



Determinants of Financial Well-Being among Generation Z: The Mediating Role of Financial Behavior

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Abstract

Financial well-being has become an important issue for Generation Z amid the growing challenges in money management and purchasing patterns. This research aims to investigate the impact of financial knowledge, financial attitude, financial self-efficacy, and internal locus of control on financial well-being through financial behavior among Generation Z in Batam City. A quantitative survey was conducted on 421 participants were recruited through a Likert-scale. Information was gathered through a rating-scale survey and examined using PLS-SEM techniques. The findings indicate that financial attitude, financial self-efficacy, and internal locus of control influence financial behavior, while financial knowledge does not. Furthermore, financial knowledge, financial self-efficacy, internal locus of control, and financial behavior demonstrated a favorable and statistically meaningful influence on financial well-being, whereas financial attitude showed an inverse yet statistically meaningful relationship. Financial behavior additionally serves as an intermediary in the relationships between several independent variables and financial well-being. This study contributes to the financial well-being literature by providing empirical evidence that psychological factors, together with financial behavior, play a more important role than financial knowledge alone in explaining the financial well-being of Generation Z in Batam City.

Keywords: Financial Knowledge, Financial Attitude, Financial Self-Efficacy, Financial Behavior, Financial Well-Being

Article Information

Received: Mei 2026

Revised: Mei 2026

Accepted: June 2026

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INTRODUCTION

Financial well-being is seen as one of the key indicators in assessing the quality of life of modern society. Based on the report GoodStats (2025) Indonesia's Quality of Life Index (QoL) scored 65 out of 100, with the economic welfare dimension having the lowest score. This indicates that, despite the Savings Intensity Index (IIM) component reaching 73.3% in 2025 (LPS, 2025), people's financial literacy is not directly proportional to their financial management skills. This is also reinforced by the results National Survey of Financial Literacy and Inclusion (SNLIK, 2024) conducted by the OJK and BPS, where the national financial literacy index was only 65.43%. Meanwhile, the Bank Indonesia Consumer Survey (2024) survey shows an increase in household consumption and a decrease in savings rates of around 15%, indicating the low ability of the community, especially the younger generation, to balance consumption and long-term financial planning. Furthermore, Batam City also shows a relatively low level of financial literacy despite being a city with high economic activity. This condition indicates that the community still faces challenges in financial management and financial decision-making (Budiman & Marvina, 2021).

This phenomenon is becoming increasingly relevant for Generation Z, a productive age group who, despite being known to be tech-savvy and having wide access to financial information, still face various challenges such as consumer debt, lack of savings, and poor financial planning (Faturohman *et al.*, 2024; Sabri *et al.*, 2023). This condition causes low financial well-being among the younger generation due to the gap between the financial knowledge they possess and the financial behavior they apply (Lone & Bhat, 2022). Financial behavior serves as a key determinant of a person's economic welfare. Individuals with good financial behavior tend to be better at managing income, saving, and making wise financial decisions, thus achieving higher levels of financial well-being (Megananda & Faturohman, 2022; Rahmawati *et al.*, 2023). One factor influencing financial behavior is financial knowledge, defined as an individual's comprehension of fundamental monetary aspects such as budgeting, investing, and risk management. Adequate financial knowledge can play a role in strengthening a person's ability to make appropriate financial decisions and avoid consumer behavior (Bai, 2023; Iramani & Lutfi, 2021).

Besides financial knowledge, financial attitude, or attitude to money, also plays a crucial role. Individuals with a positive attitude toward managing their finances generally practice more organized financial behavior, such as consistently saving and limiting unnecessary spending (Megananda & Faturohman, 2022; Tohar & Akron, 2025). Conversely, financial self-efficacy, representing the perception in one's own capacity to manage finances, also influences proactive financial behavior. Someone with high self-efficacy is encouraged to be more confident in making financial decisions, including saving and investing (Faturohman *et al.*, 2024; Ujoatuonu *et al.*, 2024). Other psychological variables including internal locus of control beliefs likewise contribute to the formation of financial behavior. Individuals who believe that their financial situation is determined by personal effort, not external factors, are more likely to take responsibility for their financial decisions (Hamurcu *et al.*, 2025; Sabri *et al.*, 2022).

However, previous research has shown inconsistent findings. Some studies have found a direct relationship between the examined variables and financial well-being (Laila *et al.*, 2025; Mahato *et al.*, 2025; Mahdzan *et al.*, 2023), while others suggest that the relationships become more significant when financial behavior acts as a mediating variable (Bhatia & Singh, 2023; Megananda & Faturohman, 2022; She *et al.*, 2022). These inconsistencies indicate that the mechanism through which psychological and cognitive factors influence financial well-being has not yet been fully understood, particularly among

Generation Z in Indonesia. Therefore, it is necessary to re-examine the role of financial knowledge, financial attitude, financial self-efficacy, and internal locus of control in influencing financial well-being through financial behavior among Generation Z. Unlike previous studies that mainly examined direct relationships or focused on a limited number of predictors, this study integrates these variables into a single conceptual framework while examining the mediating role of financial behavior among Generation Z in Batam City. Furthermore, this study contributes theoretically by extending the application of the Theory of Planned Behavior, Behavioral Finance, and Social Cognitive Theory to explain how psychological and cognitive factors jointly influence financial well-being through financial behavior.

THEORETICAL REVIEW AND HYPOTHESIS DEVELOPMENT

Background Theory

This research is based on the Theory of Planned Behavior (Ajzen, 1991) which explains that a person's behavior is determined by the results of intentions formed from attitudes, subjective norms, and perceived behavioral control. From a financial perspective, this theory states that people with good financial knowledge and actions, together with trust in their capabilities, are more likely to foster prudent financial practices. Furthermore, Behavioral Finance emphasizes that financial decisions are not always based on rationality but are also influenced by psychological factors such as attitudes, emotions, and cognitive biases (Ricciardi & Simon, 2000). Therefore, variables such as financial attitude and internal locus of control contribute to the development of financial behavior.

Furthermore, the theory developed by Albert Bandura (1986), namely Social Cognitive Theory, explains that self-efficacy is an important factor in determining individual behavior (Schunk & DiBenedetto, 2020). In this context, financial self-efficacy motivates individuals to strengthen their confidence in handling monetary resources and choosing appropriate economic actions. By integrating the Theory of Planned Behavior as a grand theory, along with Behavioral Finance and Social Cognitive Theory as supporting theories, this study has a strong conceptual basis for explaining the impact of mental and behavioral determinants on money-management practices and their consequences for the economic welfare of Generation Z.

Hypothesis Development

Financial Knowledge (FK) and Financial Behavior (FB)

FK plays a crucial role in shaping a person's FB. Adequate knowledge of financial principles such as budget planning, savings, investments, and credit management encourages people to make wiser financial decisions (Yuwono *et al.*, 2023). A person with a high level of FK encourages positive FB, such as making disciplined calculations, saving regularly, and avoiding excessive use of credit (Bhatia & Singh, 2023). Adequate FK also helps individuals in control their financial decisions so that their FB becomes more directed (Iramani & Lutfi, 2021).

H₁: Financial knowledge affects financial behavior.

Financial Attitude (FA) and Financial Behavior (FB)

FA is an individual's psychological tendency to view money and the best way to manage it in daily life. A positive attitude toward financial planning and spending control encourages individuals to demonstrate more responsible FB (Ratnawati *et al.*, 2022). Individuals with good FA tend to make more logical and focused financial decisions (She *et*

al., 2022). Thus, FA can be seen as an important factor in the formation of individual FB (Bhatia & Singh, 2023).

H₂: Financial attitude affects financial behavior.

Financial Self-efficacy (FSE) and Financial Behavior (FB)

FSE represents a person's confidence in their ability to handle their finances optimally. Someone with a high FSE has the confidence to make financial decisions and resolve financial problems (Fatur Rahman *et al.*, 2024). This belief encourages the formation of positive FB, such as controlling expenses, saving, and managing finances in a planned manner (Dare *et al.*, 2023). In the context of financial management, FSE is also identified as one of the psychological determinants that influences an individual's FB (Megananda & Fatur Rahman, 2022).

H₃: Financial self-efficacy affects financial behavior.

Internal Locus of Control (ILOC) and Financial Behavior (FB)

ILOC reflects an individual's belief that their financial situation is influenced by their own efforts and policies, not external factors. Someone with a high ILOC is more disciplined in managing their finances, including budgeting and controlling spending (Mahdzan *et al.*, 2023). This belief in self-control encourages the formation of more responsible FBs, including increasing savings and avoiding risky financial decisions (She *et al.*, 2022). Empirical evidence also shows that ILOC has a contribution to encouraging a healthier and more planned FB (Sabri *et al.*, 2022).

H₄: Internal locus of control affects financial behavior.

Financial Knowledge (FK) and Financial Well-being (FWB)

FK is an individual's understanding of monetary planning principles including saving, asset allocation, and long-term preparation planning. FK supports individuals in making wiser financial decisions so that it can increase FWB (Sabri *et al.*, 2022). Individuals with high levels of FK tend to have a better ability to manage income, control expenses, and avoid financial difficulties (Bhatia & Singh, 2023; Iramani & Lutfi, 2021). The role of FK in increasing FWB is also seen through an individual's ability to manage financial risks and make more appropriate financial decisions (Fan & Henager, 2025; She *et al.*, 2022).

H₅: Financial knowledge affects financial well-being.

Financial Attitude (FA) and Financial Well-being (FWB)

FA reflects a person's perspective, beliefs, and values regarding financial management. Positive FA motivates someone to be more disciplined in financial planning, control spending, and make wise financial decisions, thus contributing to increased FWB (Bhatia & Singh, 2023; She *et al.*, 2022). Within the framework of the Theory of Planned Behavior (Ajzen, 1991), FA plays a role in shaping financial character intentions, which ultimately influence an individual's financial condition. Various empirical studies also show that FA has a direct relationship with an individual's ability to achieve financial security (Mahato *et al.*, 2025; Megananda & Fatur Rahman, 2022).

H₆: Financial attitude affects financial well-being.

Financial Self-efficacy (FSE) and Financial Well-being (FWB)

FSE describes a person's confidence in their capacity to manage finances efficiently (Fatur Rahman *et al.*, 2024). A person with a high level of FSE is usually more able to achieve

financial stability, reduce economic stress, and improve overall quality of life (Dare *et al.*, 2023). This belief encourages individuals to have more control over their financial decisions, thus contributing to increased FWB (Megananda & Faturohman, 2022).

H₇: Financial self-efficacy affects financial well-being.

Internal Locus of Control (ILOC) and Financial Well-being (FWB)

ILOC reflects a person's belief that their financial situation is influenced by their own efforts and decisions. Individuals with a high ILOC are generally better able to manage their finances, feel financially secure, and are oriented toward achieving long-term well-being (Mahdzan *et al.*, 2023; She *et al.*, 2022). This belief in self-control also contributes to reducing financial stress and increasing self-confidence in facing economic conditions (Iramani & Lutfi, 2021). In addition, ILOC has been shown to play a role in developing better financial behavior, which in turn has an impact on increasing FWB (Faturohman *et al.*, 2024; Sabri *et al.*, 2022).

H₈: Internal locus of control affects financial well-being.

Financial Behavior (FB) and Financial Well-being (FWB)

FB is a person's practice in managing their finances, including controlling expenses, saving, managing credit, and conducting financial planning. Good FB has been shown to contribute to increased financial security, economic satisfaction, and the ability to meet current and future needs (Candy & Vira, 2024; Esomar *et al.*, 2025). Individuals with positive FB usually have stability in managing income and expenses, thus being able to increase FWB (Megananda & Faturohman, 2022). Various studies also identify FB as one of the main predictors in achieving FWB because it is able to form healthy and sustainable financial habits (Sabri *et al.*, 2023; She *et al.*, 2022).

H₉: Financial behavior affects financial well-being.

Financial Knowledge (FK), Financial Behavior (FB) and Financial Well-being (FWB)

According to the Theory of Planned Behavior (Ajzen, 1991), knowledge contributes to behavioral intention by enabling individuals to evaluate the consequences of their financial decisions. FK is an important basis for determining financial decisions that can increase FWB. However, this influence generally does not occur directly, but with FB as a mediating variable (Iramani & Lutfi, 2021). A person who has good FK generally applies healthy FB, such as managing expenses, saving, and avoiding risky decisions, which in turn contributes to increasing FWB (Muat *et al.*, 2025). Furthermore, a number of studies have shown that FB plays an important role in increasing FWB and strengthening the relationship between FK and an individual's financial condition (Bhatia & Singh, 2023; Sabri *et al.*, 2022; She *et al.*, 2022). FK is expected to improve FWB indirectly through the formation of responsible FB.

H₁₀: Financial knowledge affects financial well-being through financial behavior.

Financial Attitude (FA), Financial Behavior (FB) and Financial Well-being (FWB)

Within the Theory of Planned Behavior, FA shapes an individual's intention to perform responsible FB. FA reflects an individual's psychological tendencies in assessing and managing finances. Positive ones motivate someone to act more rationally and in a planned manner, adopt disciplined financial practices, which subsequently improve financial well-being, thus forming a healthy FB such as budget management, saving habits, and spending control (Megananda & Faturohman, 2022). FB has a liaison role between FA and FWB, where someone who has a good FA usually shows a more responsible FB and has an impact on increasing FWB (She *et al.*, 2022). In addition, FB also strengthens the relationship between

FA and FWB by improving financial planning and debt control (Bhatia & Singh, 2023; Ratnawati *et al.*, 2022).

H₁₁: Financial attitude affects financial well-being through financial behavior.

Financial Self-efficacy (FSE), Financial Behavior (FB) and Financial Well-being (FWB)

According to Social Cognitive Theory, individuals with higher self-efficacy are more likely to translate their confidence into consistent behavior. FSE reflects an individual's belief in their capability to oversee monetary matters effectively. A person with a high level of FSE is typically more proactive in managing their finances, such as budgeting, saving, and financial planning (Megananda & Faturohman, 2022). This belief encourages responsible FB, which in turn contributes to increasing FWB (Dare *et al.*, 2023). Empirical findings also show that FB plays a role as a mediating variable in the relationship between FSE and FWB (Faturohman *et al.*, 2024).

H₁₂: Financial self-efficacy affects financial well-being through financial behavior.

Internal Locus of Control (ILOC), Financial Behavior (FB) and Financial Well-being (FWB)

Behavioral Finance suggests that individuals' financial decisions are influenced not only by objective knowledge but also by psychological beliefs. ILOC reflects an individual's view that their financial situation is determined by their own efforts and decisions. Individuals with a stronger ILOC tend to believe that financial outcomes depend on their own actions, encouraging responsible FB that ultimately improves FWB (Megananda & Faturohman, 2022). This belief motivates the formation of a more focused FB, namely preparing a budget, controlling expenses, and saving for long-term goals (Sabri *et al.*, 2022). In addition, previous research shows that FB plays a role as a mediating variable between ILOC and FWB (Faturohman *et al.*, 2024; She *et al.*, 2022).

H₁₃: Internal locus of control affects financial well-being through financial behavior.

Model Development

The The research framework is shown in Figure 1.

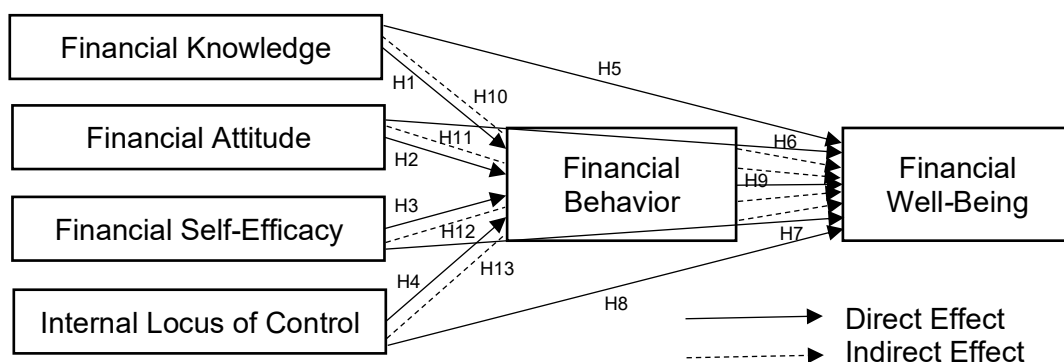


Figure 1. Research Model

RESEARCH METHODS

This survey employs quantitative methods by conducting a survey by distributing a Likert-scale questionnaire. The data obtained will be processed and analyzed systematically and in a structured manner to produce meaningful findings (Mustofa *et al.*, 2024; Nurhaswinda

et al., 2025; Waruwu *et al.*, 2025). Data collection was conducted from November 10, 2025, to March 1, 2026.

This research design is causal-comparative, which means how the independent variables and dependent variables correlate with each other (Syahza, 2021). The causal-comparative relationship analyzed on this review includes the impact of the independent variable on the dependent variable through mediation. This survey design is formulated on the format of a survey model. It describes the causal correlation between variables. Convenience sampling was used as the sampling method, with respondents characterized by Generation Z living in Batam City with a birth year range of 1997-2012 who are active in financial management (Utami, 2022). Before participating in the survey, respondents were screened to ensure that they met these criteria. In addition, only fully completed questionnaires without missing responses were included in the final analysis.

The number of research samples is based on general principles, the sample size should be 5-10 times the number of indicators, according to the Partial Least Squares–Structural Equation Modeling (PLS-SEM) standard as a rule of thumb (Hair *et al.*, 2021). Based on the total of indicator about 25 items, the number of samples required is at least 250 respondents, which is obtained by multiplying the number of indicators by 10 (25×10). However, the distributed questionnaire received 421 respondents, and all of them were valid and therefore used in this study. Although convenience sampling facilitated efficient data collection, this technique may limit the generalizability of the findings because the sample may not fully represent the entire Generation Z population in Batam City. Therefore, the results should be interpreted with appropriate caution.

Table 1. List of statements

Variables	Indicator	Reference
Financial Knowledge	- I am able to manage my daily finances well. - I am able to perform basic financial calculations (e.g. calculating interest, discounts, or installments). - I follow economic and financial news developments regularly. - I feel like I have a good understanding of finance.	(Muat <i>et al.</i> , 2025)
Financial Attitude	- I realize that controlling monthly expenses is important. - I realize that setting financial goals for the future is important. - I feel that making a monthly budget is important. - I believe that saving every month is important..	(Ratnawati <i>et al.</i> , 2022)
Financial Self-efficacy	- I am sure in my ability that I can manage finances. - I can count for upcoming financial needs from the money I save. - I am sure that I have the ability to apply for a loan from a bank if needed. - I could use my financial skills effectively to achieve financial goals.	(Lone & Bhat, 2022)
Internal Locus of Control	- I can control myself not to shop just for momentary pleasure. - I can solve my financial problems without relying on others.	(Iramani & Lutfi, 2021)

	- I can control myself so as not to shop more than the budget I have set. - I can manage myself to save and invest consistently.	
Financial Behavior	- I have a spending budget plan. - I have plans to prepare retirement savings. - I set goals to help me make financial decisions. - I save partially of my earning each of month for future needs. - I keep systematically to reach long-term financial direction.	(Bhatia & Singh, 2023)
Financial Well-being	- I may face unexpected large expenses. - I am ensuring the security of my financial future. - I am enjoying my life because I can manage money. - until the end of the month I still have money left.	(Plessis <i>et al.</i> , 2024)

RESULTS AND DISCUSSION

Demographic Data Analysis

The respondent profile table presents details regarding participant composition. The classifications are derived from five demographic indicators of the respondents: gender, age, current status, main source of income, and last education. Demographic data is presented in Table 2.

Table 2. Respondent Demographics

Demographic Variables	Category	Frequency	Percentage (%)
Gender	Man	197	46.8%
	Woman	224	53.2%
Age	<20	54	12.8%
	20-22	217	51.5%
	23-25	87	20.7%
	>25	63	15%
Current Status	Students	93	22.1%
	Work	195	46.3%
	Students while Working	133	31.6%
Main Source of Income	Pocket money	117	27.8%
	Salary/Wages	317	75.3%
	Freelance/Part-time	87	20.7%
Last education	Elementary School	7	1.7%
	Junior High Sshool	17	4%
	High School/Equivalent	265	62.9%
	Diploma	5	1.2%
	S1	127	30.2%

Based on Table 2, the majority of respondents were women (53.2%) than men (46.8%). In terms of age, most respondents are from the age group 20-22 years (51.5%) and 23-25 years old (20.7%). Based on status, the majority of respondents were students, either working part-time or not. Regarding revenue origins, most participants received their income from a salary (75.3%), compared to pocket money (27.8%) and freelance/part-time (20.7%).

Measurement Model Analysis

The measurement framework was assessed through the PLS method to verify that every item appropriately reflects its latent variable. Findings indicate that all variables satisfy the required standards.

Table 3. Validity and Reliability Test Results

Variables	Indicator	Outer Loadings	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Financial Knowledge	FK1	0.720	0.808	0.815	0.874	0.636
	FK2	0.846				
	FK3	0.799				
	FK4	0.819				
Financial Attitude	FA1	0.835	0.822	0.824	0.882	0.653
	FA2	0.813				
	FA3	0.767				
	FA4	0.816				
Financial Self-efficacy	FSE1	0.798	0.823	0.825	0.883	0.653
	FSE2	0.800				
	FSE3	0.814				
	FSE4	0.821				
Internal Locus of Control	ILOC1	0.768	0.735	0.735	0.834	0.557
	ILOC2	0.785				
	ILOC3	0.716				
	ILOC4	0.716				
Financial Behavior	FB1	0.723	0.813	0.814	0.870	0.572
	FB2	0.741				
	FB3	0.775				
	FB4	0.730				
	FB5	0.808				
Financial Well-being	FWB1	0.747	0.782	0.785	0.859	0.605
	FWB2	0.789				
	FWB3	0.791				
	FWB4	0.782				

Based on Table 3, the results show that all indicators have outer loadings greater than 0.70, while both Cronbach's Alpha and composite reliability surpassed the recommended

threshold. Furthermore, it is concluded that all variables in this study meet the criteria for convergent validity and reliability, as all constructs have AVE values greater than 0.50 (Hair *et al.*, 2021).

Discriminant Validity

Discriminant validity is to ensure that each construct in the research model has clear differences from one another, so that each indicator only represents the construct being measured (Cheung *et al.*, 2024). The Fornell–Larcker criteria and Heterotrait–Monotrait Ratio (HTMT) were used to conduct research on discriminant validity testing.

Table 4. Discriminant Validity (Fornell-Larcker)

Variables	FA	FB	FK	FSE	FWB	ILOC
FA	0.808					
FB	0.507	0.756				
FK	0.321	0.499	0.797			
FSE	0.384	0.655	0.623	0.808		
FWB	0.219	0.526	0.606	0.640	0.778	
ILOC	0.385	0.636	0.530	0.610	0.553	0.747

Table 5. Discriminant Validity (Heterotrait–Monotrait Ratio)

Variables	FA	FB	FK	FSE	FWB	ILOC
FA						
FB	0.622					
FK	0.394	0.613				
FSE	0.469	0.797	0.762			
FWB	0.268	0.650	0.759	0.790		
ILOC	0.485	0.816	0.688	0.779	0.728	

Based on Table 4 findings from the Fornell–Larcker assessment confirm adequate discriminant validity, as the diagonal values representing AVE roots for each construct is higher than the correlation between the other constructs. Furthermore, based on Table 5, the results of the HTMT test show that all values are below the threshold of 0.90 (Hair *et al.*, 2021). Thus, there are no discriminant validity issues in this research model. On the whole, the outcomes of this test indicate that all constructs have adequate discriminant validity.

Structural Model Evaluation

The structural model was evaluated using the Standardized Root Mean Square Residual (SRMR), inner Variance Inflation Factor (VIF), coefficient of determination (R^2), predictive relevance (Q^2) and effect size (f^2). SRMR was used to assess the overall model fit, inner VIF was used to examine multicollinearity among the predictor constructs, R^2 measured the explanatory power of the endogenous variables, Q^2 evaluated the predictive relevance of the model, and f^2 assessed the contribution of each exogenous variable to the endogenous constructs. The results are presented in Tables 6–10.

Table 6. Model Fit and Predictive Relevance

Indicator	Value	Recommended Value	Interpretation
SRMR	0.077	< 0.08	Good model fit

Q ² (Financial Behavior)	0.319	> 0	Predictive relevance
Q ² (Financial Well-being)	0.301	> 0	Predictive relevance

Table 6 presents the model fit and predictive relevance assessment. The SRMR value of 0.077 is below the recommended threshold of 0.08, indicating that the proposed model demonstrates an acceptable model fit. Furthermore, the Q² values for FB (0.319) and FWB (0.301) are greater than zero, indicating that the structural model has satisfactory predictive relevance (Hair *et al.*, 2021).

Table 7. Inner VIF Values

Variables	FB	FWB
FK	1.744	1.748
FA	1.231	1.365
FSE	2.038	2.317
ILOC	1.751	1.971
FB		2.310

Table 7 presents the inner VIF values used to assess collinearity among the predictor constructs. All VIF values range from 1.231 to 2.317, which are below the recommended threshold of 5.00, indicating that multicollinearity is not a concern in the structural model (Hair *et al.*, 2021).

Table 8. R-square

Variables	R-square	Adjusted R-square
FB	0.567	0.563
FWB	0.516	0.510

Based on Table 8, the R-square value shows that the FB value is 0.567 (adjusted 0.563), which means that 56.7% of the variance is accounted for by the predictor variables included in the framework, whereas FWB records a value of 0.516 (adjusted 0.510), which shows that 51.6% of the variance can be explained by the model. Based on the criteria Hair *et al.* (2021), a value of 0.50 is included in the moderate category, so the research model can be said to have quite good predictive ability.

Table 9. f-square – Financial Behavior Variable

Variables	f-square	Category
FK	0.002	Very small
FA	0.110	Small
FSE	0.137	Small
ILOC	0.126	Small

Based on Table 9, the f-square value shows that FSE has the greatest influence on FB (0.137), followed by ILOC (0.126) and FA (0.110), all of which are in the small category, while FK is classified as very small (0.002).

Table 10. f-square – Financial Well-being Variable

Variables	f-square	Category
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FK	0.103	Small
FA	0.025	Small
FSE	0.090	Small
ILOC	0.031	Small
FB	0.014	Very small

Based on Table 10 on FWB, FK has the largest influence (0.103), followed by FSE (0.090), ILOC (0.031) and FA (0.025), all of which are in the small category, while FB shows a very small influence.

Hypothesis Testing

Table 11 shows that the outcome of direct effect testing between the research variables. The significance of each relationship was determined based on the path coefficient and p-value obtained from the PLS-SEM analysis.

Table 11. Path Coefficient (Direct Effects)

Variables	Coefficient	P Values	Results
FK -> FB	0.041	0.410	Rejected
FA -> FB	0.241	0.000	Accepted
FSE -> FB	0.347	0.000	Accepted
ILOC -> FB	0.311	0.000	Accepted
FK -> FWB	0.293	0.000	Accepted
FA -> FWB	-0.129	0.002	Accepted
FSE -> FWB	0.323	0.000	Accepted
ILOC -> FWB	0.171	0.001	Accepted
FB -> FWB	0.124	0.024	Accepted

Table 12 presents indirect-effect analysis results assessing the intermediary function of financial behavior between predictor variables and financial welfare. Relationships with p-values below 0.05 are considered significant.

Table 12. Indirect Effect

Variables	Coefficient	P Values	Results
FK -> FB -> FWB	0.005	0.476	Rejected
FA -> FB -> FWB	0.030	0.042	Accepted
FSE -> FB -> FWB	0.043	0.027	Accepted
ILOC -> FB -> FWB	0.039	0.042	Accepted

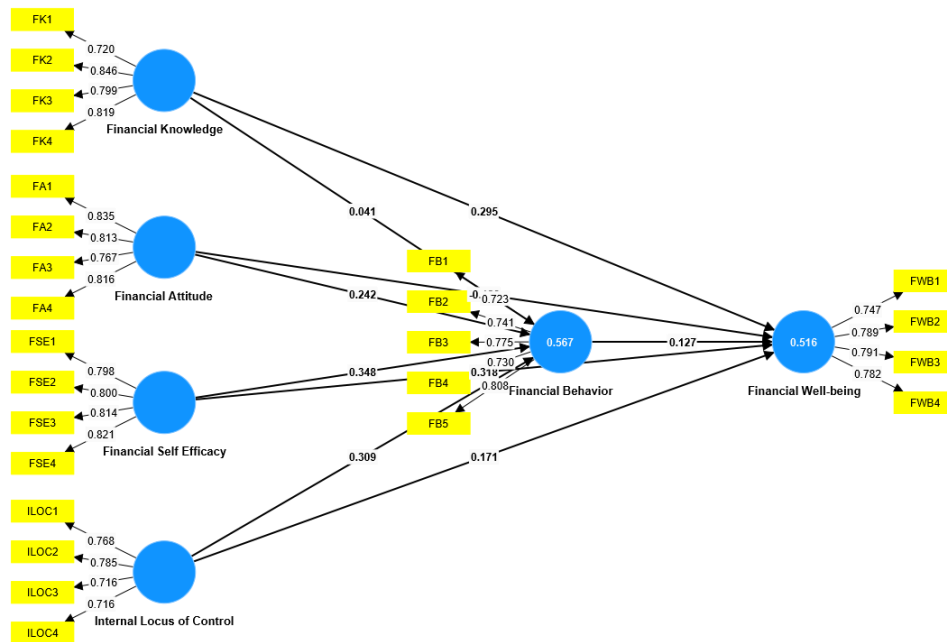


Figure 2. Hypothesis Results

Discussion

The results generated from the structural framework analysis are discussed in relation to the theoretical framework and prior research to offer broader insight into determinants affecting financial practices and economic welfare among Generation Z.

H₁: FK has a significant influence on FB

The analysis results show a coefficient value of 0.041 and a p-value of 0.410, indicating that FK does not have a significant effect on FB. This indicates that an individual's FK may not necessarily translate into improved FB. This finding aligns with Morris *et al.* (2022) which explains that FK does not always translate into concrete actions in day-to-day financial management due to a gap between understanding and implementation. Meanwhile, Sabri *et al.* (2022) as well as Bhatia and Singh (2023) which state that individuals with high FK tend to be better able to manage their finances and make wise financial decisions. Thus, H₁ is rejected.

H₂: FA has a significant influence on FB

The analysis findings reveal a coefficient of 0.241 with a significance level of 0.000, demonstrating that FA positively influences FB. This suggests that individuals who organize their finances well, their FB performance will also improve. FA is a crucial factor in developing responsible FB and encouraging individuals to make more rational financial decisions. This finding aligns with Bhatia and Singh (2023) and She *et al.* (2022) which state that FA plays a role in shaping FB through more disciplined and targeted financial management habits. Thus, H₂ is accepted.

H₃: FSE has a significant influence on FB

The analysis findings indicate a path coefficient of 0.347 with a significance value of 0.000, confirming a favorable influence of FSE on FB. This indicates that the higher the FSE in financial management, the better the FB produced. Individuals with high levels of FSE tend to have more disciplined and planned FB. This finding aligns with research Megananda and

Faturohman (2022) as well as Faturohman *et al.* (2024) which shows that self-efficacy encourages individuals to be more active and consistent in carrying out financial planning and management. Thus, H₃ is accepted.

H₄: ILOC has a significant influence on FB

The analysis results show a coefficient value of 0.311 with a significance level of 0.000, demonstrating that ILOC favorably influences FB. This indicates that the stronger ILOC is in controlling financial outcomes, the better the FB is. Individuals with a high ILOC tend to be responsible for their financial decisions. This finding aligns with research She *et al.* (2022), Iramani and Lutfi (2021) as well as Sabri *et al.* (2022) which state that psychological factors such as self-control and internal beliefs have an important role in shaping FB. Thus, H₄ is accepted.

H₅: FK has a significant influence on FWB

The analysis results show a coefficient value of 0.293 and a p-value of 0.000, indicating that FK has a positive and significant effect on FWB. This indicates that the higher the FK, the better it is for increasing FWB. Individuals with good FK tend to be better able to manage income, control expenses, and make appropriate financial decisions, thereby reducing financial risk. This finding aligns with Laila *et al.* (2025), Bhatia and Singh (2023) as well as Mahato *et al.* (2025) that FK is an important factor in increasing FWB and helping individuals understand the concept of financial management, thus enabling them to make more informed decisions. Thus, H₅ is accepted.

H₆: FA has a significant influence on FWB

The analysis results show a coefficient value of -0.129 and a p-value of 0.002, indicating that FA has a negative and significant effect on FWB. This suggests that an individual's FA does not necessarily directly increase FWB; in some circumstances, it can even have the opposite effect. This may occur because good FA is not always followed by consistent actions, thus not producing optimal FWB results. This finding can also be explained through the Theory of Planned Behavior, which suggests that attitude alone does not necessarily lead to actual behavior, as behavioral outcomes are also influenced by behavioral intentions and perceived behavioral control. Therefore, although individuals may have positive attitudes toward financial management, these attitudes may not consistently translate into effective financial practices that enhance FWB. In addition, individuals with stronger FA may become more aware of their financial responsibilities and future financial risks, leading them to evaluate their financial condition more critically. This finding aligns with Megananda and Faturohman (2022) who found that FA can have a negative effect on FWB, where good FA is not always followed by effective financial management behavior. However, this result is not in line with She *et al.* (2022) and Mahato *et al.* (2025). Thus, H₆ is accepted.

H₇: FSE has a significant influence on FWB

The analysis findings reveal a coefficient of 0.323 with a significance value of 0.000, demonstrating a positive contribution of FSE to FWB. This suggests that higher FSE leads to a higher FWB level. Individuals with high FSE tend to be more confident in making financial decisions and are able to manage their finances more effectively. This finding is supported by research Megananda and Faturohman (2022), Mamilla *et al.* (2025) as well as Faturohman *et al.* (2024) which state that FSE plays a significant role in increasing FWB through individuals' ability to manage finances in a more targeted and planned manner. Thus, H₇ is accepted.

H₈: ILOC has a significant influence on FWB

The analysis findings report a coefficient of 0.171 and a significance value of 0.001, confirming a favorable impact of ILOC on FWB. This indicates that the stronger the ILOC, the higher the FWB level because people perceive themselves as having authority over economic consequences. Such confidence motivates them to exercise greater discipline in handling their finances, planning their expenses, and taking greater responsibility for their financial decisions, thus achieving greater financial well-being. These findings align with research Megananda and Faturohman (2022) as well as Faturohman *et al.* (2024) which state that individuals with high levels of ILOC tend to have better financial management, which has an impact on FWB. Thus, H₈ is accepted.

H₉: FB has a significant influence on FWB

The analysis results show a coefficient value of 0.124 and a p-value of 0.024, indicating a positive and significant effect of FB on FWB. This indicates that the better an individual's FB, the higher their FWB level. People who regulate their monetary resources effectively are generally more economically secure and capable of meeting their financial needs and goals. This finding is consistent with various studies, such as Bhatia and Singh, (2023), Esomar *et al.* (2025) as well as Shankar *et al.* (2022) which state that FB has a positive influence on FWB. Thus, H₉ is accepted.

H₁₀: FK has a significant influence on FWB via FB

The analysis results show a coefficient value of 0.005 and a p-value of 0.476, indicating that FK does not significantly influence FWB through FB. This indicates that FK is not yet able to support FB effectively in increasing FWB. This condition may occur because individuals who understand financial concepts are not necessarily able to apply them consistently in daily financial management, particularly in controlling expenses and determining financial priorities. This finding aligns with Morris *et al.* (2022) which state that individuals with a good level of FK do not necessarily apply the right FB in their daily lives, and Muat *et al.* (2025) who found that the indirect effect of FK on FWB was not always significant even though there was a relationship between the variables. However, this result is not in line with Bhatia and Singh (2023) as well as Iramani and Lutfi (2021) which shows that individuals with high levels of FK tend to have good FB, thus increasing FWB. Thus, H₁₀ is rejected.

H₁₁: FA has a significant influence on FWB via FB

The analysis results show a coefficient value of 0.030 and a p-value of 0.042, indicating that FA has a positive and significant effect on FWB through FB. This indicates that good FA can encourage the formation of more responsible FB, such as controlling expenses, financial planning, and making more rational financial decisions, thus impacting FWB. In other words, FA does not always have a direct effect on FWB, but can have an impact through the mediation role of a more disciplined FB. This finding is in line with research Bhatia and Singh (2023) as well as Megananda and Faturohman (2022) which shows that FB mediates the influence of FA on FWB to be stronger. Thus, H₁₁ is accepted.

H₁₂: FSE has a significant influence on FWB via FB

The analysis results show a coefficient value of 0.043 and a p-value of 0.027, indicating that FSE has a positive and significant effect on FWB through FB. This indicates that FSE in managing finances encourages individuals to implement better FB, thereby increasing FWB.

In other words, FSE not only influences FWB directly but also works through the formation of a more disciplined and consistent FB. This finding is supported by research Megananda and Faturrohman (2022) and Faturrohman *et al.* (2024) which shows that FSE plays a role in forming better FB, thus impacting on increasing FWB through a mediation mechanism. Thus, H_{12} is accepted.

H_{13} : ILOC has a significant influence on FWB via FB

The analysis results show a coefficient value of 0.039 and a p-value of 0.042, indicating that ILOC has a positive and significant effect on FWB through FB. This suggests that an individual's belief in control over their financial condition plays a role in shaping a more responsible FB, which ultimately increases FWB. This finding aligns with Iramani and Lutfi (2021) which explains that ILOC encourages the formation of a more disciplined FB because individuals feel that financial outcomes are determined by personal decisions and efforts, thus making FB more focused. Furthermore, Sabri *et al.* (2022) also emphasized that FB serves as a key intermediary connecting psychological determinants such as ILOC on FWB, where good FB will increase an individual's ability to achieve a more prosperous financial condition. Thus, H_{13} is accepted.

CONCLUSION

This study shows that FWB among Generation Z in Batam City is more influenced by psychological factors and financial behavior than purely cognitive aspects. FA, FSE, and ILOC play a role in encouraging the formation of better FB, thus contributing to the increase in FWB. Meanwhile, FK has not been able to optimally encourage the formation of FB. This study also shows that FSE, ILOC, and FB contribute to the increase in FWB, while FA shows a negative relationship with FWB.

Theoretically, this study reinforces the Theory of Planned Behavior and Social Cognitive Theory by demonstrating that psychological factors and financial behavior jointly play a more important role than financial knowledge alone in explaining financial well-being among Generation Z. Practically, the results suggest that financial education programs for Generation Z ought to emphasize not merely knowledge enhancement but also the cultivation of financial behavior, self-control, and confidence in financial decision-making to achieve better financial well-being.

This study has several limitations. First, the research focused exclusively on Generation Z residing in Batam, thereby restricting the applicability of the results to different geographical contexts. Second, the use of convenience sampling may not adequately reflect the broader Generation Z population. Subsequent studies are encouraged to include additional determinants that may affect financial well-being, such as income level, lifestyle, and social environmental factors. Furthermore, future studies may employ longitudinal research designs, conduct cross-country comparisons, or perform multi-group analyses to provide a more comprehensive understanding of financial well-being across different demographic and cultural contexts.

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