

"The Role of Self-Control in Reducing Risky Credit Behavior: A Wise Financial Management Strategy"

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Abstract: Self-control plays an important role in financial management, especially in the use of credit. Individuals with good self-control tend to be wiser in using credit cards, avoid impulsive decisions, and consider future payment ability. Conversely, low self-control can lead to risky credit behavior, such as excessive credit card use that leads to financial difficulties. The ability to delay gratification and manage desires is a major factor in maintaining financial balance. Individuals who are able to control their spending are more likely to plan their budget well, limit their use of credit, and pay their bills on time. Conversely, impulsive decisions to use credit can increase the risk of unmanageable debt. The importance of self-control in financial management underscores the need for education and training that emphasizes financial planning and debt management strategies. By raising awareness of the long-term consequences of financial decisions, individuals can be more responsible in their use of credit, reducing the risk of future financial difficulties.

Keywords: self-control, risky credit behavior, credit card use, financial management, debt management.

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Introduction

Loan repayment on credit cards is an important issue in personal financial management and financial system stability. Various studies have addressed factors that influence credit card repayment behavior, including self-control in credit use and financial inclusion. This article reviews the current literature on the main determinants of loan repayment on credit cards with an individual unit of analysis.

Self-control plays an important role in credit management. Individuals with low self-control are more likely to use credit cards impulsively without considering future repayment ability. Studies from (Gottfredson & Hirschi, 2017; Liang et al., 2022) show that individuals with high self-control tend to make full or greater than minimum payments each month, which reduces long-term interest costs. In contrast, a lack of self-control often leads to debt accumulation and reliance on minimum payments.

Financial inclusion plays a role in facilitating individuals' access to formal financial services, including credit cards. However, greater access without financial education can increase the risk of bad credit. Beck et al. (2018) highlighted that good financial inclusion should be accompanied by financial literacy programs so that individuals can manage their credit wisely and avoid default.

Loan repayment on credit cards is influenced by self-control and financial inclusion. A deeper understanding of these factors can help in designing more effective strategies to improve the level of credit card payment compliance, both from the individual's side

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and the regulator's side (Marotta & Madnick, 2021; Putrevu & Mertzanis, 2024). Therefore, improving self-control and financial literacy should be the main focus of efforts to reduce the risk of credit card default.

Literature

Loan repayment on credit cards is an important issue in personal finance management and financial system stability. Here are some of the main factors that influence credit card payment behavior with an individual unit of analysis:

Self-Control and Payment Behavior

Effect of Self-Control: Self-control plays a crucial role in credit management. Individuals with high self-control tend to make full or greater than minimum payments every month, thereby reducing long-term interest costs. Conversely, a lack of self-control can lead to debt accumulation and reliance on minimum payments (Elliyana et al., 2024; Mpaata et al., 2021)

Studies show that good self-control can reduce risky credit behaviors, such as impulsive use of credit cards without considering future repayment ability (Fernández-López et al., 2024b; Milde, 2008).

Financial Inclusion and Financial Literacy: A Crucial Balance

Financial inclusion plays a vital role in providing individuals with access to formal financial services, including credit cards, loans, and banking facilities. By expanding access, financial inclusion

empowers individuals to participate in the formal economy, improve their financial well-being, and enhance their economic opportunities. However, increased access to financial products without proper financial education can lead to unintended consequences, such as excessive debt, poor credit management, and financial distress (Almansour et al., 2023; Karakara et al., 2022).

Without adequate financial literacy, individuals may misuse financial products, accumulate high-interest debt, and struggle with repayment, ultimately increasing the risk of default. Credit cards, for instance, provide convenience and flexibility, but they also require responsible usage (Koskelainen et al., 2023; Pitthan & De Witte, 2021). Those who lack financial knowledge may fall into impulsive spending habits, ignoring interest rates, minimum payment traps, and long-term financial commitments (Phelps, 2023; Reynal, 2025). This issue underscores the importance of financial education in ensuring that financial inclusion leads to positive outcomes rather than financial vulnerability.

Effective financial literacy programs should be integrated alongside financial inclusion initiatives to equip individuals with the skills necessary to manage credit responsibly (Choudhary & Jain, 2023; K. Singh & Misra, 2024). These programs should focus on budgeting, debt management, and the consequences of late payments. Financial institutions and policymakers must collaborate to promote financial literacy, ensuring that individuals not only have access to credit but also possess the knowledge to use it wisely. By balancing financial inclusion with financial education, societies can mitigate the risks of bad credit and foster long-term financial stability for individuals and communities.

Methodology

This research uses a qualitative approach with a literature study method. Data sources were obtained from academic journals, industry reports, and related publications that discuss factors that influence loan repayment on credit cards. The analysis was conducted by reviewing findings from previous studies to identify patterns and relationships between self-control, financial inclusion, and credit card repayment behavior.

Results

Individuals with high self-control are more likely to pay credit card bills in full or in amounts greater than the minimum payment, which reduces the risk of sustained debt. Greater access to financial services through financial inclusion contributes to wiser credit card use, especially when supported by adequate financial literacy.

Lack of self-control and poor understanding of credit management increase the likelihood of repeated minimum payments, which in turn increases interest expense and increases the risk of default. Financial education programs that focus on debt management and self-control have proven effective in raising individuals' awareness of the consequences of unhealthy payment patterns (Fernández-López et al., 2024b; Mpaata et al., 2023).

Social and cultural factors also influence credit card payment patterns. For example, in high-consumption cultures, individuals are more likely to make impulse purchases with credit cards, which results in higher default rates. A country's banking regulations and financial policies also play a role in determining credit card payment compliance rates (Putrevu & Mertzanis, 2024; B. Singh &

Kaunert, 2024). Countries with strict consumer protection policies tend to have lower default rates than countries with looser regulations.

Loan repayment on credit cards is influenced by self-control and financial inclusion. A deeper understanding of these factors can help in designing more effective strategies to improve credit card payment compliance rates, both from the individual and the regulator's perspective (Bu et al., 2019; Fernández-López et al., 2024a). Therefore, improving self-control and financial literacy should be the main focus in an effort to reduce the risk of credit card default.

Furthermore, this study recommends the need for more adaptive policies in providing credit access to individuals, as well as increasing financial education efforts to ensure that credit card users can make wiser decisions in managing their debts (Long et al., 2023; Shafiee et al., 2024). With a more holistic approach, it is hoped that loan repayment rates can improve, while reducing the risk of bad debts in the financial system as a whole.

Digital transformation is a major challenge for organizations across sectors. This change requires not only the adoption of new technologies, but also changes in organizational structure, work culture, and the mindset of the individuals within it. In this context, leadership is a key factor that determines the success of digital transformation.

Discussion

The findings of this study underscore the importance of self-control and financial inclusion in determining credit card payment behavior. From a theoretical perspective, this study supports the behavioral finance model which suggests that individual financial decisions are strongly influenced by psychological factors and access to financial services.

In practice, these results suggest that improving self-control through psychological or educational interventions can be an effective measure in reducing the risk of credit card default. For example, training programs that teach stress management and impulse control techniques can help individuals make more rational financial decisions.

Furthermore, the findings on financial inclusion highlight the need for a balance between broad access to financial services and adequate financial education. Without sufficient understanding, the ease of obtaining a credit card can actually backfire for individuals with low financial literacy.

Self-control plays an important role in managing financial decisions, especially in the use of credit. Studies show that individuals with high levels of self-control tend to be more cautious in using credit and avoid impulsive financial decisions. Conversely, a lack of self-control can lead to risky credit behaviors, such as overusing credit cards without considering future repayment ability.

In the context of personal financial management, self-control helps individuals to delay gratification and prioritize needs over wants. Research conducted by Meier et al., (2021) found that individuals who have a preference for instant gratification are more likely to get into debt with high interest rates, as they tend to ignore the long-term impact of their financial decisions. In addition, another study by (Gathergood, 2012)) showed that low self-control

correlates with unmanageable debt accumulation, including excessive credit card use.

One mechanism that explains this relationship is the self-control theory proposed by Doyle, (2021), which states that individuals who are able to resist impulsive urges are more likely to make rational and future-oriented financial decisions. In practice, they are more likely to plan a budget, limit their use of credit, and pay bills on time.

Conclusion

Loan repayment on credit cards is influenced by self-control and financial inclusion. A deeper understanding of these factors can help in designing more effective strategies to improve the level of credit card payment compliance, both from the individual and the regulator's perspective. Therefore, improving self-control and financial literacy should be the main focus in an effort to reduce the risk of credit card default. Furthermore, this study recommends the need for more adaptive policies in providing credit access to individuals, as well as increasing financial education efforts to ensure that credit card users can make wiser decisions in managing their debts. With a more holistic approach, it is expected that the loan repayment rate can increase, while reducing the risk of bad debts in the financial system as a whole.

Implications

The importance of financial education that emphasizes strengthening self-control, such as financial planning training and debt management strategies. By increasing awareness of the long-term consequences of financial decisions, individuals can be more prudent in using credit, thereby reducing the risk of future financial difficulties. This research also provides implications for regulators and financial service providers. Policies that promote early financial education as well as stricter regulations on credit card usage can help reduce default rates and improve the overall stability of the financial system.

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