# Self-Efficacy, Financial Literacy, and Lifestyle Towards Risky Credit Behavior

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**Abstract.** The purpose of this study is to examine the effect of self-efficacy, financial literacy, and lifestyle on risky credit behavior of students of the Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto. This research uses a quantitative type of research using primary data through a questionnaire instrument. The population that is the focus of this research is 129 users of risky credit. The results of this study are self-efficacy and has a negative effect on risky credit behavior. Meanwhile, Financial Literacy and Lifestyle have a positive effect and has a significant value on risky credit behavior.

**Keywords:** Self-Efficacy, Financial Literacy, Lifestyle, Risky Credit Behavior

## 1. Introduction

Self-efficacy, or the belief in one's ability to manage financial tasks, plays a significant role in how individuals approach credit use and debt management. Those with high financial self-efficacy are more likely to make wise and informed financial decisions, reducing the likelihood of engaging in risky credit behavior. Conversely, low self-efficacy can lead to poor financial decisions and increased vulnerability to debt-related problems. Risky credit behavior, a phenomenon that has gained increasing attention among economic and financial researchers, refers to actions taken by individuals in managing credit that have the potential to cause financial problems. These include overleveraging, using credit for unproductive consumption, or failing to meet credit payment obligations. This phenomenon not only impacts the financial condition of the individuals concerned but can also have wider implications for the stability of the economy as a whole [1].

For university students, this issue is particularly pertinent. As they transition from dependence to financial independence, students often encounter credit for the first time. The ease of obtaining credit cards and student loans can lead to risky financial behavior if not managed properly. According to the National Financial Educators Council (NFEC), many students lack the necessary financial knowledge and skills to make informed credit decisions, which can result in significant debt accumulation [2].

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Financial literacy, which is the knowledge and understanding of financial principles and products, is another critical factor. Individuals well-versed in financial concepts are better prepared to navigate the complexities of credit, avoid deceptive lending practices, and make decisions that enhance their financial well-being [3]. A study by the Financial Industry Regulatory Authority (FINRA) found that young adults with higher financial literacy scores were less likely to engage in costly credit card behaviors such as incurring late fees, paying only the minimum payment, or using credit for non-essential expenses [4]. Lack of financial literacy often results in misunderstandings about credit terms, interest rates, and repayment obligations, which contribute to risky credit behavior [5].

Lifestyle factors, including spending habits and personal values, also have a significant impact on credit behavior. A lifestyle characterized by high consumption and low savings can lead to over-reliance on credit, increasing the risk of financial distress. According to a study by the Journal of Consumer Research, students who prioritize materialistic values are more likely to exhibit risky credit behavior compared to their peers who value financial prudence [6]. Understanding the influence of lifestyle choices on credit behavior is important for developing effective strategies to reduce financial risk [7].

Compared to other generations, millennials exhibit higher credit risk behavior. Based on fintech data from the Otoritas Jasa Keuangan (OJK), the value of bad credit with arrears above 90 days is dominated by the age range of 19-34 years, amounting to IDR 766.40 billion or 53.9% [8]. Given the interest that must be paid, millennials and younger generations are often associated with installment payments [9]. These trends make millennials more likely to engage in harmful credit actions. A 2018 Brillio survey found that 45% of millennials in Indonesia have used credit cards beyond the maximum limit [10]. According to the Financial Fitness Index conducted by OCBC NISP, 50% of young Indonesians still have difficulty managing their debt, especially regarding credit card payments, with many often only paying part of their credit card bills rather than paying off the entire amount [11].

According to [12], risky credit behavior is influenced by financial literacy. Financial literacy is a combination of awareness, knowledge, skills, attitudes, and behaviors needed to make informed financial decisions. This leads individuals to financial well-being because, with good financial literacy, a person can manage credit and financial risks more wisely, avoid risky credit behavior, and achieve long-term financial stability and well-being. Individuals with high objective financial literacy will be more aware of the consequences of adverse financial behavior, such as risky credit behavior, and will make more informed financial decisions. According to [13], subjective financial literacy is defined as a person's belief in the knowledge they have about finance. A person's belief in their power and knowledge about something can affect their behavior and decisions, so subjective financial literacy also affects how a person uses credit.

To conclude, enhancing financial self-efficacy, improving financial literacy, and understanding the impact of lifestyle choices are crucial in mitigating risky credit behavior among students. Educational programs and workshops tailored to the needs of university students can play a pivotal role in fostering these skills, ensuring that young adults are better prepared to manage their finances responsibly.

## 2. Literature Review

### 2.1 Risky Credit Behavior

Credit risk is the risk of loss due to the possibility that the counterparty will not fulfill its obligations when they are due [14]. This increases the risk of loss, which is relevant in the context of financial decisions facing individuals and institutions. In the literature, factors such as excessively large loan amounts and poor collateral value are often identified as the main causes of credit risk. As loan size increases, credit risk also increases, while declining collateral quality contributes to exacerbating the situation. Previous research shows that understanding credit risk can influence investment and consumption decisions, indicating the importance of effective risk management in financial decision-making [14].

### 2.2 Self-Efficacy

Financial self-efficacy enables individuals to generate positive expectations about their financial management ability, and actively respond to various challenges with confidence and selfcontrol [15]. More financially self-assured people are probably going to assess possibilities and obstacles more sensibly. hey will neither blindly pursue short-term benefits nor be easily deceived by false information [16]. Furthermore, according to [17] financial self-efficacy influences people's cognitive processes and aids in their ability to assess risks and returns when making consumption and investment decisions. This encourages people to make prudent financial decisions that will pay off in the long run.

### 2.3 Financial Literacy

Financial literacy is a good knowledge and understanding in managing finances appropriately; therefore one's education is very supportive to have knowledge and understanding related to financial literacy [3]. Thus the existence of this financial literacy can make an effective financial decision in processing the right finances to obtain a prosperous life. Therefore, it can be concluded that financial literacy is a form of understanding and knowledge about financial management as well as possible to minimize future risks. Financial literacy includes four financial concepts [3] including: 1) General knowledge related to finance, 2) Knowledge related to money management, 3) Knowledge related to investment and savings, 4) Knowledge related to risk.

### 2.4 Lifestyle

A person's lifestyle is reflected in their hobbies, activities, and views, which reflect how they interact with their environment. Lifestyle is often understood to include three main aspects: activities, interests, and opinions on the environment and oneself. Research shows that interest is the tendency to be interested in something consistently, which leads to better attention and memory for that thing [18]. Additionally, the satisfaction and accomplishments derived from these interests can influence sustainable behavior and decision-making. By understanding an individual's lifestyle and interests, we can better relate how these factors influence financial decision-making [19]. Combining these factors with existing theory and research provides a more holistic insight into how lifestyle influences economic decisions.

## 3. Research Methods

This research uses a quantitative type of research using primary data through a questionnaire instrument. The population that is the focus of this research is 129 students who use online marketplace. To determine the sample size, this study uses ten-times rule [20]. The sample of this study was carried out on students of the Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto, which was determined by distributing an online questionnaire using Google Forms which was distributed directly to students. Data analysis uses SEM PLS analysis, external model, and internal model. The outer model uses convergence, AVE, and composite reliability validity tests. The model uses the path coefficient significance test, R-squared test, and f-squared test. The variable operationalization in this study is presented in Table 1:

**Table 1**. Operational Definition and Variable Indicators

| Variable | Indicators |
|---|---|
| Self Efficacy<br><br>Self Efficacy is belief in one's ability to manage financial tasks [12] | Self-control |
| | Financial planning |
| | Problem-solving ability |
| Financial Literacy<br><br>Financial Literacy is a good knowledge and understanding in managing finances appropriately. [12] | General knowledge related to finance |
| | Knowledge related to investment and saving |
| | Knowledge related to risk |
| Lifestyle<br><br>Lifestyle is how individuals live, including how individuals use their money and allocate their time. [21] | Attitudes |
| | Experiences |
| | Personality |
| | Social class |
| | Reference groups |
| Risky Credit Behavior | Risky paying behavior |

| | |
|---|---|
| Risky Credit Behavior is influenced by financial literacy | Risky borrowing behavior |
| | Impulsive buying |

Source: [12], [21].

## 4. Result

Characteristics of respondents based on age, gender, study program, class, and cost per month student.

**Table 2**. Characteristics of Respondents

| No. | | Characteristics | Total | % |
|---|---|---|---|---|
| 1. | Age | < 19 Years | 11 | 10% |
| | | 19 Years | 33 | 26% |
| | | 20 Years | 46 | 36% |
| | | 21 Years | 29 | 22% |
| | | > 22 Years | 10 | 9% |
| | Total | | 129 | 100% |
| 2. | Gender | Male | 33 | 26% |
| | | Female | 96 | 74% |
| | Total | | 129 | 100% |
| 3. | Study Program | Accounting S1 | 38 | 29% |
| | | Accounting D3 | 4 | 3% |
| | | Management S1 | 79 | 61% |
| | | Digital Business S1 | 8 | 6% |
| | Total | | 129 | 100% |
| 4. | Class | 2023 | 39 | 23% |
| | | 2022 | 60 | 47% |
| | | 2021 | 30 | 30% |
| | Total | | 129 | 100% |
| 5. | Costs Per Month | < 1 Million | 50 | 39% |
| | | 1 - 2 Million | 69 | 53% |
| | | 2 - 3 Million | 7 | 5% |
| | | > 3 Million | 3 | 2% |
| | Total | | 129 | 100% |

Source: Result of distribution of questionnaires.

Based on Table 2, it is known that the majority of respondents are 20 years old (36%), followed by those aged 19 (26%) and 21 (22%). Respondents under 19 and over 22 years old constitute 10% and 9%, respectively. Most respondents are female (74%), while males make up 26%. In terms of study programs, the majority are from the Management S1 program (61%), followed by Accounting S1 (29%), Digital Business S1 (6%), and Accounting D3 (3%). Regarding class year, 47% are from the 2022 cohort, 30% from 2021, and 23% from 2023. Monthly expenses show that 53% of respondents spend between 1 to 2 million IDR, 39% spend less than 1 million IDR, 5% spend 2 to 3 million IDR, and 2% spend more than 3 million IDR. The total number of respondents is 129.

The measurement model test (outer model) used is loading factor, AVE, and composite reliability. The measurement model test results are presented in Table 4. Based on Table 4, all indicators are acceptable because they have a loading factor above 0.7. The composite reliability value is more than 0.6, and the AVE value is above 0.5. The test results show that all indicators are reliable and validly reflect the variables.

**Table 3**. Loading factor, AVE, and composite reliability values.

| Variable | Indicator | Loading Factor | AVE | Composite Reliability |
|---|---|---|---|---|
| Self Efficacy [12] | self-control | 0.709 | 0.505 | 0.747 |
| | financial planning | 0.528 | | |
| | problem-solving ability | 0.856 | | |
| Financial Literacy [21] | general knowledge related to finance | 0.775 | 0.563 | 0.794 |
| | knowledge related to investment and savings | 0.720 | | |
| | knowledge related to risk | 0.754 | | |
| Lifestyle [21] | Attitudes | 0.799 | 0.617 | 0.889 |
| | Experiences | 0.762 | | |
| | Personality | 0.797 | | |
| | social class | 0.796 | | |
| | reference groups | 0.771 | | |
| Risky Credit Behavior [14] | risky paying behavior | 0.878 | 0.656 | 0.851 |
| | risky borrowing behavior | 0.781 | | |
| | impulsive buying | 0.767 | | |

Source: SEM - PLS Data Processing Result (2024).

The structural model (inner model) tests used are r-square and f-square. The R – Square and f-square values are presented in Table 4 and Table 5.

**Table 4.** R-Square Value

| | R-Square | R Square Adjusted |
|---|---|---|
| Risky Credit Behavior | 0.558 | 0.547 |

Source: SEM - PLS Data Processing Result (2024).

The R Square value indicates the proportion of variation in the dependent variable that can be explained by the independent variables. This value helps assess the quality of a model. According to [22], an R Square value of 0.75 denotes a strong model, 0.50 signifies a moderate model, and 0.25 indicates a weak model.

Based on the analysis above, it can be seen that the R Square value is 0.558, and the Adjusted R Square value is 0.547. With an Adjusted R Square value of 0.547, this indicates that the ability of variables X1, X2, and X3 to explain Y is 54.7%. This value can be classified as a moderate model.

**Table 5**. F - Square Value

| | Financial Literacy | LifeStyle | Self Efficacy | Risky Credit Behavior |
|---|---|---|---|---|
| Self Efficacy | | | | 0.155 |
| Financial Literacy | | | | 0.207 |
| Lifestyle | | | | 0.770 |
| Risky Credit Behavior | | | | |

Source: SEM - PLS Data Processing Result (2024).

Based on table 5, the f-square shows that self efficacy has a low influence, while financial literacy and lifestyle have a large influence on risky credit behavior.

**Table 6**. Path Coefficient Result

| | Original Sample (O) | T-Statistics | P-Values | Information |
|---|---|---|---|---|
| Self Efficiacy → Risky Credit Behavior | -0.347 | 2.927 | 0.004 | H1 Accepted |
| Financial Literacy → Risky Credit Behavior | 0.404 | 3.926 | 0.000 | H2 Accepted |
| Lifestyle → Risky Credit Behavior | 0.601 | 10.833 | 0.000 | H3 Accepted |

Source: SEM - PLS Data Processing Result (2024)

Based on table 6, it shows that self efficacy, financial literacy, lifestyle influence risky credit behavior. The table shows that the path coefficient value for X1→Y is -0.347, with a P Value of 0.004. For the path coefficient value of X2→Y, the Original Sample value is 0.404, with a P Value of 0.000. Lastly, the Original Sample value for X3→Y is 0.601, with a P Value of 0.000.

# 5. Discussion

## 5.1 First Hypothesis Testing Result

Based on the results of the direct effect analysis, the value of the Self Efficacy path coefficient (X1) is -0.347. From these results, it can be concluded that the Self Efficacy variable has a negative value, which means that the influence between the Self Efficacy variable (X1) and the risky credit behavior variable (Y) runs in the opposite direction. The resulting P values shown in the table have a value of 0.004. From this value, it can be seen that $0.004 < 0.05$. These results show that the influence of the self-efficacy variable on risky credit behavior is significant, so it can be concluded that hypothesis H1 is accepted. The results indicate that higher self-efficacy is associated with lower risky credit behavior. This supports previous research, which states that self-efficacy allows individuals to generate positive expectations about their financial management abilities and actively respond to various challenges with confidence and self-control [23].

## 5.2 Second Hypothesis Testing Result

Based on the results of the direct effect analysis, the value of the Financial Literacy path coefficient (X2) is 0.404. From these results, it can be concluded that the Financial Literacy variable has a positive value, which means that the influence between the Financial Literacy variable (X2) and the risky credit behavior variable (Y) runs in the same direction. The resulting P values shown in the table have a value of 0.000. From this value, it can be seen that $0.000 < 0.05$. These results show that the influence of the Financial Literacy variable on risky credit behavior is significant, so it can be concluded that hypothesis H2 is accepted. The results also show that increasing financial literacy can enhance self-confidence in managing finances, which in turn reduces risky credit behavior. This supports previous research conducted by [3], which stated that higher financial literacy can increase a person's ability to make wiser financial decisions and reduce risky credit behavior.

### 5.3 Third Hypothesis Testing Result

Based on the results of the direct effect analysis, the value of the Lifestyle path coefficient (X3) is 0.601. From these results, it can be concluded that the Lifestyle variable has a positive value, which means that the influence between the Lifestyle variable (X3) and the risky credit behavior variable (Y) runs in the same direction. The resulting P values shown in the table have a value of 0.000. From this value, it can be seen that $0.000 < 0.05$. These results show that the influence of the Lifestyle variable on risky credit behavior is significant, so it can be concluded that hypothesis H3 is accepted. The results indicate that a more consumerist and hedonistic lifestyle is associated with higher risky credit behavior. This supports previous research conducted by [24], which shows that a consumer lifestyle can contribute to poor financial decision-making and risky credit behavior. Additionally, research by [25] found that individuals with a more hedonistic and consumerist lifestyle tend to engage in risky credit behavior more often. These results underscore the importance of considering lifestyle as a factor in financial planning and credit risk management.

In summary, the findings from these hypothesis tests provide robust evidence that self-efficacy, financial literacy, and lifestyle significantly influence risky credit behavior among university students. These insights can inform the development of targeted financial education programs that address these key areas, helping students to build the skills and knowledge necessary for effective credit management and financial well-being.

## 6 Conclusion

The study's findings highlight the significant impact of self-efficacy, financial literacy, and lifestyle on risky credit behavior among university students. The results of the hypothesis tests provide robust evidence that these three factors are crucial in influencing how students manage their credit and financial decisions.

Firstly, self-efficacy, or the belief in one’s ability to manage financial tasks, has a negative relationship with risky credit behavior. Higher self-efficacy is associated with lower risky credit behavior, indicating that students who are confident in their financial management skills are less likely to engage in behaviors that could lead to financial problems. This supports previous research by [23], which emphasized the importance of self-efficacy in generating positive expectations and promoting active, confident responses to financial challenges.

Secondly, financial literacy, which encompasses the knowledge and understanding of financial principles and products, has a positive relationship with responsible credit behavior. Students with higher financial literacy are better equipped to navigate the complexities of credit, avoid deceptive lending practices, and make informed financial decisions. This finding aligns with the work of [3], reinforcing the critical role of financial literacy in enhancing financial decision-making and reducing risky credit behavior.

Lastly, lifestyle factors, including spending habits and personal values, also significantly influence credit behavior. A more consumerist and hedonistic lifestyle is associated with higher risky credit behavior. This finding underscores the importance of considering lifestyle choices in financial planning and credit risk management, supporting the research conducted by [24] and [25].

In conclusion, enhancing financial self-efficacy, improving financial literacy, and understanding the impact of lifestyle choices are essential strategies for mitigating risky credit behavior among university students. Educational programs and workshops tailored to the needs of students can play a pivotal role in fostering these skills, ensuring that young adults are better prepared to manage their finances responsibly and achieve long-term financial stability and well-being. By addressing these key areas, universities and policymakers can help students build a solid foundation for their financial futures.

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