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Financial Literacy and Frugal Living: The Mediating Role of Financial Self-Control in Responsible Paylater Use

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ABSTRACT

Purpose – Drawing on the Behavioral Life-Cycle Hypothesis, this study examines the effects of financial literacy and frugal living on responsible PayLater use, with financial self-control as a mediator. It hypothesizes positive direct effects among all constructs and mediation through financial self-control.
Methods – A quantitative explanatory design used survey data from 150 PayLater users in Central Java and the Special Region of Yogyakarta, Indonesia. Constructs were measured on five-point Likert scales, and indicators with loadings below 0.70 were removed. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with bootstrapping. Results – Financial literacy and frugal living positively influence financial self-control and responsible PayLater use. Financial self-control is the strongest predictor of responsible PayLater use ($\beta = 0.494$; $p < 0.001$). It partially mediates the effects of financial literacy ($\beta = 0.180$; $p = 0.001$) and frugal living ($\beta = 0.152$; $p = 0.002$). The model explains 72.6% of the variance in responsible PayLater use, and all seven hypotheses are supported. Implications – Financial education programs should combine knowledge provision with interventions that strengthen spending discipline. PayLater providers can support responsible use through obligation summaries, payment reminders, and self-set spending limits. Future studies should use objective literacy measures, actual repayment data, and broader samples

Keywords: Financial Literacy, Frugal Living, Finansial Self-Control, Responsible PayLater Use, BNPL

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INTRODUCTION

Buy Now, Pay Later (BNPL) or PayLater services are increasingly becoming a popular payment alternative because they allow consumers to purchase goods and services with deferred payment. While offering transactional flexibility, these services require consumers to consider their ability to pay, payment obligations, and financial risks. In Indonesia, the Financial Services Authority (OJK, 2026) reported that the outstanding balance of banking BNPL credit in August 2026 reached Rp31.41 trillion, a 29.10% year-over-year increase, with 34 million accounts. Previously, the figure stood at Rp28.3 trillion in March 2026 (Ghavari, 2026). This increase indicates the growing adoption of BNPL, but it does not automatically reflect irresponsible financial behavior. Therefore, it is important to examine

how consumers assess their financial capacity and manage their financial behavior when using PayLater.

One factor that could potentially influence PayLater usage behavior is financial literacy that is, an understanding of financial management and financial risks. However, financial knowledge does not always translate into responsible behavior. Daniel et al. (2026) and found that financial literacy did not have a significant effect on BNPL usage and consumer behavior, whereas Iswandaru and Siregar (2025) found a significant effect among PayLater users. Conversely, Colin et al. (2026) demonstrated that financial literacy and self-control have a significant effect on financial management behavior. The findings from reinforce the role of self-control by showing that the influence of financial literacy on financial behavior occurs indirectly through self-control. Meanwhile, underscores the importance of digital financial literacy and financial resilience in supporting the financial well-being of Generation Z MSME entrepreneurs. These differing results indicate that financial literacy must be supported by self-control to be translated into responsible financial behavior, particularly regarding the use of PayLater.

In addition to financial literacy, frugal living also has the potential to explain PayLater usage behavior. This construct emphasizes saving, avoiding waste, considering utility, and evaluating needs before making a purchase. Unlike financial literacy, which is knowledge-oriented, frugal living reflects a consumption orientation. Alvarado-Herrera et al. (2026), through a study of 589 college students in Mexico, found that frugality has a positive effect on responsible consumption. However, these findings do not directly explain responsible PayLater usage due to differences in context and outcome variables. This relationship could potentially be explained through financial self-control-an individual's ability to control spending impulses, delay gratification, maintain budget discipline, and align financial decisions with long-term goals. Colin et al. (2026) found that self-control significantly influences financial management behavior. Thus, financial self-control has the potential to serve as a mediating mechanism linking financial knowledge and a frugal consumption orientation to PayLater usage behavior.

Based on previous research, there are three research gaps. First, the effect of financial literacy on BNPL-related behavior has been inconsistent, ranging from insignificant to significant among certain user groups. Second, the relationship between lifestyle and financial behavior yields different results depending on the constructs used, while frugal living cannot be equated with a hedonistic lifestyle. Third, there is still a need for an integrated analysis that treats financial literacy and frugal living as predictors, financial self-control as a mediator, and responsible PayLater use as the dependent variable.

To address these gaps, this study examines the direct effects of financial literacy and frugal living on responsible PayLater use, their effects on financial self-control, the effect of financial self-control on responsible PayLater use, and the mediating role of financial self-control. The novelty of this research lies in the integration of financial knowledge and frugal consumption orientation with financial self-control as a mediating mechanism to explain responsible PayLater use. Unlike studies that focus on BNPL adoption or consumptive behavior, this study emphasizes the quality of usage behavior after consumers become users. The results are expected to broaden our understanding of the cognitive and behavioral factors related to responsible digital credit use and provide insights for the development of financial literacy programs that promote self-control and planned spending

LITERATURE REVIEW

This study employs the Behavioral Life-Cycle Hypothesis by Shefrin and Thaler (1988) as its overarching theory. This theory explains that individuals' financial decisions are influenced not only by rational considerations but also by their ability to exercise self-control in balancing current consumption desires with future financial needs. In the context of PayLater, self-control is essential to ensure that the convenience of buying now does not lead to neglecting future payment obligations. This perspective is

supported by financial literacy as a knowledge asset in financial decision-making (Lusardi & Mitchell, 2014) as well as the concept of frugality as thrifty consumption behavior (Lastovicka et al., 1999). These three elements form the foundation for explaining the relationship between financial literacy, a frugal lifestyle, financial self-control, and the responsible use of PayLater.

Financial Literacy

Financial literacy refers to an individual's knowledge and understanding of financial concepts, such as interest, credit costs, budgeting, risk, and payment obligations. In the context of PayLater, financial literacy helps consumers evaluate the consequences of transactions and align their credit usage with their financial capacity. However, findings from previous studies still show mixed results. Daniel et al. (2026) found no significant effect on BNPL usage, whereas Iswandaru and Siregar (2025) found a significant effect among PayLater users. Furthermore, financial literacy can strengthen an individual's ability to control spending and consider the consequences of financial decisions, as supported by Pricilia et al. (2026). Based on this reasoning, the proposed hypothesis is:

H1: Financial literacy has a positive effect on responsible PayLater use.

H2: Financial literacy has a positive effect on financial self-control.

Frugal Living

Frugal living is a lifestyle orientation that emphasizes avoiding waste, weighing benefits, and meeting needs wisely. Consumers with this orientation tend to be more selective in their purchases and use PayLater only as needed. Alvarado-Herrera et al. (2026) show that frugality is positively associated with responsible consumption. Furthermore, the habit of considering needs, avoiding unnecessary spending, and maintaining budget discipline can theoretically strengthen financial self-control. However, a frugal lifestyle does not always guarantee the ability to control the urge to consume in every situation. Therefore, the proposed hypothesis is:

H3: Frugal living has a positive effect on the responsible use of PayLater.

H4: Frugal living has a positive effect on financial self-control.

Financial Self-Control

Financial self-control is an individual's ability to control spending impulses, delay gratification, and maintain financial discipline in line with long-term goals. In the context of PayLater usage, this ability helps consumers limit impulsive purchases, assess their ability to pay, and manage billing obligations. Colin et al. (2026) found that self-control significantly influences the financial management behavior of PayLater users. Based on the Behavioral Life-Cycle Hypothesis, self-control also plays a role in translating financial knowledge and consumption orientation into more responsible financial behavior. Thus, financial self-control is expected to serve as the mechanism linking financial literacy and frugal living to responsible PayLater use. The proposed hypothesis is:

H5: Financial self-control has a positive effect on responsible PayLater use.

H6: Financial self-control mediates the effect of financial literacy on responsible PayLater use.

H7: Financial self-control mediates the effect of frugal living on responsible PayLater use.

Responsible PayLater Use

Responsible PayLater use refers to the prudent use of deferred payment services, taking into account needs, financial capacity, and payment obligations. This behavior is not only related to the decision to use PayLater, but also to how consumers manage their transactions and fulfill their credit obligations. Responsible use requires an understanding of financial consequences, a frugal consumption orientation, and the ability to control spending behavior.

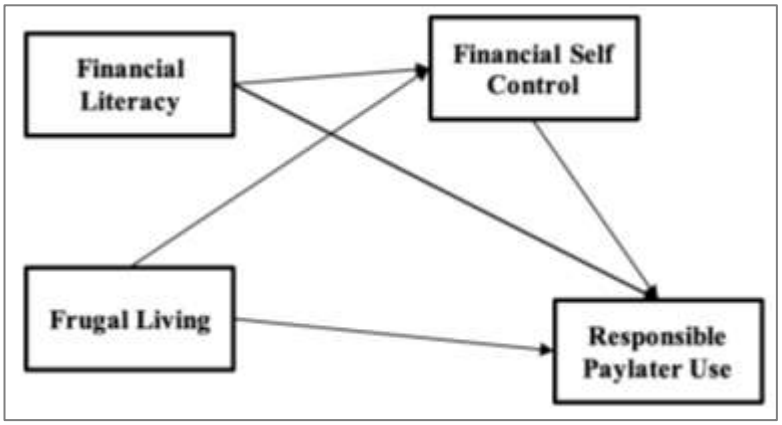

Figure 1 Conceptual Framework

METHOD

This study employs an explanatory quantitative approach using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method. Data were collected through a survey of 150 PayLater users in Central Java and the Special Region of Yogyakarta. Financial literacy was measured based on understanding and practices of financial management (Iswandaru & Siregar, 2025); frugal living was measured based on a savings-oriented mindset and consideration of value for money (Alvarado-Herrera et al., 2026); financial self-control was measured based on the ability to control spending and avoid excessive spending (Aji & Adawiyah, 2026); and responsible PayLater use based on negatively defined risky usage behaviors (Gafoor & Amilan, 2026). All indicators use a five-point Likert scale. Evaluation of the measurement model and testing of direct and indirect effects were conducted using PLS-SEM with bootstrapping procedures. During the validity evaluation stage, indicators FL1, FL2, RPU5, and RPU6 were removed because they had outer loadings below 0,70

RESULT AND DISCUSSION

Respondent Characteristic

Table 1. Characteristic of Respondents

Characteristic	Category	n	%
Gender	Male	79	53
	Female	71	47
Age	17-25 years	34	23
	26-35 years	83	55
	36-45 years	29	19
	46-55 years	4	3
Province of Origin	Central Java	125	83
	Special Region of Yogyakarta	25	17
City of Origin	Semarang	46	30,67
	Cilacap	14	9,33
	Banyumas	10	6,67

	Yogyakarta	9	6,00
	Klaten	8	5,33
	Others (23 cities/regencies)	63	42,00
Educational Background	High School/Vocational High Scholls/Equivalent	72	48,00
	Diploma (D1-D3)	56	37,33
	Bachelor's Degree (S1)	20	13,33
	Magister (S2)	2	1,33
Income	Rp1.000.000–Rp2.999.999	50	33,33
	Rp3.000.000–Rp4.999.999	59	39,33
	Rp5.000.000–Rp7.499.999	25	16,67
	> Rp7.500.000	16	10,67
Apps used	Shopee PayLeter	134	89,33
	GoPay Later	131	87,33
	Kredivo	119	79,33
	Traveloka PayLeter	46	30,67
	Akulaku PayLeter	42	28,00
Duration of app use	Less than 1 year	7	4,67
	1-3 year	41	27,33
	4-5 year	12	8,00
	More than 5 years	90	60,00

Source: Data Processed, 2026

By gender, male respondents accounted for 53% of the total, while female respondents accounted for 47%. In terms of age, the majority of respondents were in the 26-35 age group (55%), followed by those aged 17-25 (23%) and 36-45 (19%). Based on place of residence, most respondents were from Central Java (83%), while the remaining 17% were from the Special Region of Yogyakarta. In terms of monthly income, the majority of respondents earned between Rp3,000,000 and Rp4,999,000 (39.33%), followed by those earning between Rp1,000,000 and Rp2,999,000 (33.33%). ShopeePayLater is the most widely used BNPL service (89.33%), followed by GoPayLater (87.33%) and Kredivo (79.33%). Additionally, the majority of respondents (60%) have been using BNPL services for more than five years. This overview provides information on the demographic characteristics and usage patterns of BNPL services among the respondents in this study.

Evaluation of the Outer Model (Measurement Model)

Table 2. Outer Loading, Reliability and Average Variance Extracted (AVE) Test Results

Kode	Loadings	Cronbach's Alpha	Composite Reliability	AVE	Remarks
FL3	0,892	0,889	0,923	0,750	Valid & Reliable
FL4	0,822				
FL5	0,903				
FL6	0,845				
FR1	0,879	0,803	0,884	0,717	Valid & Reliable
FR2	0,802				
FR3	0,858				
FSC1	0,855	0,885	0,921	0,745	Valid & Reliable
FSC2	0,825				

FSC3	0,883				
FSC4	0,888				
RPU1	0,734	0,811	0,876	0,640	Valid & Reliable
RPU2	0,867				
RPU3	0,869				
RPU4	0,716				

Source: Data Processed, 2026

Table 2 shows that all indicators have outer loadings ranging from 0.716 to 0.903, thus exceeding the minimum threshold of 0.70 (Hair et al., 2019). Indicators with outer loadings below 0.70 were excluded from the model during the initial stage of analysis. Cronbach's alpha values ranged from 0.803 to 0.889, composite reliability from 0.876 to 0.923, and AVE from 0.640 to 0.750. Thus, the criteria for convergent validity and construct reliability have been met.

Table 3. Discriminant Validity Test Results – Heterotrait-Monotrait Ratio (HTMT)

Variable	Financial Literacy	Financial Self Control	Frugal Living	Responsible PayLater Use
Financial Literacy	-			
Financial Self Control	0,616	-		
Frugal Living	0,711	0,619	-	
Responsible PayLater Use	0,838	0,885	0,792	-

Source: Data Processed, 2026

Table 3 shows that all HTMT values are below 0.90, ranging from 0.616 to 0.885, indicating that discriminant validity is met (Henseler et al., 2015). The highest value was found in the financial self-control-responsible PayLater use pair (0.885), reflecting a reasonable conceptual closeness between financial self-control and responsible PayLater usage behavior. Nevertheless, the HTMT value between financial self-control and responsible PayLater use (0.885) is close to the threshold of 0.90, suggesting that the discriminant validity of these two constructs warrants further examination through bootstrapped confidence intervals.

Table 4. Discriminant Validity Test Results – Fornell-Larcker

Variable	Financial Literacy	Financial Self Control	Frugal Living	Responsible PayLater Use
Financial Literacy	0,866			
Financial Self Control	0,551	0,863		
Frugal Living	0,606	0,529	0,847	
Responsible PayLater Use	0,716	0,768		

Source: Data Processed, 2026

Table 4 presents the Fornell-Larcker criterion. The square roots of AVE (diagonal values) are 0.866 for financial literacy, 0.863 for financial self-control, 0.847 for frugal living, and 0.800 for responsible

PayLater use. Each value is greater than the correlations between that construct and all other constructs (the highest being 0.768 between financial self-control and responsible PayLater use). Therefore, the Fornell-Larcker criterion is satisfied (Fornell & Larcker, 1981). Together with the HTMT results in Table 3, these findings confirm that each construct is empirically distinct and that discriminant validity is established.

Evaluation of the Inner Model (Structural Model)

Table 5. R-Square Results

Endogenous Variable	R-square	Adjusted R-square
Financial Self Control	0,364	0,355
Responsible PayLater Use	0,726	0,721

Source: Data Processed, 2026

The R-squared value for financial self-control of 0.364 indicates that the model explains 36.4% of the variance, while the R-squared value for responsible PayLater use of 0.726 indicates that the model explains 72.6% of the variance. According to Hair et al. (2019), these two values indicate explanatory power ranging from weak to near substantial. The small difference between the R-squared and adjusted R-squared values also indicates the stability of the model.

Table 6. Model Fit (Goodness of Fit) Results

Indicator	Saturated Model	Estimated Model
SRMR	0,082	0,082
d_ULS	0,809	0,809
d_G	0,503	0,503
Chi-square	414,241	414,241
NFI	0,752	0,752

Source: Data Processed, 2026

The model fit assessment indicates an SRMR value of 0.082, which is slightly above the commonly recommended threshold of 0.08. Furthermore, the NFI value of 0.752 falls below the conventional threshold of 0.90, suggesting that the model does not fully satisfy these approximate fit criteria. However, global model fit indices should be interpreted cautiously in PLS-SEM, where the evaluation primarily emphasizes measurement quality, explanatory power, predictive relevance, and the significance of structural relationships. Therefore, the model fit results should be considered alongside the other measurement and structural model assessments rather than serving as the sole basis for evaluating model adequacy.

Table 7. F-Square (Effect Size) Results

Path	F-square	Category
Financial Literacy → Financial Self-Control	0,132	Small
Financial Literacy → Responsible PayLater Use	0,253	Medium
Financial Self-Control → Responsible PayLater Use	0,567	Large
Frugal Living → Financial Self-Control	0,094	Small
Frugal Living → Responsible PayLater Use	0,049	Small

Source: Data Processed, 2026

Table 7 shows the effect size (f^2) of each path, interpreted following Cohen (1988), where values of 0.02, 0.15, and 0.35 represent small, medium, and large effects, respectively. Financial self-control has a large effect on responsible PayLater use ($f^2 = 0.567$), confirming its role as the dominant predictor. Financial literacy has a medium effect on responsible PayLater use ($f^2 = 0.253$) and a small effect on financial self-control ($f^2 = 0.132$, approaching the medium threshold). Frugal living has a small effect on both financial self-control ($f^2 = 0.094$) and responsible PayLater use ($f^2 = 0.049$), with the latter being the weakest in the model. These results indicate that financial self-control and financial literacy contribute most to explaining responsible PayLater use, whereas frugal living plays a more limited role, particularly as a direct predictor. Effect Size Test

Table 8. Q^2 Blindfolding Results

Variable	SSO	SSE	Q2(=1-SSE/SSO)
Financial Literacy	600,000	600,000	
Financial Self Control	600,000	442,110	0,263
Frugal Living	450,000	450,000	
"Responsible PayLater Use	600,000	331,241	0,448

Source: Data Processed, 2026

The predictive relevance of the model was assessed using the Stone-Geisser Q^2 value obtained through the blindfolding procedure (Table 8). Q^2 values greater than 0 indicate predictive relevance, with values of 0.25 and 0.50 representing medium and large predictive relevance, respectively (Hair et al., 2019). The Q^2 values for financial self-control (0.263) and responsible PayLater use (0.448) are both above zero, indicating that the model has predictive relevance for both endogenous constructs. Financial self-control shows medium predictive relevance, while responsible PayLater use falls in the medium range and is close to the large threshold. However, these Q^2 values reflect predictive relevance assessed through the blindfolding procedure and should not be interpreted as evidence of out-of-sample predictive performance.

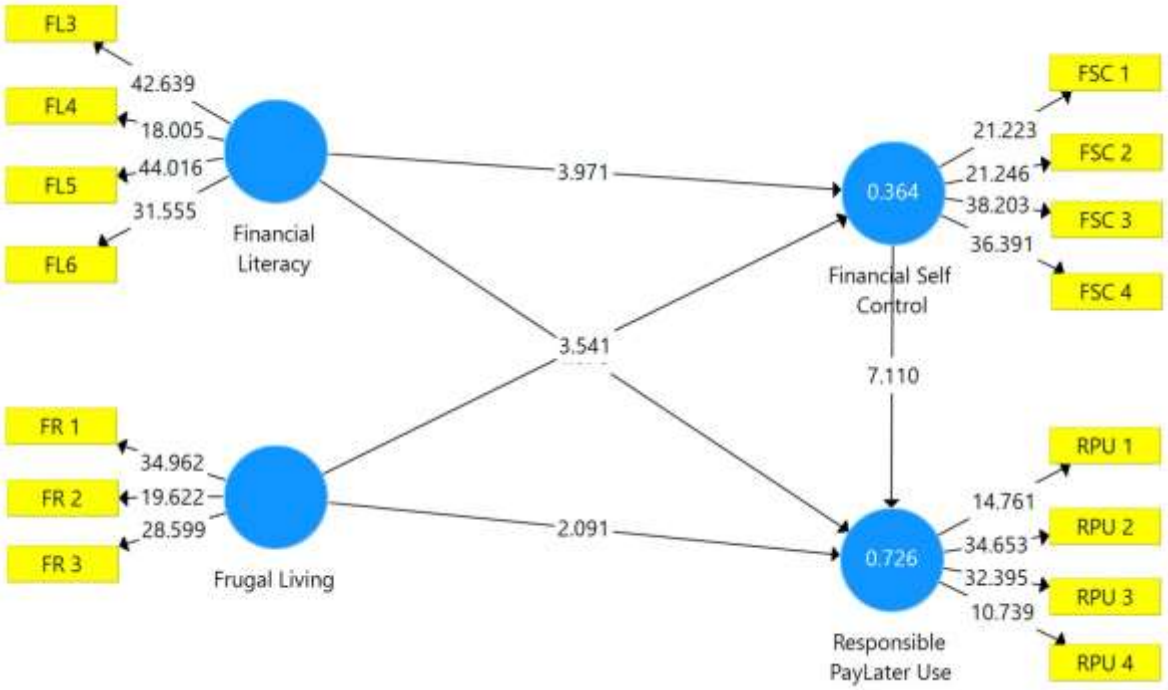

Figure 2 depicts the structural model with path coefficients and R^2 values obtained from bootstrapping. Financial self-control has the strongest path to responsible PayLater use (β = 0.494), followed by financial literacy (β = 0.352) and frugal living (β = 0.152). Financial literacy (β = 0.364) and frugal living (β = 0.308) both contribute positively to financial self-control. Together, financial literacy and frugal living explain 36.4% of the variance in financial self-control, and all three predictors explain 72.6% of the variance in responsible PayLater use.

Hypothesis Testing

Table 9. Direct Effect and Indirect Effect

Path	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Decision
Financial Literacy → Financial Self Control	0,364	3,916	0,000	Supported
Financial Literacy → Responsible PayLater Use	0,352	4,090	0,000	Supported
Financial Self Control → Responsible PayLater Use	0,494	6,916	0,000	Supported
Frugal Living → Financial Self Control	0,308	3,533	0,000	Supported
Frugal Living → Responsible PayLater Use	0,152	2,079	0,038	Supported
Financial Literacy_ -> Financial Self Control -> Responsible PayLater Use	0,180	3,228	0,001	Supported
Frugal Living -> Financial Self Control -> Responsible PayLater Use	0,152	3,131	0,002	Supported

Source: Data Processed, 2026

Using the criteria of a t-statistic > 1.96 and a p-value ‹ 0.05, Table 9 shows that all direct effects are positive and significant, so H1-H5 are supported. Financial self-control has the greatest influence on

responsible PayLater use (B = 0.494; p = 0.000). The mediation results also show that financial self-control mediates the effects of financial literacy (B = 0.180; p = 0.001) and frugal living (B = 0.152; p = 0.002), so H6 and H7 are accepted. Both relationships demonstrate complementary partial mediation (Zhao et al., 2010), with VAF values of 33.8% and 50.0%, respectively.

Discussion

The findings indicate that financial literacy has a positive and significant effect on responsible PayLater use (H1: $\beta = 0.352$, $p < 0.001$). This finding suggests that an understanding of financial concepts, including credit costs, interest, installment obligations, and financial management, helps consumers align their transactions with their financial capabilities (Lusardi & Mitchell, 2014). These results support Iswandaru and Siregar (2025), who examined the influence of financial literacy on consumer behavior through BNPL payment methods, as well as Colin et al. (2026), who identified the importance of financial literacy in financial management behavior among Generation Z PayLater users. Furthermore, Rismaya et al. (2025) highlighted the relevance of financial literacy and self-control in explaining risky credit behavior among PayLater users. However, these findings differ from Daniel et al. (2026), who found that financial literacy did not significantly influence BNPL usage behavior. This discrepancy may be explained by differences in the outcome variables examined. Financial literacy may not necessarily reduce consumers' willingness to adopt or use BNPL services, but it can improve the quality of their financial decisions once they become users. In this context, financial literacy contributes to responsible PayLater use through transaction planning, consideration of repayment capacity, and better management of financial obligations.

Financial literacy (H2: $\beta = 0.364$, $p < 0.001$) and frugal living (H4: $\beta = 0.308$, $p < 0.001$) both have positive and significant effects on financial self-control. These findings indicate that financial knowledge and consumption orientation represent complementary factors in developing financial discipline. Knowledge of financial risks and credit obligations enables individuals to evaluate the consequences of spending decisions and exercise greater control over their financial behavior (Gathergood, 2012). This finding is consistent with Fernandes et al. (2014), who emphasized the importance of financial literacy in shaping downstream financial behavior. It is also supported by Pricilia et al. (2026), who examined the relationship between financial literacy, lifestyle, and financial behavior with self-control as an intervening variable. Similarly, Colin et al. (2026) identified self-control as an important factor in financial management behavior among Generation Z PayLater users.
Regarding frugal living, the positive relationship with financial self-control indicates that individuals who prioritize needs, avoid unnecessary expenditures, and consider long-term financial goals tend to demonstrate stronger spending discipline. This finding is consistent with the conceptualization of frugality by Lastovicka et al. (1999), which emphasizes resource conservation and restrained consumption behavior. It also supports Goldsmith et al. (2014), who examined the behavioral characteristics of frugal consumers. Nevertheless, the model explains only 36.4% of the variance in financial self-control, suggesting that other psychological and behavioral factors may also contribute to individuals' ability to regulate their financial decisions.

Frugal living has a positive and significant effect on responsible PayLater use (H3: $\beta = 0.152$, $p = 0.038$). This finding suggests that individuals who adopt a frugal lifestyle tend to be more selective in

their consumption decisions and consider the necessity and value of purchases before using deferred payment facilities. The result is consistent with Lastovicka et al. (1999), who described frugality as a consumption orientation characterized by resourcefulness and the avoidance of waste. It also supports Goldsmith et al. (2014), who explored the characteristics associated with frugal consumer behavior. Furthermore, Alvarado-Herrera et al. (2026) demonstrated that frugality is positively associated with socially responsible consumption. However, the relatively small effect of this relationship suggests that frugal living has a more limited direct contribution to responsible PayLater use than financial literacy and financial self-control. The relatively small direct effect of frugal living ($f^2 = 0.049$), together with its significant indirect effect through financial self-control ($\beta = 0.152$), suggests that frugal consumption preferences alone may not be sufficient to explain responsible PayLater use. Rather, these preferences are associated with more responsible financial behavior partly through individuals' capacity to regulate spending and maintain financial discipline. This may occur because a frugal consumption orientation does not always translate into consistent financial decisions, particularly when consumers encounter convenient payment facilities and attractive e-commerce promotions. Therefore, although frugal living encourages prudent consumption, its contribution to responsible PayLater use may depend on consumers' ability to maintain financial discipline when facing immediate consumption opportunities.

Financial self-control is the strongest determinant of responsible PayLater use (H5: $\beta = 0.494$, $p < 0.001$). This finding is further supported by the effect size analysis, which indicates that financial self-control has a large effect on responsible PayLater use ($f^2 = 0.567$), exceeding the contributions of financial literacy ($f^2 = 0.253$) and frugal living ($f^2 = 0.049$). This suggests that financial self-control plays a particularly important role in explaining responsible PayLater usage behavior. This finding highlights the importance of controlling consumption impulses, delaying gratification, and maintaining budget discipline when managing deferred payment obligations. These results support the Behavioral Life-Cycle Hypothesis proposed by Shefrin and Thaler (1988), which explains how individuals exercise self-control to balance immediate consumption desires with long-term financial interests. The findings are also consistent with Strömbäck et al. (2017), who demonstrated that self-control predicts financial behavior and financial well-being. Furthermore, Colin et al. (2026) identified the importance of self-control in explaining financial management behavior among Generation Z PayLater users. The relevance of self-control is particularly important in BNPL transactions because the convenience of deferred payments may encourage consumers to make purchases without fully considering their future financial obligations. This argument is supported by Baumeister (2002), who explained the relationship between self-control failure and impulsive purchasing, and Kumar and Nayak (2024), who examined the relationship between impulsive buying, perceived risk, and risky indebtedness in BNPL adoption. Taken together, these findings suggest that financial knowledge and frugal consumption preferences may provide the foundation for responsible financial decisions, but financial self-control plays a more immediate role in translating these considerations into actual usage behavior.

Furthermore, financial self-control partially mediates the effects of financial literacy (H6: $\beta = 0.180$, $p = 0.001$) and frugal living (H7: $\beta = 0.152$, $p = 0.002$) on responsible PayLater use. These findings indicate that financial knowledge and a frugal consumption orientation contribute to responsible PayLater use through both direct and indirect pathways. In the relationship between financial literacy and responsible PayLater use, financial self-control serves as a behavioral mechanism that enables consumers to translate financial knowledge into disciplined financial decisions. This finding is consistent with Fernandes et al. (2014), who emphasized that financial literacy does not automatically translate into improved financial outcomes and that the relationship involves behavioral mechanisms. It also complements Gathergood (2012), who highlighted the importance of financial literacy and self-

control in explaining consumer over-indebtedness. The results further support the findings of Rismaya et al. (2025), which underline the relevance of financial literacy and self-control in understanding risky credit behavior among PayLater users.

Similarly, the mediation of financial self-control in the relationship between frugal living and responsible PayLater use suggests that a frugal lifestyle contributes to responsible financial decisions partly by strengthening individuals' ability to resist unnecessary consumption and prioritize long-term financial needs. This interpretation is consistent with Lastovicka et al. (1999), who conceptualized frugality as a lifestyle involving resource conservation and disciplined consumption. The VAF analysis reveals that financial self-control accounts for a larger proportion of the total effect of frugal living on responsible PayLater use (50.0%) than that of financial literacy (33.8%). However, the absolute indirect effect of financial literacy ($\beta = 0.180$) is slightly larger than that of frugal living ($\beta = 0.152$). These findings suggest that the relationship between frugal living and responsible PayLater use is relatively more dependent on financial self-control as a mediating mechanism, whereas financial literacy retains a stronger direct contribution to responsible PayLater use.

Theoretically, this study provides empirical support for the applicability of the Behavioral Life-Cycle Hypothesis (Shefrin & Thaler, 1988) in the context of responsible digital credit use by highlighting financial self-control as a behavioral mechanism linking financial literacy and frugal living to responsible PayLater use. The findings demonstrate that financial knowledge and a frugal consumption orientation contribute to responsible financial behavior through both direct and indirect pathways. However, the stronger effect of financial self-control indicates that the ability to regulate immediate consumption desires and maintain financial discipline is particularly important when consumers face the convenience of deferred payment services. Accordingly, this study extends previous BNPL research by shifting attention from the adoption of digital credit toward the quality of usage behavior among existing PayLater users.

CONCLUSION

The results indicate that financial literacy and frugal living have a positive effect on responsible PayLater use, both directly and through financial self-control. Financial literacy helps individuals understand the consequences of transactions and payment obligations, while a frugal lifestyle encourages more selective and prudent consumption behavior. Among the variables examined, financial self-control plays the most dominant role in promoting responsible PayLater use. Thesefindings confirm that the ability to control consumption impulses, delay gratification, and maintain budgetary discipline are crucial aspects of managing digital credit.

LIMITATION

This study has several limitations that should be noted. First, the use of a one-time self-reported questionnaire has the potential to introduce common method bias and does not fully reflect the respondents' actual financial behavior. Additionally, financial literacy was measured using subjective assessments rather than objective financial knowledge tests. The limited scope of the study-restricted to PayLater users in Central Java and the Special Region of Yogyakarta-may also limit the generalizability of the findings. Therefore, future research is recommended to employ a longitudinal design, use more objective measures of financial literacy, and include respondents from a wider range

of regions and demographic groups.

Another limitation relates to the model's ability to explain financial self-control, suggesting that there are other factors beyond financial literacy and frugal living that may influence it. Future research could consider additional variables, such as financial attitudes, impulsivity, materialism, financial stress, and self-regulation, as well as examine the role of promotions and the ease of access to digital credit as moderating variables. Furthermore, the model evaluation results indicate that the fit is still marginal; therefore, refining the measurement instruments and testing the model on a larger sample are necessary to improve the accuracy and robustness of the research model.

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