The Impact of Financial Self-Efficacy on Personal Financial Management

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Abstract. The study analyzes how the financial self-efficacy impacts the financial management practices among accounting students enrolled at UNIKOM in 2021-2024. This is mainly due to the high level of consumption among students together with the tendency of making payments after due date, which leads to debts. In its implementation, the study follows the quantitative research design approach, which utilizes the descriptive empirical methods. The questionnaire methodology is used for data collection where 154 students were randomly sampled. From the findings of the study, it can be deduced that financial self-efficacy among the students is fairly high (80%). Financial self-efficacy impacts the personal financial management significantly (T-statistic = 3.947, >1.97; P value = 0.000). Financial self-efficacy impacts the personal financial management by 19.4%.

Keywords: Financial Self-Efficacy, Personal Financial Management, Consumptive Behavior, Pay Later

1 Introduction

In the current era of globalization with the economic development brought about by the digital world, it is assumed that all individuals have the traits of being adaptable and rational, especially when it comes to managing their personal finance matters. The issue that develops among the youths is that the financial vulnerability level is rather high due to the changed lifestyle and the tendency for the life of consumption [1]. Such a problem is seen through the statistics provided by the Financial Services Authority (OJK) in 2023-2024 years related to the increasing number of non-performing loans in online loan platforms, during which the young generations of Gen Z and millennials mostly accumulated debts.

It is common for the convenience of accessing financial technologies, including the rampant utilization of “Buy now pay later” or “Paylater” services, to result in spontaneous decisions to purchase goods without due consideration. Failure to complement the access with sufficient levels of self-restraint increases the probability of over-debtedness by students who have embraced the use of such instantaneous credits. In addition to financial instability, over-debtedness brings about financial strain, hence inducing psychological stress and anxiety [2, 3].

L. Warlina and S. Luckyardi (eds.), *Proceedings of the 9th International Conference on Business, Economics, Social Sciences & Humanities – Economics, Business and Management Track (ICOBEST-EBM 2026)*,
Advances in Economics, Business and Management Research 397,
https://doi.org/10.2991/978-94-6239-752-1_8

To cope with such issues, financial self-efficacy becomes an important part of the psychological aspect as means of protection for people from external influences. The concept is justified according to the principles of Social Cognitive Theory, described by Bandura (A., 1997) suggests that the concept of financial self-efficacy is associated with individuals' confidence and trust in their ability to use resources wisely, make adequate decisions, and control their finances in such a way as to achieve desirable results [4-6]. People who have developed such a quality possess knowledge about financial issues but are also mentally strong [7]. That means they know how to distribute budgets correctly and refrain from unnecessary expenses; besides, during economic crises, individuals are more persistent in pursuit of their objectives [8-10] .

Whereas financial literacy has been widely researched and analyzed, the major drawback in the research area is still evident; merely being theoretically aware of something proved to be insufficient in terms of restraining students from indulging into risky behavior when offered a chance to get Paylater cards [11, 12]. This means that no matter what financial literacy a person might have, it was always overruled by the psychology of instant satisfaction [13]. And it is precisely in this part that the novelty of the research lies. Instead of concentrating on the cognitive aspect of the problem like the majority of the researches done previously did, it seeks to bridge the knowledge gap by focusing on the psychological mechanism of financial self-efficacy.

2 Literature Review

Behavioral Accounting Theory Behavioral Accounting Theory combines accounting principles with psychology and sociology for studying the impact of human behavior on accounting information and vice versa [14, 15]. From an individual finance point of view, Behavioral Accounting Theory challenges the conventional notion of homo economicus, which postulates that individuals are always rational. However, this theory is especially applicable for addressing the existing financial behavioral problems among the current generation of students, where the financial decision-making process, such as the irrational expenditure and consumer borrowing behaviors, may be influenced by cognitive bias, social influence, and emotional state of mind [16].

Variable X: Financial Self-Efficacy Based on the Social Cognitive Theory proposed by Bandura, financial self-efficacy can be described as the extent of one's confidence in carrying out the required actions to achieve financial success. In other words, it pertains to an individual's faith and confidence in his/her capabilities to plan and carry out the financial actions needed to accomplish his/her objectives. Unlike theoretical financial knowledge which may not necessarily be acted upon, financial self-efficacy entails the psychological aspect wherein the individual will apply his/her financial knowledge in reality. As a construct, financial self-efficacy can be measured through several indicators which include: (a) Confidence in creating a budget and sticking to it, (b) Consistency in saving money for financial goals, (c) Rational response when facing unexpected financial costs, and (d) Overall confidence in dealing with financial issues.

Personal Financial Management (Variable Y) Personal Financial Management is a series of processes involving the comprehensive planning, implementation, and control of an individual's financial resources in order to maintain economic stability and achieve life satisfaction [17]. Students with strong financial management skills are able to take a proactive approach to their finances. Indicators of success in personal financial management include discipline in tracking daily expenses, the ability to maintain a balanced cash flow so that expenses do not exceed income, the habit of setting aside emergency funds, and the allocation of remaining funds into investment instruments for future needs [18-20, 22].

Research Hypothesis Based on theoretical studies, individuals with high self-efficacy tend to view financial problems as challenges to be overcome, rather than threats to be avoided. Several previous studies have proven that strong self-confidence directly minimizes financial anxiety and encourages more responsible money management behavior [2, 22]. Therefore, the hypothesis proposed in this study is:

H1: Financial self-efficacy has a positive and significant effect on personal financial management behavior among students. (This means that the higher the financial self-efficacy of students, the better and more focused their personal financial management will be).

3 Methodology

This study integrates descriptive and confirmatory research designs with a quantitative approach to examine financial management among college students. The use of descriptive analysis in this study is highly relevant for mapping respondents' profiles factually and providing a systematic overview of their levels of financial self-efficacy and personal financial management behaviors [23]. On the other hand, verifiable analysis is applied to statistically test the validity of hypotheses to measure the magnitude of the influence between the variables under study. The quantitative approach was deliberately chosen because this study relies on numeric data that is measured objectively and tested through statistical procedures to produce generalizable conclusions [24].

The above-mentioned field research took place in 2025 in the University of Computer Science Indonesia (UNIKOM) in Bandung. All students enrolled in UNIKOM Accounting Program were selected to form the population. The selected population includes all the accounting students from 2021 to 2024 years. Out of this population, a total number of 154 respondents were chosen as samples. This choice of sampling technique is based on the homogeneity of the targeted population since all are from the same study program. Since every participant has an equal probability of selection, this sampling method can be considered very appropriate for data validity and representation and minimization of selection bias due to researchers' subjective views [25, 26].

The primary data collection process was conducted by distributing a structured questionnaire to respondents, both online and offline. This instrument contains a series of closed-ended statements that measure indicators for each variable using a Likert scale (1 to 5). The use of this scale is considered the most effective method for converting students' subjective perceptions and attitudes into interval data, thereby enabling more accurate and in-depth data analysis [24].

The analysis and interpretation of collected data was performed through variance-based SEM approach using SmartPLS 3.2.9 software. Such method was selected due to its excellent predictive capacity and suitability for developing a theory in cases of data, which have non-parametric distribution characteristics [27]. At first, an assessment of measurement model (outer model) was done by assessing factor loadings (over 0.7), Average Variance Extracted (AVE > 0.5), as well as reliability through Cronbach's Alpha and Composite Reliability (> 0.7).

Then, structural model (inner model) was evaluated by assessing the significance of relationships between variables and hypotheses put forward. This is relevant since this method provides insights into the quality of relationships between dependent and independent variables and level of the model's predictive capacity as demonstrated through Coefficient of Determination (R^2), whereas the level of confidence can be achieved from the bootstrapping analysis. In order to assess significance, T-statistics and P-value (at the 95% confidence interval) were used at the significance level $\alpha = 0.05$.

4 Discussion

Descriptive analysis will attempt to make a general assessment about how respondents with 154 participants answered the variables that were being investigated. The results obtained by conducting the descriptive analysis for the variables Financial Self-Efficacy (X) and Personal Financial Management (Y) will be discussed in the following table, as seen in Table 1.

Table 1. Recapitulation of descriptive analysis results.

Variable	Item Indicator	Actual Score Percentage	Categories	*Gap*
Financial Self-Efficacy (X)	X2.1 – X2.8	80,00%	Good	20,00%
Personal Finance Management (Y)	Y1 – Y14	81,25%	Good	18,75%

According to Table 1, students' degree of confidence with financial problems is classified as Good (80.00%). This does not mean, however, that there is still a gap amounting to 20.00% which denotes the presence of students who lack confidence in their financial decision-making ability especially when encountering unexpected expenses. As for the behaviour of financial management, it is also considered as Good (81.25%). The presence of a gap of 18.75% means that it is necessary to evaluate how the students perform regarding the task of keeping records.

4.1 Model Measurement Testing (Outer Model)

Outer model testing through SmartPLS helps in confirming that the questionnaire instruments, also known as indicators, are suitable and valid for the purpose of measuring the variables used in the research process. The results of the reliability and validity test can be seen in Table 2.

Table 2. Summary of validity and reliability tests (outer model).

Variable	Loading Factor AVE	AVE	Composite Reliability (CR)	Description
Financial Self-Efficacy (X)	> 0,700 (Valid)	0,680	0,938	Valid & Reliable
Personal Finance Management (Y)	> 0,700 (Valid)	0,656	0,960	Valid & Reliable

According to the data contained in Table 2, the loading factor of all items is greater than 0.70. Besides, the AVE of both latent variables is higher than 0.50, implying that the instruments used in the survey effectively measure the variables being investigated. As far as the reliability issue is concerned, it can be stated that the CRs of 0.938 and 0.960 reflect very good consistency of the instrument.

Hypothesis Testing and Structural Model Evaluation (Inner Model). Structural Model Testing to determine the extent of the relationship between variables in terms of the coefficient of determination (R^2), while testing hypotheses using the Bootstrapping method.

Coefficient of Determination (R^2). As indicated in the results of analysis, the R-Square (R^2) of the Personal Financial Management (Y) variable is 0.194. It means that the variable financial self-efficacy partly determines 19.4% of variations in personal financial management behavior among the students. On the other hand, the rest of the variation is determined by other factors not contained in the research model, including financial literacy, income level, self-control, and the environmental factors.

Result of Hypothesis Significance Testing. In proving the effect of financial self-efficacy on personal financial management, the hypothesis has been tested using the criteria of T-Statistics value > 1.96, and P-Value < 0.05. The result is provided in Table 3.

Table 3. Results of hypothesis significance test (path coefficients).

Relationships Between Variables	Original Sample (O)	T-Statistics	P-Value	Decision
Financial Self-Efficacy Personal Finance Management	0,370	3,947	0,000	H1 Accepted

The T-statistic is at 3.947 (> 1.96) while the p-value is at 0.000 (< 0.05). The positive sign of the initial sample (+0.370) validates that there is a positive relationship. Therefore, Hypothesis 1 (H1) is accepted, which indicates that financial self-efficacy positively and significantly influences the personal financial management of UNIKOM Accounting students between 2021 and 2024.

It can be said that financial self-efficacy positively and significantly influences personal financial management among UNIKOM Accounting Program students between 2021 and 2024. The more confident and psychologically empowered students are in their ability to solve financial difficulties, the more disciplined they will be in managing their finances.

It is congruent with the fundamental premise of Behavioral Accounting Theory that financial actions are not just a product of mathematics but also a product of psychological motives that the person has. Individuals with high self-efficacy generally have high self-control to refrain from consuming their ego. They would resist engaging in temporary life trends such as FOMO and be careful about the easy access to debts through pay later. The results align with previous researches where self-confidence in the individual's ability to make decisions financially was associated with positive behavior such as saving, budgeting, and non-defaulting [8, 28].

5 Conclusion and Recommendation

From the results of the research conducted above, it can be inferred that financial self-efficacy has a positive influence on students' personal financial behavior management in the accounting program at UNIKOM during the period 2021–2024. From the research result, it could be known that the higher the level of the self-confidence of students in making financial decisions, the more successful, controlled, and focused they will be in managing finances daily. Self-confidence in dealing with financial issues plays a major role in strengthening students' self-control in making budgets, saving money, and avoiding excessive consumptive activities. Therefore, success in managing personal finances of students depends on their mental strength and psychological confidence in making reasonable financial decisions.

Suggestions for Future Research (Optional, if you choose to include): Since financial self-efficacy only accounts for 19.4% of personal financial management, it is suggested that any future researcher could consider adding new elements in addition to the existing ones. Variables that could be taken into consideration include hedonistic orientation, socio-environmental variables, spiritual intelligence, and digital financial literacy among others. All these elements should give a better idea about how many factors contribute to student financial behaviour.

Acknowledgments. The authors wish to extend their heartfelt appreciation to the Rector of Universitas Komputer Indonesia (UNIKOM) for continuously supporting us in this research process. We would also like to thank the organizing committee of the International Conference on Business, Economics, Social Sciences, and Humanities (ICOBEST) 2026 for offering us an ideal platform to conduct our research. This project would have been impossible without their cooperation.

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