financial Self-efficacy (Z)	Z.1	0.908	Valid
	Z.2	0.854	Valid

Z.3 0.808 Valid

Source: Processed Data (2024)

Based on the data listed in Table 1, it shows that all question items for each indicator have an outer loading of >0.70 . Due to this suitability, all data is considered valid for research analysis. Apart from that, the outer model can also be tested using the Average Variance Extracted (AVE) rate. As stated by Hair et al (2021), a good AVE rate must be greater than 0.50 to ensure that more than 50% of the variance of the construct can be explained by the indicators. The following table shows the AVE value for each research variable:

Table 3. Construct Validity Results

Variables	AVE rate
Objective Financial Literacy (X2)	0.736
Subjective Financial Literacy (X2)	0.662
Risky Credit Behavior (Y)	1,000
Financial Self-efficacy (Z)	0.656

Source: Processed Data (2024)

All variables have met the requirements for an AVE rate of >0.5 so they meet the necessary criteria are shown in Table 2. Then testing *outer loading* followed by utilizing composite reliability >0.6 and Cronbach's alpha with a value of 0.7. The following is a tabulation of the reliability test results:

Table 4. Reliability Results

Variables	Conbrach's Alpha	Composite Reliability
Objective Financial Literacy (X2)	0.821	0.662
Subjective Financial Literacy (X2)	0.745	0.656
Risky Credit Behavior (Y)	1,000	0.736
Financial Self-efficacy (Z)	0.740	1,000

Source: Processed Data (2024)

According to the Table 3, there are two variables whose composite reliability values are not yet adequate, but these variables are: *objectives* and subjective financial literacy still meets the Cronbach's alpha value of >0.70 . Hence, it is concluded that all variables meet the criteria for good reliability.

In evaluating the inner model, researchers used the R-Square test with values ranging from 0 to 1, a higher value indicates a good R-Square value. The results of the R-Square test are shown in Table 5 below:

Table 5. Results Determinant

Variables	R-Square Value
Risky Credit Behavior (Y)	0.122
Financial Self-efficacy (Z)	0.236

Source: Processed Data (2024)

In table 5 shown that both variables have an R-Square value of <0.25. R² values is lower than 0.25 often signify that the model has weak predictive ability, but in some research contexts and scientific disciplines, low R² values are acceptable (Hair et al., 2019). Several studies show that in the field of social sciences, the variables studied are often influenced by many external factors that cannot be fully measured in one research model (Sarstedt et al., 2021). In the subsequent phase, the hypotheses are tested. The following is a table of hypothesis test results that have been obtained:

Table 6. Results Hypothesis

Hypothesis	T statistics	P- Value	Conclusion
Objective Financial Literacy -> Risky Credit Behavior	1,498	0.135	Rejected
Subjective Financial -> Risky Credit Behavior	1,356	0.176	Rejected
Objective Financial Literacy -> Financial Self-efficacy	2,257	0.024	Accepted
Subjective Financial Literacy -> Financial Self-efficacy	0.946	0.345	Rejected
Financial Self-efficacy -> Risky Credit Behavior	-0.323	0.004	Accepted
Objective Financial Literacy -> Financial Self-efficacy -> Risky Credit Behavior	-0.088	1,556	Rejected
Subjective Financial Literacy -> Financial Self-efficacy -> Risky Credit Behavior	-0.048	0.788	Rejected

Source: Processed Data (2024)

The findings in Table 6 reveal that both objective and subjective financial literacy do not significantly influence high-risk credit behavior among accounting students in Surabaya. This suggests that other predominant factors might be responsible, aligning with a study by Carlander & Hauff (2019), which indicated that objective financial literacy had no notable impact on the propensity to take on personal credit. Similarly, research by Surya & Evelyn (2023) found that subjective financial literacy did not significantly affect high-risk credit behavior.

Furthermore, the study observed that while objective financial literacy positively influenced financial self-efficacy, subjective financial literacy did not have such an effect. This implies that individuals with a solid objective understanding of

financial management are likely to feel more confident in their ability to manage finances. The research also demonstrated that financial self-efficacy significantly affects high-risk credit behavior, suggesting that increased confidence in financial management leads to a reduction in high-risk credit behavior.

The mediated relationships through financial self-efficacy indicate that neither objective nor subjective financial literacy has a significant impact on risky credit behavior when considering financial self-efficacy as a mediator. This indicates that having an objective or subjective understanding of finances does not significantly alter high-risk credit behavior through the enhancement of personal financial confidence. Previous research by Heriyanto & Leon (2022) found that financial self-efficacy does not influence the link between objective financial literacy and high-risk credit behavior. Riitsalu & Murakas (2019) supported these findings, stating that financial self-efficacy can directly affect financial behaviors, including risky credit behavior, but does not serve as a mediator between objective financial literacy and high-risk credit behavior.

CONCLUSION AND SUGGESTION

In conclusion, this research indicates that financial literacy, whether objective or subjective, does not significantly determine the level of high-risk credit behavior among accounting students in Surabaya. This suggests that financial literacy alone is insufficient to predict risky credit behavior levels among these students.

Additionally, the research shows that objective financial literacy positively influences financial self-efficacy, whereas subjective financial literacy does not. While financial self-efficacy directly influences risky credit behavior, it does not mediate the relationship between objective financial literacy and risky credit behavior, nor between subjective financial literacy and risky credit behavior.

In summary, accounting students with lesser levels of financial literacy do not necessarily exhibit higher levels of risky credit behavior. However, possessing strong objective financial knowledge can help enhance financial self-efficacy, potentially leading to a reduction in risky credit behavior.

Future research is recommended to expand the sample coverage and include relevant variables, such as contextual and external factors that may influence students' financial behavior. Additionally, further studies could consider the effectiveness of various approaches in financial education, as well as the long-term impact of developing financial literacy on improving financial behavior among accounting students. In this way, future research can make a broader contribution to understanding and managing credit risk, as well as optimizing personal financial management among students.

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