

The Effect of Financial Literacy on Risky Credit Behavior Through Financial Self-Efficacy Mediation Analysis at Home Credit Indonesia (HCI)

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Article Info

Article history:

Received Aug, 2026

Revised Aug, 2026

Accepted Aug, 2026

Keywords:

Financial Literacy

Risky Credit Behavior

Financial Self-Efficacy

Generation Z

Home Credit Indonesia

ABSTRACT

This study aims to analyze the effect of financial literacy on risky credit behavior, with financial self-efficacy as an intervening variable, among Generation Z customers of Home Credit Indonesia (HCI) in Surabaya who have taken out multipurpose loans. The background of this study is based on the increasing access to digital credit and the low level of financial literacy among Gen Z, which encourages risky credit behavior. This study employs a quantitative approach using purposive sampling, involving 160 respondents. The data analysis technique used is Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that financial literacy has a significant effect on risky credit behavior and financial self-efficacy. Financial self-efficacy also has a significant effect on risky credit behavior. However, no significant mediating effect of financial self-efficacy was found in the relationship between financial literacy and risky credit behavior. These findings indicate that improving financial literacy must be accompanied by strengthening self-efficacy to mitigate risky credit behavior.

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1. INTRODUCTION

The development of the digital economy has transformed how the public accesses financial services. Indonesia's macroeconomic stability from 2019 to 2023 reflected a post-pandemic recovery marked by economic growth of approximately 5%, increased household consumption, greater government investment, and expansion in the financial sector. From a microeconomic perspective, these changes have influenced individual behavior in making consumption,

investment, and credit-use decisions. Financial decisions are no longer shaped solely by economic conditions, but also by individuals' ability to understand financial information and manage risk in a digital environment [1]–[5].

Digital transformation has driven the growth of the financial technology, or fintech, industry, particularly peer-to-peer lending and digital financing services. The value of fintech loan disbursements increased substantially from approximately IDR 81.5 trillion in 2019 to more than IDR 312 trillion in

2024. Outstanding loans also increased from IDR 155 trillion in 2022 to approximately IDR 200 trillion in 2023. The ease of obtaining credit through digital applications, including Buy Now, Pay Later, or BNPL, facilities and multipurpose financing, has expanded financial inclusion while increasing the potential for risky credit behavior when users lack adequate financial literacy [6].

Consumer behavior in the digital environment has undergone a fairly fundamental shift since the pandemic. Consumers no longer use digital platforms merely as an alternative for shopping, but have made them their primary channel for finding information, comparing products, making transactions, and evaluating their shopping experiences. This shift is driven by the perception that digital platforms offer greater convenience, security, and efficiency compared to conventional transactions [7].

The development of individuals' knowledge, understanding, and ability to manage financial decisions occurs through a combination of formal and informal economic education. Formal education through schools or colleges provides a foundation in economic concepts, personal financial management, budgeting, saving, investing, debt, and decision-making simulations. Informal education within the family fosters practical habits through parental example, such as distinguishing between needs and wants, setting aside income, and controlling consumption [8].

Generation Z has become a major user group of digital financial services because of its strong adaptability to technology. Approximately 70% of Gen Z consumers prefer digital financial services to conventional banking services. However, this high level of technological adoption has not been accompanied by adequate financial literacy. A 2022 survey by the Financial Services Authority, or OJK, showed that Gen Z's financial literacy rate reached only 44.04%, which remained below the level considered adequate. Consumerism, limited ability to establish financial priorities, and high levels of digital credit use among younger consumers further intensify this condition

and increase the risks of overborrowing and default [9]–[12].

Purchase intention is a consumer's tendency to make a purchase after evaluating brand image, price, product quality, and the level of trust in the company. The more positive consumers' perceptions of these factors are, the more likely they are to decide to purchase the product. Trust also strengthens the relationship between positive perceptions and purchase intention [13].

This phenomenon is highly relevant to the development of Home Credit Indonesia, or HCI, one of Indonesia's largest technology-based multipurpose financing companies. HCI provides a range of financing services, including financing for electronic products, cash loans, PayLater services, and financial protection products. Nevertheless, the increased use of digital financing has also created several challenges, including rising cases of credit fraud, identity falsification, misuse of artificial intelligence in credit applications, credit card data theft, and misuse of funds by fintech companies. These cases indicate that credit risk does not arise solely from institutional factors. Consumer behavior in using financing facilities also shapes that risk.

HCI's internal data show that the number of borrowers increased from approximately 150,000 in 2021 to 180,000 in 2022, before declining to around 165,000 in 2023. This decline may indicate tighter credit policies and greater awareness of financing risks. A preliminary survey of 25 consumers also found that 60% of respondents did not fully understand the credit terms and conditions before borrowing. Only 25% expressed strong confidence in managing their finances, while 15% admitted that they borrowed without considering their repayment capacity. These findings indicate that financial literacy and financial self-efficacy are important factors influencing risky credit behavior.

Previous studies generally show that financial literacy negatively affects risky credit behavior because individuals with stronger financial knowledge tend to make more rational credit decisions [14]–[16].

However, Chen et al. found that higher financial literacy does not always produce better financial behavior, particularly among individuals with high levels of overconfidence [17]. Financial self-efficacy, meanwhile, represents a psychological factor that strengthens an individual's ability to translate financial knowledge into actual behavior. Several studies have shown that financial self-efficacy can directly influence risky credit behavior and mediate the relationship between financial literacy and risky credit behavior [18], [19]. This study uses the Theory of Planned Behavior (Ajzen, 1991) as its theoretical foundation. The theory explains that financial literacy shapes attitudes toward behavior, while financial self-efficacy strengthens perceived behavioral control and therefore influences credit-use decisions [20].

The research gap lies in the limited number of studies that specifically examine the mediating mechanism of financial self-efficacy in the relationship between financial literacy and risky credit behavior within Indonesia's multipurpose financing sector. Most previous studies have focused on students, general financial behavior, credit cards, or fintech services broadly. Prior findings also show inconsistencies regarding the magnitude of the effect of financial literacy on risky credit behavior and the effectiveness of financial self-efficacy as a mediating variable. This study addresses that gap by testing both direct and indirect relationships among Home Credit Indonesia consumers in Surabaya.

The scope of the study is limited to Generation Z consumers who use multipurpose financing services provided by Home Credit Indonesia in Surabaya. The variables include financial literacy as the independent variable, financial self-efficacy as the intervening variable, and risky credit behavior as the dependent variable. The study adopts a quantitative approach to explain causal relationships among these constructs in the context of digital financing.

The novelty of this study lies in developing a risky credit behavior model that integrates the cognitive dimension of financial

literacy with the psychological dimension of financial self-efficacy within the Theory of Planned Behavior framework and applies it to digital multipurpose financing. The study also uses Home Credit Indonesia as its empirical context, which remains underexamined in the literature. This context offers a new contribution to the development of financial behavior theory and credit risk management in the multifinance sector.

Based on these issues, this study aims to analyze the effect of financial literacy on risky credit behavior, examine the effect of financial literacy on financial self-efficacy, analyze the effect of financial self-efficacy on risky credit behavior, and test the mediating role of financial self-efficacy in the relationship between financial literacy and risky credit behavior among Generation Z customers who use Home Credit Indonesia's multipurpose financing services in Surabaya. The findings are expected to contribute theoretically to the development of the Theory of Planned Behavior in the context of digital credit behavior and provide a basis for designing financial education and risk mitigation strategies for financing companies and regulators.

2. LITERATURE REVIEW

2.1 *The Relationship Between Financial Literacy and Risky Credit Behavior*

Financial literacy is an essential foundation for developing healthy financial behavior. Knowledge of basic financial concepts, such as interest rates, credit, and budget planning, contributes to more prudent decision-making in the use of credit. Based on the Theory of Planned Behavior (TPB), financial literacy influences an individual's attitude toward behavior. A sound understanding of the risks and benefits of credit can foster a positive attitude toward responsible financial

management [21], [22]. Herwiyanti and Rafinda showed that higher financial literacy is associated with more responsible financial behavior [23]. Cheng et al. also found that individuals with a better understanding of credit systems tend to face a lower risk of default [17]. Thus, financial literacy encourages individuals to avoid risky credit behavior, such as accumulating excessive debt or making late payments.

H1: Financial literacy has a significant effect on risky credit behavior.

2.2 *The Relationship Between Financial Literacy and Financial Self Efficacy*

Financial self-efficacy refers to an individual's belief in their ability to manage personal financial matters. This concept is closely related to self-efficacy, which reflects the extent to which individuals believe they can control their financial actions. Individuals with strong financial literacy possess sufficient knowledge to feel confident when making financial decisions, thereby increasing their financial self-efficacy (Ajzen, 1991). Hussain et al. (2023) and Lone and Bhat (2022) demonstrated a significant relationship between financial literacy and self-efficacy [24], [25]. They emphasized that literacy serves not only as a source of information but also as a source of confidence in financial decision-making. Therefore, financial literacy creates a sense of competence that strengthens an individual's self-efficacy in addressing financial challenges.

H2: Financial literacy has a significant effect on financial self-efficacy.

2.3 *The Relationship Between Financial Self-Efficacy and Risky Credit Behavior.*

Financial self-efficacy plays an important role in controlling daily financial behavior. Within the Theory of Planned Behavior (TPB), self-efficacy forms part of perceived behavioral control, which directly influences behavioral intentions and actual behavior. Individuals with high levels of self-efficacy tend to exercise greater control over impulsive decisions and choose more rational approaches to debt management.

Previous studies have confirmed that financial self-efficacy, defined as an individual's belief in their ability to manage financial tasks, significantly affects financial behavior, including the tendency to engage in risky credit behavior [26]. Individuals with high financial self-efficacy tend to make more prudent financial decisions, thereby reducing the likelihood of engaging in risky credit practices.

However, Veronica and Indrawan (2024) found that self-efficacy does not always have a significant effect on risky credit behavior among Generation Z consumers [27]. This finding indicates that the positive effect of self-efficacy may vary according to demographic characteristics. Olajide et al. (2023) also emphasized that emotional factors and levels of financial literacy may moderate the relationship between self-efficacy and financial behavior [28].

Furthermore, financial literacy has been shown to play an important mediating role in the relationship between self-efficacy and risky credit behavior. Increased financial knowledge can strengthen the positive effect of self-efficacy on financial management [15], [29]. Demographic factors, including socioeconomic status, education, and social environment, also contribute to the development of financial self-efficacy and credit-use behavior. Therefore, although financial self-efficacy is an important element in promoting healthy financial behavior, its effectiveness in reducing risky credit behavior depends substantially on financial literacy and individual demographic conditions.

H3: Financial self-efficacy has a significant effect on risky credit behavior.

2.4 The Effect of Financial Literacy on Risky Credit Behavior Through Financial Self-Efficacy.

This hypothesis explains that the effect of financial literacy on risky credit behavior occurs not only directly but also indirectly through the mediating mechanism of financial self-efficacy. Within the Theory of Planned Behavior (TPB), self-efficacy forms part of perceived behavioral control, which can strengthen or weaken an individual's tendency to apply financial knowledge in daily practice.

Individuals with strong financial literacy tend to develop greater confidence in managing their personal finances. This confidence subsequently influences their tendency to avoid risky credit behavior, including late payments,

impulsive credit use, and dependence on high-interest loans. Studies conducted by N. G. P. Surya and Evelyn (2023) and Ramadani et al. (2023) provide empirical support for this hypothesis by showing that financial self-efficacy significantly mediates the relationship between financial literacy and credit behavior [30], [31].

H4: Financial literacy has a significant effect on risky credit behavior through financial self-efficacy.

3. METHODS

This study employed a quantitative research approach to examine the causal relationships among financial literacy, financial self-efficacy, and risky credit behavior among Generation Z consumers using multipurpose financing services at Home Credit Indonesia (HCI) Surabaya. The study was conducted at HCI Surabaya, with the target population consisting of Generation Z customers who utilized the company's multipurpose financing products. A purposive sampling technique was applied to select respondents who met the predefined research criteria. A total of 160 respondents participated in the study, satisfying the minimum sample size requirements for Partial Least Squares Structural Equation Modeling (PLS-SEM). This analytical approach was selected because it enables the simultaneous examination of both direct and indirect relationships among variables through a mediation model.

The study utilized both primary and secondary data. Primary data were collected through a structured questionnaire administered to respondents using a five-point Likert scale. Secondary data were obtained from reports published by the Financial Services Authority (OJK), the Indonesian Joint Funding Fintech Association (AFPI), Home Credit Indonesia, and relevant academic literature. Survey-based data

collection enabled the measurement of respondents' perceptions regarding their level of financial literacy, confidence in managing personal finances, and tendency to engage in risky credit behavior.

The research operationalized three primary constructs. Financial literacy served as the independent variable and represented an individual's ability to understand fundamental financial concepts, credit usage, interest rates, and personal financial management. Financial self-efficacy functioned as the intervening variable and reflected an individual's confidence in effectively managing personal financial matters. Risky credit behavior served as the dependent variable and represented the tendency to engage in high-risk credit practices, including impulsive credit use, poor debt management, and late repayment. All constructs were measured using indicators adapted from previous studies and tailored to the context of multipurpose financing at Home Credit Indonesia.

Data analysis was conducted using Partial Least Squares Structural Equation Modeling

(PLS-SEM). The analysis began with an evaluation of the outer model to assess the quality of the measurement instrument through convergent validity, discriminant validity, composite reliability, Cronbach's alpha, and Average Variance Extracted (AVE). After the measurement model satisfied all validity and reliability requirements, the analysis proceeded to the evaluation of the inner model to examine the structural relationships among constructs using the coefficient of determination (R^2), predictive relevance (Q^2), and path coefficients. Hypothesis testing was performed using the bootstrapping procedure to obtain t-statistics and p-values, allowing the significance of both direct effects and the mediating effect of financial self-efficacy on the relationship between financial literacy and risky credit behavior to be evaluated. Through these procedures, the study developed an empirical model that comprehensively explains the causal relationships among the research variables within the framework of the Theory of Planned Behavior.

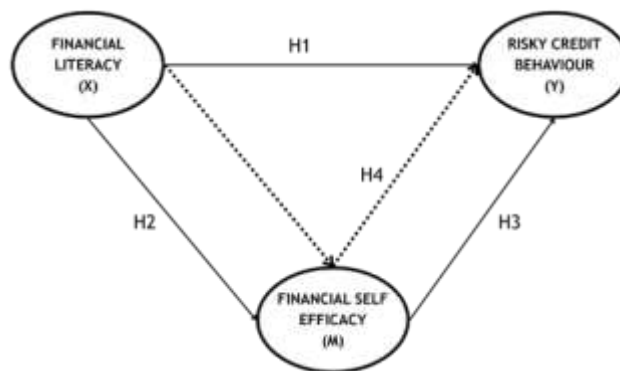


Figure 1. Research Model

4. RESULTS AND DISCUSSION

4.1 Characteristics of Respondents

The sample used in this study consisted of 162 respondents, millennials and Gen Z members aged 18–40 who reside in Surabaya and have experience with HCI.

Table 1. Summary of Respondents' Ages

Category	Amount	Percentage (%)
>25 - 28 Years old	98	60.49
>22 - 25 Years old	32	19.75

>20 - 22 Years old	21	12.96
18 - 20 Years old	11	6.79
Total	162	100

Table 1 shows that the majority of respondents are in the >25–28 age group (60%), followed by the >22–25 age group (20%), the >20–22 age group (13%), and the 18–20 age group (7%). This indicates that users of Home Credit Indonesia's (HCI) multipurpose financing are predominantly

individuals in their late productive years who are generally employed and actively involved in financial decision-making. This age group represents a strategic segment for understanding credit behavior as well as levels of financial literacy and efficacy.

Table 2. Summary of Respondents' Jobs

Category	Amount	Percentage (%)
Startups (small businesses)	21	14,0%
Digital marketing	19	12,7%
Banking and finance	16	10,7%
Retail	13	8,7%
Ecommerce	11	7,3%
Information technology (IT)	10	6,7%
Entrepreneurship	9	6,0%
Industry	5	3,3%
Consulting and management	5	3,3%
Other	41	27,3%

Data 2 shows that the majority of respondents work in modern sectors such as startups (14%), digital marketing (12.67%), and banking/finance (10.67%), reflecting the dominance of the digital economy trend. In contrast, jobs in traditional sectors such as manufacturing and consulting account for

only 3.33% each. The "other" category accounts for a large proportion (27.33%). Graphical visualizations help clarify the distribution of jobs and underscore the importance of mapping employment sectors in a more structured manner.

Table 3. Summary of Respondent Data by Education Level

Category	Amount	Percentage (%)
High School/Vocational High School	114	70.37
Bachelor's Degree	32	19.75
Diploma	12	7.41
Junior High School	2	1.23
Master's Degree	2	1.24

Based on Table 3, it can be concluded that the majority of respondents in this study had a high school (SMA/SMK) education as their highest level of education, totaling 114 people or 70.37% of the total respondents.

This indicates that the upper secondary education group dominated participation in this survey. Respondents with a bachelor's degree (S1) ranked second at 19.75%, or 32 people, followed by diploma holders, totaling

12 people, or 7.41%. Meanwhile, respondents who had completed only junior high school and those with a master's degree (S2) numbered only 2 each, representing approximately 1.23% and 1.24%, respectively. These findings indicate that most users of

multipurpose financing at HCI Surabaya come from the secondary education segment, who are likely in the early stages of their careers and require access to financing for both consumer and productive needs.

Table 4. Summary of Credit Usage Frequency Data

Category	Amount	Percentage (%)
1- 2 times	122	75.31
> 4 times	23	14.2
3-4 times	17	10.49

Table 4 shows that the majority of respondents used Home Credit Indonesia's (HCI) multipurpose financing 1–2 times, totaling 122 people, or 75.31%. Meanwhile, 23 respondents (14.2%) used financing more than 4 times, and 17 respondents (10.49%) used financing 3–4 times. These data indicate

that most respondents are classified as early adopters or low-frequency users, which may reflect a level of caution, still-limited financing needs, or perhaps a lack of experience and a preference for long-term credit use.

Table 5. Summary of Respondents' Information Sources

Category	Amount	Percentage (%)
Sales Agent	127	78.4
Teman	13	8.02
Social Media	12	7.41
Family/Relatives	10	6.17

Based on Table 5, it can be concluded that the majority of respondents (78.4%) obtained information about multipurpose financing at Home Credit Indonesia (HCI) through sales agents, making them the most dominant source of information. Other sources of information, such as friends (8.02%), social media (7.41%), and

family/relatives (6.17%), contributed significantly less. These findings indicate that a direct approach by sales agents remains the most effective marketing strategy for reaching potential users of HCI's financing services, while the potential of social media and word-of-mouth has yet to be significantly maximized.

Table 6. Description of Financial Literacy Variables

No	Indicator	Mean	Standard Deviation
X1	I understand how interest works.	3.679012	1.04349104
X2	I understand the total amount of installment payments over the long term.	3.962963	0.89087081
X3	I know that inflation affects the value of money in future financial planning.	3.907407	0.91097897
X4	I have the ability to create and follow a personal budget to keep my expenses under control.	4.024691	0.82620601

X5	I am able to manage my monthly expenses by prioritizing needs over wants.	4.123457	0.87594089
X6	I regularly set aside a portion of my income to save as an emergency fund.	4.092593	0.89028961

Table 7 shows that the respondents' level of financial self-efficacy falls into the "fairly high" category, as indicated by all average indicator scores above 3.9. Respondents feel confident in making sound financial decisions (M1), facing challenges without relying on others (M2), and taking the initiative to plan their finances independently (M4). However, commitment to financial goals when facing obstacles (M3) and the ability to refrain from unnecessary purchases (M5) showed slightly lower scores, although

they remained in the positive category. The highest variation was found in M5, reflecting differences in self-control behaviors regarding spending, while the lowest variation in M1 indicated consistency in the respondents' confidence in decision-making. Overall, respondents have demonstrated good confidence in managing their finances, but still need to strengthen their financial discipline and consistency when facing financial pressure.

Table 8. Description of the "Risky Credit Behavior" Variable

No	Indicator	Mean	Standard Deviation
Y1	I will try to buy the items I want, even if it means taking out a loan.	3.314815	1.20800756
Y2	I often apply for loans even though my ability to pay is limited.	2.512346	1.39314049
Y3	I have been late on loan payments before.	2.296296	1.4527288
Y4	I usually use almost my entire available credit limit.	2.58642	1.3588681
Y5	I tend to use credit on a whim to buy things I don't really need.	2.253086	1.38003388

Respondents' propensity to engage in risky credit behavior was generally classified as **low to moderate**, with most indicators recording mean scores below 3.5, ranging from 2.25 to 2.50. The only relatively higher score was the desire to own goods through credit (Y1 = 3.31), suggesting that consumer-driven credit use remains evident among some respondents. The lowest mean scores were observed for late credit payments (Y3 = 2.29) and impulsive credit use for unnecessary purchases (Y5 = 2.25), indicating that most respondents rarely default on payments or

use credit impulsively. However, the relatively high standard deviations (above 1.2) across all indicators reveal considerable variation in credit behavior, with some respondents demonstrating prudent financial practices while others remain susceptible to risky credit use. Overall, although respondents generally exhibit responsible credit management, the findings highlight the need for educational initiatives focusing on credit management and responsible consumption to reduce future financial risk.

4.2 Outer Model Analysis

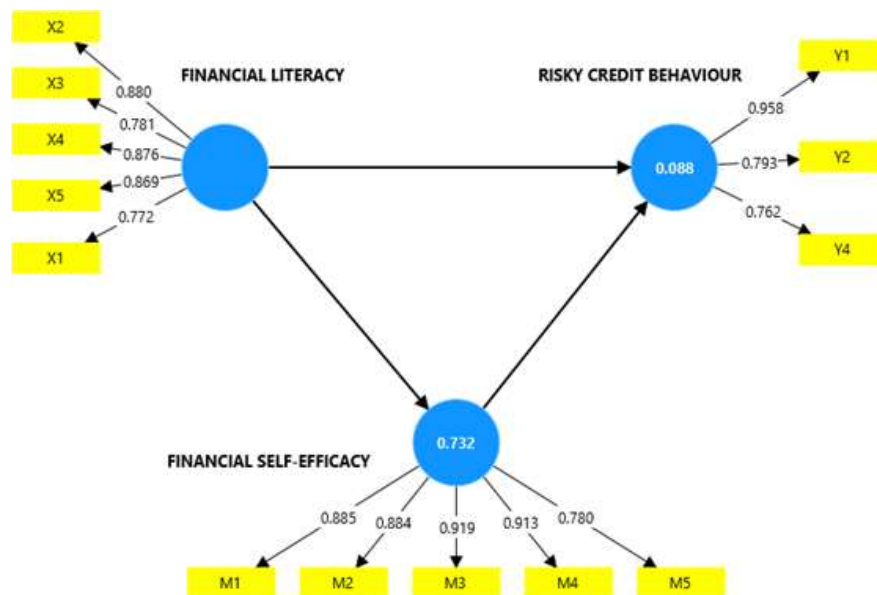


Figure 2. Outer Model

4.2.1 Convergent Validity

Table 9. Outer Loading Research Indicators

Variable	Indicator	Outer Loading	Cronbach's alpha	CR (rho_a)	CR (rho_c)	AVE
Financial Literacy			0.909	0.917	0.930	0.689
	X1	0.744				
	X2	0.863				
	X3	0.764				
	X4	0.869				
	X5	0.886				
Financial Self-Efficacy			0.925	0.929	0.944	0.771
	M1	0.886				
	M2	0.884				
	M3	0.918				
	M4	0.913				
	M5	0.781				
Risky Credit Behaviour			0.903	1.928	0.889	0.618
	Y1	0.938				
	Y2	0.816				
	Y3	*0.665				
	Y4	0.785				
	Y5	*0.698				

Table 9 indicates that the measurement model demonstrated satisfactory reliability and convergent validity based on the PLS-SEM criteria recommended

by Hair et al. (2021). All constructs, Financial Literacy, Financial Self-Efficacy, and Risky Credit Behavior achieved Cronbach's Alpha and Composite Reliability values above the

recommended threshold of 0.70, confirming strong internal consistency, although the Composite Reliability (ρ_a) value of 1.928 for Risky Credit Behavior suggests a possible calculation or recording inconsistency. Convergent validity was also established, with all constructs reporting AVE values above the minimum criterion of 0.50, Financial Literacy (0.689), Financial Self-Efficacy (0.771), and Risky Credit Behavior (0.618). While two indicators of Risky Credit

Behavior ($Y3 = 0.665$ and $Y5 = 0.698$) had outer loadings slightly below the preferred threshold of 0.70, they remained acceptable because the construct's overall AVE exceeded the required level (Hair et al., 2021). Overall, the measurement model met the recommended standards for reliability and convergent validity, although the weaker indicators within the Risky Credit Behavior construct may warrant further evaluation to enhance model quality.

Table 10. Outer Loading Corrections for Research Indicators

	Financial Literacy	Financial Self-Efficacy	Risky Credit Behaviour
X1	0.744		
X2	0.880		
X3	0.781		
X4	0.876		
X5	0.889		
M1		0.885	
M2		0.884	
M3		0.919	
M4		0.913	
M5		0.780	
Y1			0.958
Y2			0.793
Y4			0.762

Based on the data in Table 10, all outer loading values for each indicator are above 0.70. This indicates that all indicators meet the

criteria for convergent validity. Thus, it can be concluded that all indicators are valid and can be used in hypothesis testing.

4.2.2 Discriminant Validity

Tabel 11. Cross Loading

	Financial Literacy	Financial Self-Efficacy	Risky Credit Behaviour
X1	0.772	0.613	0.237
X2	0.88	0.723	0.294
X3	0.781	0.639	0.233
X4	0.876	0.729	0.224
X5	0.869	0.847	0.201
M1	0.794	0.885	0.263
M2	0.745	0.884	0.217
M3	0.813	0.919	0.266
M4	0.745	0.913	0.247
M5	0.644	0.78	0.27
Y1	0.331	0.354	0.958
Y2	0.128	0.098	0.793

Y4	0.101	0.079	0.762
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Table 11 presents the results of the cross-loading analysis, which is used to evaluate discriminant validity in the PLS-SEM measurement model. Discriminant validity indicates the extent to which the indicators of a construct are not highly correlated with other constructs, and one approach to evaluating it is to ensure that the loading values of each indicator on its original construct are higher than the loadings on other constructs (Hair et al., 2021).

According to Hair et al. (2021), good cross-loading values should indicate that each indicator has a higher loading on its intended (original) construct than on any other

construct. In other words, an indicator is considered to have discriminant validity if its loading on its original construct is greater than its loading on other constructs. In this case, all indicators have met this criterion, so it can be concluded that the model's discriminant validity has been well established.

Thus, this table reinforces previous findings that the measurement model has a clear indicator structure with distinct constructs. This indicates that each construct is measured uniquely by its indicators, without significant overlap between constructs.

4.2.3 Composite Reliability Cronbach's Alpha dan AVE

Table 12. Cronbach's Alpha, Composite Reliability, dan AVE

Variable	Cronbach's alpha	CR (rho_a)	CR (rho_c)	AVE
Financial Literacy	0.893	0.901	0.921	0.701
Financial Self-Efficacy	0.925	0.930	0.944	0.771
Risky Credit Behaviour	0.839	1.587	0.879	0.709

The Average Variance Extracted (AVE) values for all variables were above 0.50. This indicates that each variable has good discriminant validity. In addition, the composite reliability and Cronbach's alpha

values for all variables were also above 0.70, so it can be concluded that all variables in this model have adequate reliability and are internally consistent.

4.3 Inner Model Analysis

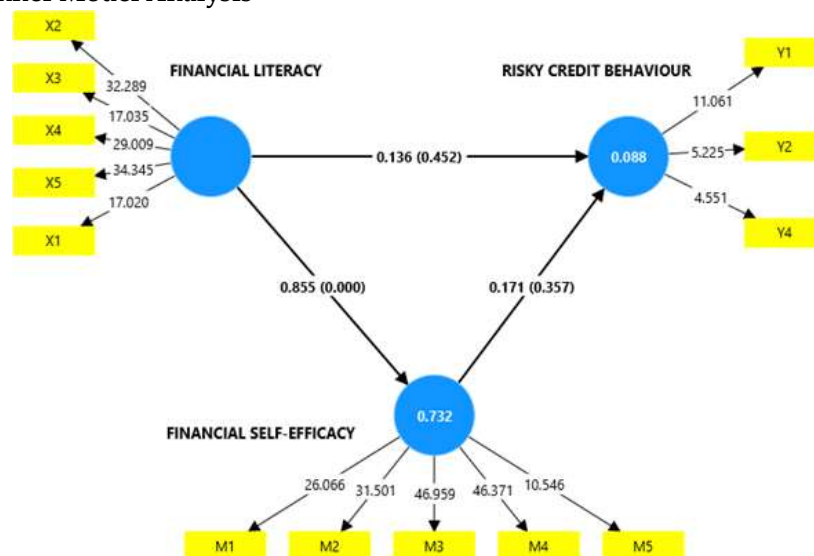


Figure 3. Inner Model

Tabel 13. R-Square (R2)

	R-square	R-square adjusted
Financial Self-Efficacy	0.732	0.730
Risky Credit Behaviour	0.088	0.076

The results of the inner model analysis based on the R-squared and adjusted R-squared values in the PLS-SEM approach show that the Financial Literacy construct explains 79.9% of the variance in Financial Self-Efficacy, which is categorized as a substantial and stable level of predictive power (Hair et al., 2021). However, the model

was only able to explain 8.7% of the variance in Risky Credit Behavior, which falls into the very low and inadequate category. This indicates that although financial literacy plays a major role in shaping self-efficacy, this model does not yet sufficiently explain risky credit behavior.

Tabel 14. Q-Square

	Q ² (=1-SSE/SSO)
Financial Literacy	0.000
Financial Self-Efficacy	0.549
Risky Credit Behaviour	0.028

The results of the Q-square (Q²) analysis show that the model has very high predictive power for the construct of Financial Self-Efficacy (Q² = 0.549), but only very weak predictive power for Risky Credit Behavior (Q² = 0.028). This is consistent with the previous R-square results and indicates that although Financial Literacy is able to substantially explain financial self-efficacy,

this model does not yet sufficiently explain risky credit behavior. The Q² value for Financial Literacy is 0, which is reasonable since it is an exogenous construct. Therefore, this model is considered effective in predicting Financial Self-Efficacy but still needs to be strengthened by adding other constructs to more accurately predict Risky Credit Behavior (Hair et al., 2021).

4.4 Hypothesis Testing

Tabel 15. Patch Coefficient

Hipotesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Financial Literacy -> Financial Self-Efficacy	0.855	0.855	0.033	25.755	0.000
Financial Literacy -> Risky Credit Behaviour	0.136	0.147	0.181	0.753	*0.452
Financial Self-Efficacy -> Risky Credit Behaviour	0.171	0.169	0.185	0.921	*0.357

Hypothesis testing using the SEM-PLS approach showed that a relationship is considered significant when the t-statistic exceeds 1.96 and the p-value is below 0.05 (Hair et al., 2021). The results indicate that Financial Literacy has a strong positive and significant effect on Financial Self-Efficacy (β

= 0.855, $t = 25.755$, $p = 0.000$), demonstrating that greater financial literacy enhances individuals' confidence in managing their personal finances. However, Financial Literacy does not have a significant direct effect on Risky Credit Behavior ($\beta = 0.136$, $t = 0.753$, $p = 0.452$), suggesting that financial

knowledge alone is insufficient to reduce risky credit behavior. Similarly, Financial Self-Efficacy does not significantly influence Risky Credit Behavior ($\beta = 0.171$, $t = 0.921$, $p = 0.357$), indicating that confidence in managing personal finances does not necessarily

translate into avoiding risky credit practices. Overall, only the relationship between Financial Literacy and Financial Self-Efficacy was statistically supported, while the remaining direct effects were not significant (Hair et al., 2021).

Tabel 16. Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Financial Literacy -> Financial Self-Efficacy -> Risky Credit Behaviour	0.146	0.146	0.160	0.913	*0.361

H4: Financial Literacy has a significant effect on Risky Credit Behavior through Financial Self-Efficacy.

The results of the indirect path analysis indicate that the effect of financial literacy on risky credit behavior via financial self-efficacy as a mediator is not statistically significant, with a coefficient of 0.146, a T-statistic of 0.931, and a p-value of 0.361. Based on the criteria of Hair et al. (2021), this value does not meet the significance threshold ($T \geq 1.96$ and $p < 0.05$); therefore, it can be concluded that financial self-efficacy does not mediate the effect of financial literacy on risky credit behavior in this model. Thus, the mediation hypothesis is rejected because the indirect effect is not significant.

4.5 Discussion

The first discussion indicates that financial literacy does not have a significant effect on risky credit behavior, even though respondents generally demonstrate a relatively high level of financial literacy. Knowledge of interest rates, credit, inflation, budgeting, expense management, and saving habits has not been sufficient to reduce the tendency to engage in risky credit behavior. This finding may be attributed to the characteristics of the respondents, most of whom obtain financing information from sales agents. As a result, their confidence in using credit is shaped more by guidance received during the financing process than by their own financial literacy. These findings support the concept of the knowledge

behavior gap, the Financial Behavior Model (Xiao, 2008), and Self-Control Theory (Gottfredson & Hirschi, 1990), all of which suggest that financial knowledge alone is insufficient to change behavior without self-control, appropriate attitudes, and supportive environmental factors [32], [33].

The second discussion shows that financial self-efficacy also does not have a significant effect on risky credit behavior. Although respondents reported high levels of confidence in managing their finances, this confidence did not significantly reduce their tendency to engage in risky credit practices. Most respondents were between 22 and 28 years old, an age group that still exhibits relatively strong consumption-oriented behavior, particularly in purchasing consumer goods such as smartphones. This finding suggests that confidence in financial management is not necessarily accompanied by financial maturity. The results can be explained by Optimism Bias (Weinstein, 1980) and the Theory of Emerging Adulthood (Arnett, 2000), which propose that young adults tend to display excessive optimism and remain in a stage of exploring consumption behaviors, making them more susceptible to less rational credit decisions [34].

The third discussion found that financial literacy has a positive and significant effect on financial self-efficacy. The higher an individual's level of financial literacy, the greater their confidence in managing personal finances. Most respondents had completed senior high school or vocational high school

(SMA/SMK), providing them with a sufficient foundation of financial knowledge to strengthen their sense of competence in making financial decisions. These findings are consistent with the studies of Lown (2011) and Postmus et al. (2013) and are further supported by Self-Determination Theory (Deci & Ryan, 1985) and the Financial Capability Framework (Atkinson & Kempson, 2007), both of which identify financial literacy as a key determinant of psychological competence and financial self-efficacy [35], [36].

The final discussion explains that financial self-efficacy does not mediate the relationship between financial literacy and risky credit behavior. Although respondents possess relatively high levels of financial knowledge and financial self-efficacy, these factors have not translated into safer credit behavior. This finding can be explained by the Knowledge–Action Gap Theory (Sheeran & Webb, 2016), Triadic Reciprocal Determinism (Bandura, 1986), the Theory of Limited Experience Effect (Peters et al., 2007), and the Habitual Decision-Making Theory [37]–[39]. Most respondents had used HCI financing only one or two times, indicating limited experience with credit usage. Consequently, their financial knowledge and confidence have not yet developed into consistent credit decision-making patterns. These findings suggest that experience, habitual behavior, environmental influences, and other psychological factors play a more substantial role than financial literacy or financial self-efficacy in explaining risky credit behavior.

5. CONCLUSION

This study contributes to the understanding of risky credit behavior in the digital era, particularly among Generation Z consumers who use multipurpose financing services provided by Home Credit Indonesia (HCI) in Surabaya. Using Partial Least Squares Structural Equation Modeling (PLS-SEM), the study reveals several important findings. First, financial literacy does not exert a significant direct influence on risky credit behavior, indicating that financial knowledge alone is insufficient to discourage individuals from engaging in risky credit practices. Second, financial literacy has a positive and significant effect on financial self-efficacy, demonstrating that greater financial knowledge enhances individuals' confidence in managing their personal finances. Third, financial self-efficacy does not significantly influence risky credit behavior, suggesting that confidence in financial management does not necessarily translate into more prudent credit decisions. Finally, financial self-efficacy does not mediate the relationship between financial literacy and risky credit behavior, indicating that the indirect effect of financial literacy through financial self-efficacy is not statistically significant. These findings suggest that additional psychological, behavioral, and contextual factors may play a more substantial role in shaping risky credit behavior than financial literacy and financial self-efficacy alone.

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