



# The Effect of Financial Literacy on Risky Credit Behavior with Financial Stress as a Mediating Variable Among Gen Z Users of Paylater Services in Padang

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## ABSTRACT

This study aims to analyze the influence of Objective Financial Literacy (OFL) and Subjective Financial Literacy (SFL) on risky credit behavior, with financial stress as a mediating variable, among Generation Z users of Paylater services in Padang. The study employs a quantitative approach using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) method via SmartPLS software, involving 243 respondents selected through purposive sampling. The study found that OFL has a significant positive effect on risky credit behavior and a negative effect on financial stress. Financial stress has a significant positive effect on risky credit behavior and was found to significantly mediate the relationship between OFL and risky credit behavior. Meanwhile, SFL was found to have no significant effect on risky credit behavior but does have a significant positive effect on financial stress; thus, the relationship between SFL and risky credit behavior is fully mediated by financial stress. Financial stress was also identified as the strongest predictor of risky credit behavior within this framework. These findings indicate the existence of a knowledge–behavior gap and the phenomenon of overconfidence. Practically, the research results underscore the need for practical financial education to calibrate users' self-confidence, as well as the provision of transparent debt management features in Paylater services.

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## 1. INTRODUCTION

Advances in digital technology have spurred the emergence of various Financial Technology (Fintech) services that offer convenience, speed, and a high degree of flexibility. One form of fintech innovation that is growing rapidly in Indonesia is the Buy Now Pay Later (BNPL) service, also known as Paylater. This service allows users to purchase goods or services and make payments at a later date (Financial Services Authority, 2024). The OJK reported that BNPL financing receivables at financing companies reached Rp7.99 trillion as of August 2024, representing an 89.20% increase year-on-year. On the other hand, Bank Indonesia (2024) noted that over 70% of Paylater transactions are used for fashion products, cosmetics, smartphone purchases, and other digital devices, indicating that the use of Paylater is not only for meeting basic needs but also for fulfilling lifestyle aspirations.

This phenomenon is prevalent among the younger generation. Populix (2023) found that strong Paylater usage occurs among the 17–35 age group, which is dominated by Generation Z—the largest generation in Indonesia, numbering 74.93 million people or 27.94% of the total population (BPS, 2021). However, this high adoption rate is not always accompanied by responsible credit management. PEFINDO Credit Bureau (2024) found that the amount of delinquent credit among the younger generation on paylater services reached Rp460 billion as of December 2023. The gap between usage intensity and credit management capability places Gen Z in risky credit behavior.

Risky credit behavior (RCB) is defined as credit usage behavior that can lead to financial problems; this includes risky borrowing behavior (the risk of excessive borrowing) and risky payment behavior (the risk of improper credit repayment) (Xiao et al., 2011). According to theory, this risky credit behavior can be influenced by an individual's cognitive resources and self-control, one of which is financial literacy. According to Lusardi and Mitchell (2014), financial literacy consists of two main dimensions: Objective Financial Literacy (OFL), which describes an individual's actual knowledge of basic financial concepts, and Subjective Financial Literacy (SFL), which describes an individual's perception or self-assessment of their own level of understanding. If SFL exceeds the level of OFL, this condition is referred to as Financial Overconfidence, a behavior that has the potential to lead individuals to make credit decisions that do not align with their actual capabilities.

The level of financial literacy in Indonesia itself is quite concerning, as the gap between financial literacy rates and financial inclusion rates continues to be quite significant. The SNLIK by the OJK found that financial literacy levels increased from 21.84% (2013) to 49.68% (2022), yet this figure consistently lags behind the financial inclusion rate, which reached 85.10% in 2022. Using a new methodology, SNLIK states that financial literacy rates stand at 65.43% (2024) and 66.46% (2025), while financial inclusion rates are at 75.02% (2024) and 80.51% (2025), with the gap between the two being 9.59% and 14.05%. At the provincial level, West Sumatra is among the provinces with a low financial literacy rate of 40.78% (2022), far below the national average, while its financial inclusion rate reached 76.88%. The city of Padang, with a Gen Z population of 236,440 or 24.50% of the total population (Padang City BPS, 2025), is a relevant location for examining this phenomenon.

Empirically, the relationship between financial literacy and risky credit behavior still yields inconsistent results. Some studies found that both objective and subjective financial literacy have a significant negative effect on risky credit behavior (Liu et al., 2021; Nadya Surya & Evelyn, 2023), conversely, Mukharomah et al. (2023) found a positive direction in the relationship between the two, while Ernawati et al. (2024) found that the relationship between the two was not directly significant. Based on the Theory of Planned Behavior (Ajzen,

1991), knowledge (OFL) and perceived ability (SFL) are expected to shape attitudes and perceived behavioral control that can suppress risky credit behavior. Based on this, the first and second hypotheses are formulated as follows.

**H1: Objective Financial Literacy has a significant negative effect on Risky Credit Behavior**

**H2: Subjective Financial Literacy has a significant negative effect on Risky Credit Behavior**

In addition to financial literacy, risky credit behavior is also influenced by an individual's psychological state, particularly financial stress. Financial Stress (FS) is defined as the pressure an individual feels when unable to meet their financial obligations (Prawitz et al., 2026). Based on the Coping Theory perspective (Lazarus & Folkman, 1984), individuals experiencing stress will choose adaptive or maladaptive coping strategies to address the pressure they feel; impulsivity in the use of credit services is a form of maladaptive emotion-focused coping oriented toward temporary stress reduction. Empirically, the relationship between financial stress and risky credit behavior has been examined by several studies. Research by Ting et al. (2024) and Windyastuti & Soesetio (2025) found that financial stress has a significant positive effect on risky debt behavior.

On the other hand, financial literacy is also related to financial stress. Research by Amonhaemanon (2023) and Zhang & Chatterjee (2023) found that financial literacy has a significant negative effect on financial stress, while Wahyuni et al. (2025) found that the relationship between the two is significantly positive in the context of digital literacy. Based on the Theory of Planned Behavior and Coping Theory, financial literacy should enhance an individual's cognitive abilities, which in turn will encourage the individual to make rational financial decisions and adopt more effective coping strategies in the long term, ultimately helping the individual avoid perceived financial stress. Based on the discussion above, hypotheses three through five are formulated as follows.

**H3: Objective Financial Literacy has a significant negative effect on Financial Stress.**

**H4: Subjective Financial Literacy has a significant negative effect on Financial Stress.**

**H5: Financial Stress has a significant positive effect on risky credit behavior.**

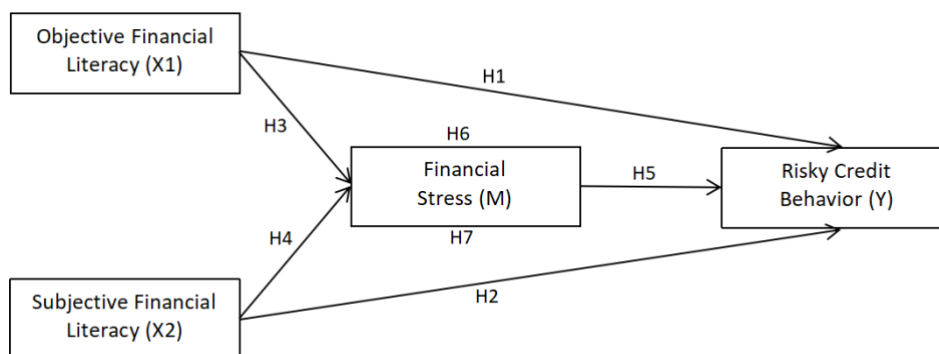
Based on the relationships formed between financial literacy, financial stress, and risky credit behavior, it is concluded that financial stress mediates the indirect relationship between financial literacy and risky credit behavior. Ramadhan's (2025) found that financial stress does indeed mediate the relationship between financial literacy and risky credit behavior. Based on these findings, the sixth and seventh hypotheses are formulated as follows.

**H6: Financial literacy significantly mediates the relationship between objective financial literacy and risky credit behavior**

**H7: Financial literacy significantly mediates the relationship between subjective financial literacy and risky credit behavior**

Based on the discussion above, several research gaps can be identified that this study aims to address. First, the relationships among the variables involved in this study remain inconsistent. Second, there is a scarcity of research examining the mediating role of financial stress in the relationship between financial literacy and risky credit behavior. Third, no studies have examined this context in regions with low financial literacy levels, such as the city of Padang. Therefore, this study was conducted to comprehensively examine the influence of financial literacy on risky credit behavior, with financial stress as a mediating variable, among Gen Z Paylater users in the city of Padang. Theoretically, this study is expected to enhance understanding of the psychological mechanisms that influence individual behavior; practically, it is expected to provide insights to the OJK, Paylater service providers, and local

governments in designing more targeted educational programs. **Figure 1** illustrates the conceptual framework depicting the relationships among the variables in this study.



**Figure 1.** Conceptual Framework

## 2. METHODS

### 2.1. Research Design and Methodology

This study adopts a quantitative approach with an explanatory (causal) design to examine the relationships among variables in the proposed research model. Specifically, it investigates the direct effects of Objective Financial Literacy (X1) and Subjective Financial Literacy (X2) on Risky Credit Behavior (Y), as well as their indirect effects through Financial Stress (M) as a mediating variable. Primary data were collected using an online questionnaire administered via Google Forms and distributed through WhatsApp and social media platforms (Instagram, X, and TikTok) from January 28 to April 15, 2026. The questionnaire employed a five-point Likert scale ranging from “Strongly Disagree” (1) to “Strongly Agree” (5) for perceptual measures, except for Objective Financial Literacy, which was assessed using financial knowledge items in the form of multiple-choice questions and true–false statements.

### 2.2. Population and Sample

The population in this study consists of Gen Z individuals aged 17–29 in the city of Padang who have used or are currently using pay-later services. Sampling was conducted using purposive sampling based on three criteria: (1) being aged 17–29 at the time of the study; (2) having resided in Padang for at least the past 12 months; and (3) having used Paylater services such as Shopee Paylater, GoPay Later, Kredivo, Akulaku Paylater, Traveloka Paylater, Home Credit, Indodana Paylater, Atome, and other Paylater platforms. Referring to the guidelines by Hair et al, (2017;2021) for PLS-SEM with mediation analysis, complex models generally require a sample size of between 100 and 200 respondents for stable structural estimates. Therefore, this study set a target sample size of approximately 250 respondents to ensure more accurate estimation results and compliance with PLS-SEM guidelines. Of the 258 returned questionnaires, 243 respondents met all criteria and were included in the analysis.

### 2.3. Measurement

This study operationalizes each construct using well-established measurement instruments from previous studies and adapts them to the context of Generation Z users of Paylater services in Padang. Risky Credit Behavior (RCB) represents credit-related behaviors that potentially increase financial risk and is conceptualized through two dimensions—risky payment behavior (repayment discipline and the ability to meet payment obligations) and

risky borrowing behavior (frequent credit use, impulsive spending, and reduced price sensitivity when using “buy now, pay later” services) (Xiao et al., 2011). RCB was measured using five (5) items rated on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree).

Objective Financial Literacy (OFL) refers to actual financial knowledge and is assessed using five (5) objective knowledge questions (multiple-choice and true–false formats) covering basic financial concepts such as compound interest, inflation, credit mechanisms, and investment risk (Lusardi & Mitchell, 2014). The OFL score reflects the total number of correct answers and is modeled as a single-indicator construct in the PLS-SEM analysis. Subjective Financial Literacy (SFL) reflects perceived financial knowledge and self-assessed abilities (Allgood & Walstad, 2016) and is measured using one (1) self-assessment item on the same five-point Likert scale; therefore, SFL is also treated as a single-indicator construct. Finally, Financial Stress (FS) refers to the psychological distress felt due to financial circumstances and difficulties in meeting financial needs or obligations (Prawitz et al., 2006). FS is measured using five (5) Likert-type items that capture perceived financial stress and concerns (e.g., concerns about monthly expenses, debt burden, and financial limitations compared to peers) (Lim et al., 2014).

## 2.4. Data Analysis

Data were analyzed using the PLS-SEM method with the assistance of SmartPLS (version 4.1.1.8). PLS-SEM was selected because it is suitable for complex causal models involving mediation, does not require normally distributed data, and is appropriate for medium-sized samples (Hair et al., 2019). The analysis followed a two-stage procedure. First, the measurement model (outer model) was evaluated to assess instrument quality, including convergent validity and reliability using indicator loadings, Average Variance Extracted (AVE), Cronbach’s alpha, and composite reliability, as well as discriminant validity using the Fornell–Larcker criterion and the Heterotrait–Monotrait ratio (HTMT). Second, the structural model (inner model) was evaluated by examining path coefficients and the model’s explanatory power using  $R^2$ . Hypotheses, including direct and indirect (mediated) effects, were tested using a non-parametric bootstrapping procedure with 5,000 subsamples to obtain t-values and p-values.

## 3. RESULTS AND DISCUSSION

### 3.1. Results

#### A. Descriptive Analysis

##### 1) Respondent Characteristics

This study utilized data from 243 respondents, whose characteristics were analyzed and subsequently used in a causal analysis. Based on their characteristics, the respondents in this study were predominantly female (63.0%), primarily students (45.7%), and the majority had no income (32.9%). In terms of Paylater usage, the most common frequency of use is 3–5 times (48.0%), and the most widely used platform is Shopee Paylater (62.6%). Detailed respondent characteristics can be seen in **Table 1** below.

**Table 1.** Respondents Characteristics (n=243)

Characteristic	Category	n	%
Gender	Male	89	37.0%

<b>Occupation</b>	Female	154	63.0%
	Student	111	45.7%
	Part-time employee	41	16.9%
	Full-time employee	78	32.1%
	Entrepreneur/self-employed	13	5.3%
<b>Monthly income</b>	Has no income yet	80	32.9%
	≤ Rp1.000.000	17	7.0%
	Rp1.000.001 - Rp2.000.000	39	16.0%
	Rp2.000.001 - Rp3.000.000	21	8.6%
	Rp3.000.001 - Rp4.000.000	24	9.9%
	Rp4.000.001 - Rp5.000.000	23	9.5%
	> Rp5.000.001	39	16.00%
<b>Paylater usage frequency</b>	1–2 times	87	36.0%
	3–5 times	116	48.0%
	More than 5 times	40	16.0%
<b>Most-used platform</b>	Shopee Paylater	152	62.6%
	Gopaylater	62	25.5%
	Kredivo	40	16.5%

## 2) Variable Frequency

**Table 2** presents a summary of descriptive statistics, including the mean, TCR, and category for each indicator/construct. In general, RCB1–RCB2 fall into the low category, while RCB3–RCB5 fall into the high category. The Objective Financial Literacy score falls into the moderate category, while Subjective Financial Literacy and the Financial Stress indicators fall into the high category.

**Table 2.** Variable Frequency (Mean/TCR)

Variable	Indicator	Mean	TCR	Category
<b>Risky Credit Behavior</b>	RCB 1	1.667	33.30%	Low
	RCB 2	1.675	33.50%	Low
	RCB 3	3.778	75.60%	High
	RCB 4	3.63	72.60%	High
	RCB 5	3.428	68.60%	High
<b>Objective Financial Literacy</b>		2.823	56.46%	Moderate
<b>Subjective Financial Literacy</b>		3.588	71.80%	High
<b>Financial Literacy</b>	FS 1	3.416	68.30%	High
	FS 2	3.189	63.80%	High
	FS 3	3.23	64.60%	High
	FS 4	3.329	66.60%	High
	FS 5	3.387	67.70%	High

## B. Inferential Analysis

### 1) Outer Model

**Table 3** shows that the constructs Financial Stress and Risky Credit Behavior meet the criteria for convergent validity ( $AVE > 0.50$ ) and internal reliability (Cronbach's Alpha and  $CR > 0.70$ ). The indicators FS1–FS5 and RCB3–RCB5 have adequate outer loadings ( $> 0.70$ ).

However, RCB1 and RCB2 have very low loadings (0.256 and 0.279), so they empirically do not adequately represent the RCB construct in this sample and are considered for elimination in the final model estimation. The OFL and SFL constructs are treated as single-indicator constructs, so their reliability and AVE values are automatically 1.000.

**Table 3.** Results of the Outer Model Evaluation

Construct	Item	Outer Loading	Cronbach's Alpha	rho_A	CR	AVE
<b>Risky Credit Behavior (RCB)</b>			0.748	0.753	0.856	0.664
RCB 1	I always pay my bills on time every month.	0.256				
RCB 2	I always pay off my entire Paylater balance every month	0.279				
RCB 3	I often use Paylater for shopping.	0.775				
RCB 4	I tend to be more impulsive when using Paylater for online shopping.	0.815				
RCB 5	I pay less attention to product prices when using Paylater.	0.779				
<b>Objective Financial Literacy (OFL)</b>		1.000	1.000	1.000	1.000	1.000
<b>Subjective Financial Literacy (SFL)</b>		1.000	1.000	1.000	1.000	1.000
<b>Financial Stress (FS)</b>			0.885	0.892	0.916	0.685
FS 1	I feel stressed about my current personal financial situation.	0.816				
FS 2	I'm worried I won't be able to pay my monthly bills.	0.824				
FS 3	I'm worried I won't have enough money to cover my basic needs (such as education expenses or daily necessities).	0.821				
FS 4	I feel stressed by the financial burden I'm currently carrying.	0.872				
FS 5	I don't have enough money to participate in the same activities or maintain the same lifestyle as my peers.	0.802				

Regarding discriminant validity, **Tables 4–5** show that the constructs in the model have sufficient ability to distinguish one another. Under the Fornell–Larcker criterion (**Table 4**), the root-mean-square AVE values on the diagonal (e.g., FS = 0.827; RCB = 0.815) are greater than the correlations between the related constructs, thus meeting the criterion. Furthermore, in the HTMT (**Table 5**), all values are below the 0.90 threshold; the highest value is the FS–RCB relationship (0.550), which indicates a fairly strong correlation but remains within reasonable limits and does not indicate a problem with discriminant validity.

**Table 4.** Results of Fornell-Lacker Criterion

	FS (M)	OFL (X1)	RCB (Y)	SFL (X2)
FS (M)	0.827			
OFL (X1)	-0.245	1		
RCB (Y)	0.455	0	0.815	
SFL (X2)	0.111	0.155	0.13	1

**Table 5.** Results of Heteroit-Monotrait Ratio (HTMT)

	FS (M)	OFL (X1)	RCB (Y)	SFL (X2)
FS (M)				
OFL (X1)	0.259			
RCB (Y)	0.55	0.047		
SFL (X2)	0.118	0.155	0.151	

## 2) Inner Model

The structural model was evaluated by examining the R-square value to determine the extent to which the independent variables explain the dependent variable. The test results are presented in **Table 6**.

**Table 6.** Results of R-square

	R-square	R-square adjusted
FS (M)	0.082	0.075
RCB (Y)	0.224	0.214

Based on **Table 6**, the R-square value for the Financial Stress variable is 0.082 and for Risky Credit Behavior is 0.224. According to (Hair et al., 2019), a value of 0.082 is classified as weak, while a value of 0.224 is close to the threshold for the weak category. These results indicate that OFL and SFL together explain 8.2% of the variance in Financial Stress, while the three predictor variables together explain 22.4% of the variance in Risky Credit Behavior.

## 3) Hypotesis Test

Hypothesis testing was conducted using bootstrapping with 5,000 subsamples. A hypothesis was considered significant if the T-statistic value was >1.64 and the p-value was <0.05. The results of the tests for direct and indirect effects are presented in **Table 7**.

**Table 7.** Results of Boothstrapping Direct and Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation	T statistics	P values	Desc.
(H1) OFL (X1) -> RCB (Y)	0.107	0.109	0.059	1.823	0.034	Significant (+)
(H2) SFL (X2) -> RCB (Y)	0.061	0.062	0.067	0.913	0.181	Not Significant

<b>(H3)</b> OFL (X1) -> FS (M)	-0.268	-0.269	0.058	4.589	0.000	Significant (-)
<b>(H4)</b> SFL (X2) -> FS (M)	0.152	0.153	0.067	2.272	0.012	Significant (+)
<b>(H5)</b> FS (M) -> RCB (Y)	0.474	0.479	0.057	8.321	0.000	Significant (+)
<b>(H6)</b> OFL (X1) -> FS (M) -> RCB (Y)	-0.127	-0.129	0.034	3.739	0.000	Significantly mediates
<b>(H7)</b> SFL (X2) -> FS (M) -> RCB (Y)	0.072	0.073	0.034	2.133	0.016	Significantly mediates

### 3.2. Discussion

#### A. The Relationship Between Objective Financial Literacy and Risky Credit Behavior

The results show that OFL has a positive and significant effect on RCB. However, the direction of the coefficient is opposite to the hypothesis, which predicted a negative effect; therefore, **H1 is not supported**. This finding indicates that the higher the actual financial knowledge possessed by Gen Z users of paylater, the higher the tendency toward risky credit behavior. This phenomenon can be explained through the knowledge–behavior gap, a condition where financial knowledge does not automatically translate into more cautious behavior. Individuals with better knowledge may feel more confident (more “capable of managing”), leading them to be more willing to increase the frequency or volume of paylater usage without sufficient caution to balance it. Within the TPB framework (Ajzen, 1991), OFL is expected to shape attitudes and behavioral control that suppress risky behavior; however, in the context of paylater and Gen Z characteristics, this mechanism does not function as expected. This finding is consistent with Mukharomah et al. (2023), who found a positive influence of financial literacy on risky credit behavior, and further strengthens the argument that the OFL–RCB relationship is contextual. On the other hand, these results contradict those of Liu & Zhang (2021) and Nadya Surya & Evelyn (2023), who found a negative effect of financial literacy on risky credit behavior.

#### B. The Relationship Between Subjective Financial Literacy and Risky Credit Behavior

The results show that SFL does not have a significant effect on RCB, so **H2 is not supported**. These findings indicate that perceived financial competence does not have a direct effect on risky credit behavior in this sample. Within the TPB framework (Ajzen, 1991), SFL is related to perceived behavioral control, which should influence intentions and behavior. However, these results suggest that the influence of SFL likely does not operate directly, but rather through other psychological pathways, specifically through Financial Stress, as evidenced by the mediation test (H7). In other words, self-confidence in financial ability does not automatically lead to safer credit behavior in the absence of supportive psychological conditions. This finding differs from that of Nadya Surya & Evelyn (2023), who found a significant negative effect of SFL on RCB. This discrepancy may be influenced by sample characteristics, the context of paylater product usage, and differences in the operationalization of SFL (in this study, SFL was measured as a single indicator).

#### C. The Relationship Between Objective Financial Literacy and Financial Stress

The results indicate that OFL has a negative and significant effect on FS, thus **supporting H3**. This finding suggests that the higher the actual financial knowledge, the lower the perceived financial stress. From the perspective of Coping Theory (Lazarus & Folkman, 1984), OFL can serve as a cognitive resource that strengthens the secondary appraisal

process, thereby enabling individuals to better plan expenditures, manage credit obligations, and avoid the accumulation of unforeseen burdens, which ultimately reduces financial stress. These findings are also consistent with the argument that objective financial literacy has a protective effect against financial stress. These results are consistent with Amonhaemanon (2023) and Zhang & Chatterjee (2023), who found a significant negative effect of financial literacy on financial stress.

#### **D. The Relationship Between Subjective Financial Literacy and Financial Stress**

The results show that SFL has a positive and significant effect on FS. Since the hypothesis predicted a negative relationship, **H4 is not supported**. This finding indicates that the higher the perceived financial competence, the higher the perceived financial stress. This positive direction can be explained by the phenomenon of financial overconfidence (Lusardi & Mitchell, 2014), which occurs when perceived ability (SFL) exceeds actual ability (OFL). This condition is reflected in the descriptive results, where the average OFL is only 2.823 out of 5 (moderate category), while SFL is in the high category (mean 3.588). This imbalance has the potential to drive individuals to take on credit commitments that exceed their actual capacity, thereby triggering financial stress. This finding aligns with Wahyuni et al. (2025), who reported that financial literacy (in specific contexts) can be positively associated with financial stress/anxiety, particularly when increased self-perceived ability is not accompanied by actual ability and adequate financial management behavior.

#### **E. The Relationship Between Financial Stress and Risky Credit Behavior**

The results indicate that FS has a positive and significant effect on RCB, thus **supporting H5**. This finding confirms that financial stress is the strongest predictor in the research model. Within the framework of Coping Theory (Lazarus & Folkman, 1984), individuals experiencing financial stress who lack constructive coping strategies tend to resort to maladaptive emotion-focused coping, such as impulsively using paylater services as a short-term “escape” from stress. Ironically, this strategy can worsen financial conditions and fuel the formation of a debt trap cycle that becomes increasingly difficult to break. These findings are consistent with Windyastuti & Soesetio (2025) and Ramadhan (2025), who confirm that financial stress/anxiety is positively correlated with risky debt/credit behavior.

#### **F. The Relationship Between Objective Financial Literacy and Risky Credit Behavior mediated by Financial Stress**

The results show that the indirect effect of  $OFL \rightarrow FS \rightarrow RCB$  is significant, thus **H6 is supported**. This finding demonstrates that OFL influences RCB not only through a direct path but also through an indirect path by first reducing FS, which subsequently reduces RCB. This mediation pathway also helps explain why the direct effect of OFL on RCB is actually positive in H1: the protective role of OFL is more strongly evident through the reduction of financial stress as a psychological mechanism bridging financial literacy and credit behavior. These findings are consistent with Ramadhan (2025), who emphasizes the mediating role of financial stress in the relationship between financial literacy and risky credit/debt behavior in the Indonesian context.

#### **G. The Relationship Between Subjective Financial Literacy and Risky Credit Behavior mediated by Financial Stress**

The results indicate that the indirect effect of SFL → FS → RCB is significant, thus **H7 is supported**. However, it should be noted that the direction of the mediation suggests that higher SFL increases FS, and FS subsequently increases RCB. This finding reinforces the interpretation of overconfidence (Lusardi & Mitchell, 2014): a high perception of financial competence (without the support of actual knowledge and adequate management) can trigger financial stress, which then drives risky credit behavior as a form of maladaptive coping (Lazarus & Folkman, 1984). This pathway explains why the direct effect of SFL on RCB is not significant, but its indirect effect is meaningful. These results enrich Ramadhan's (2025) findings by showing that the direction of mediation may vary depending on the literacy dimension used (objective vs. subjective) and the context of digital credit behavior such as paylater.

#### **4. CONCLUSION**

This study aims to analyze the effect of Financial Literacy on Risky Credit Behavior, with Financial Stress as a mediating variable, among Gen Z users of paylater services in Padang. The results indicate that the relationship between Financial Literacy and Risky Credit Behavior is complex and largely operates indirectly. OFL has a positive and significant direct effect on Risky Credit Behavior, yet simultaneously exerts a negative and significant effect on Financial Stress, which in turn indirectly reduces Risky Credit Behavior. SFL does not have a significant direct effect on Risky Credit Behavior, but it exerts a positive and significant effect on Financial Stress through the overconfidence mechanism, which ultimately leads to higher levels of Risky Credit Behavior. Financial Stress is proven to be the strongest predictor and the primary mediating mechanism in this research model.

Based on these findings, financial literacy programs for Gen Z are not sufficient if they merely enhance cognitive financial knowledge; they must also include training on applying that knowledge in real-world digital credit situations, as well as calibrating financial self-confidence to align with actual capabilities. Paylater platforms are advised to integrate transparent debt management features as early warnings for users whose financial conditions begin to deteriorate. Local governments and the OJK are advised to develop easily accessible digital financial counseling services for Gen Z to break the cycle of Financial Stress that drives Risky Credit Behavior. Future researchers are advised to include additional variables that may influence Financial Stress given the still-low R-square value, expand the geographic scope, and consider a longitudinal approach to capture the dynamics of Gen Z's credit behavior over time.

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#### **6. AUTHORS' NOTE**

The authors declare that there is no conflict of interest regarding the publication of this article. Authors confirmed that the paper was free of plagiarism.

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