



The Role of Financial Literacy, Financial Confidence, and Locus of Control on Financial Well-Being, with Financial Behavior as a Mediating Variable, Among the Population of the Special Region of Yogyakarta

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Abstract

This study aims to analyze the effects of financial literacy, financial confidence, and locus of control on financial well-being, with financial behavior as a mediating variable among the productive-age population in the Special Region of Yogyakarta (DIY). The study employed a quantitative explanatory research design involving 400 respondents selected through purposive sampling. Data were collected using an online questionnaire and analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS) with SmartPLS. The results show that financial literacy has no significant effect on either financial behavior or financial well-being. Financial confidence has a positive and significant effect on financial behavior but does not have a significant direct effect on financial well-being. Locus of control has positive and significant effects on both financial behavior and financial well-being, while financial behavior positively and significantly affects financial well-being. Financial behavior does not mediate the relationship between financial literacy and financial well-being, but fully mediates the relationship between financial confidence and financial well-being and partially mediates the relationship between locus of control and financial well-being. These findings indicate that improving financial well-being requires not only financial knowledge but also financial confidence, personal control, and consistent implementation of responsible financial behavior. The findings provide practical implications for strengthening financial well-being programs by integrating financial education with behavioral and psychological interventions.

Keywords: Financial Behavior, Financial Confidence, Financial Literacy, Financial Well-Being, Locus of Control.



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INTRODUCTION

The rapid digitalization of financial services has transformed how individuals obtain income, conduct transactions, save money, borrow, and invest, making financial decisions increasingly embedded in technology-mediated environments. The widespread use of mobile banking, digital wallets, buy-now-pay-later services, online lending, and investment applications has expanded access to financial services, but this convenience may also encourage consumptive behavior, impulsive purchases, and excessive borrowing when individuals lack adequate financial management capabilities. Recent research indicates that digital financial literacy has become increasingly important for financial well-being because individuals are required to understand not only conventional financial concepts but also the opportunities, risks, and decision-making requirements associated with digital financial services (Bhat et al., 2025). The expansion of digital financial services has therefore shifted the financial inclusion challenge from access alone toward the ability of individuals to use financial products appropriately and sustainably. This issue is particularly relevant for working-age populations whose financial decisions encompass daily consumption, saving, credit, investment, and preparation for future financial needs. Financial well-being consequently represents a broader outcome of financial capability because it reflects individuals' ability to meet present financial needs, maintain financial security, withstand financial shocks, and preserve freedom in making financial choices (Brüggen et al., 2017).

At the national level, financial literacy and financial inclusion in Indonesia have demonstrated substantial development, although the expansion of access to financial services has not necessarily been accompanied by an equivalent improvement in financial capability. The Financial Services Authority reported that Indonesia's financial literacy index increased from 38.03% in 2019 to 66.46% in 2025, while financial inclusion reached 80.51% in 2025, indicating that access to financial services continues

to exceed the population's level of financial understanding (Otoritas Jasa Keuangan, 2025). A similar but more geographically specific pattern can be observed in the Special Region of Yogyakarta (DIY), where financial literacy decreased from 58.53% in 2019 to 54.55% in 2022 while financial inclusion increased from 76.12% to 82.08%, before financial literacy reached 66.00% in 2025 against financial inclusion of 80.51% (kumparan.com, 2025). This disparity indicates that increased participation in formal financial services cannot automatically be interpreted as evidence of effective financial management. The situation is particularly relevant to DIY because its socioeconomic environment is strongly influenced by education, tourism, services, entrepreneurship, and technology-based economic activities, which generate increasingly diverse financial needs and decision-making pressures. The growing adoption of digital financial services may increase convenience and financial participation, while simultaneously exposing individuals to greater risks of inappropriate borrowing, excessive consumption, and weak financial control when digital access is not accompanied by adequate financial capability (Choung et al., 2023). The persistence of the literacy–inclusion gap therefore raises an important empirical question concerning why broader financial access does not consistently translate into healthier financial outcomes among individuals.

Table 1. Comparison of Financial Literacy and Financial Inclusion in Indonesia and the Special Region of Yogyakarta

Year	Financial Literacy – National (%)	Financial Inclusion – National (%)	Financial Literacy – DIY (%)	Financial Inclusion – DIY (%)	Gap – National (%)	Gap – DIY (%)
2019	38.03	76.19	58.53	76.12	38.16	17.59
2022	49.68	85.10	54.55	82.08	35.42	27.53
2024	65.43	75.02	–	–	9.59	–
2025	66.46	80.51	66.00	80.51	14.05	14.51

Source: Otoritas Jasa Keuangan (2025); kumparan.com (2025)

The persistence of the gap presented in Table 1 highlights that financial access and financial capability represent related but distinct dimensions of individuals' financial conditions. Financial literacy provides an important cognitive foundation because financial knowledge enables individuals to evaluate alternatives, understand financial consequences, and make more informed decisions, yet knowledge alone does not necessarily ensure consistent application in everyday financial activities. Recent empirical evidence demonstrates a positive association between financial literacy and financial well-being, while also indicating that the strength of this relationship may depend on intervening mechanisms (Anghel & Pochea, 2025). Financial behavior consequently becomes important because budgeting, spending control, saving, credit use, debt management, and investment represent the practical processes through which financial knowledge is translated into financial outcomes. Research has increasingly positioned financial behavior as an important mechanism linking financial capability to financial well-being rather than treating behavior merely as a consequence of financial knowledge (Rai et al., 2025). Evidence among young adults also confirms that financial behavior is closely associated with financial well-being, reinforcing the importance of examining what individuals actually do with their financial resources rather than relying solely on what they know (Sabri et al., 2024).

The cognitive perspective, however, remains insufficient when psychological dimensions of financial decision-making are excluded, particularly financial confidence and locus of control. Financial confidence refers to individuals' perceived ability to understand financial matters and make appropriate financial decisions, making it conceptually distinct from financial literacy because literacy emphasizes actual knowledge whereas confidence reflects subjective perceptions of financial capability. Empirical evidence indicates that financial knowledge and financial confidence are associated with financial behavior, suggesting that effective financial management depends not only on knowing what should be done but also on believing that one is capable of implementing appropriate financial decisions (Morris et al., 2022). Excessive confidence may nevertheless produce unfavorable consequences when individuals' subjective perceptions of competence exceed their actual financial knowledge, potentially increasing inappropriate credit use and other risky financial decisions (Atlas et al., 2019). Locus of control provides another psychological explanation because it reflects the extent to which individuals

perceive financial outcomes as being determined by their own actions or by external circumstances such as luck, fate, or uncontrollable events. Individuals with a stronger internal locus of control tend to perceive themselves as responsible for financial outcomes and are more likely to engage actively in financial management (Perry & Morris, 2005). Recent research further suggests that financial literacy can influence the relationship between locus of control and financial behavior, indicating that psychological orientation and cognitive capability may operate interactively rather than independently in shaping financial practices (Mutlu & Özer, 2022).

Although the relationships among financial literacy, financial confidence, locus of control, financial behavior, and financial well-being have received increasing scholarly attention, important conceptual and empirical limitations remain in the existing literature. Recent evidence demonstrates that financial literacy, financial confidence, and financial well-being can be connected through financial behavior, providing support for interpreting behavior as a mediating mechanism rather than merely as another dependent variable (Sajid et al., 2024). Psychological beliefs have likewise been found to influence financial well-being through financial behavior, suggesting that individuals' internal perceptions may become consequential for financial outcomes when translated into actual financial practices (She et al., 2022). Systematic research has nevertheless identified fragmentation in financial well-being literature, particularly concerning the mechanisms through which individual cognitive and psychological characteristics are converted into financial outcomes (Bashir & Qureshi, 2023). The literature also remains inconclusive regarding whether financial literacy exerts a direct influence on financial well-being or whether its effects are primarily transmitted through behavioral and psychological pathways, while financial confidence may generate either adaptive or maladaptive decisions depending on the accuracy of individuals' self-assessments. Recent evidence distinguishing financial knowledge, financial skill, and self-assessed knowledge further reinforces the need to separate objective financial capability from subjective perceptions when explaining financial behavior and financial well-being (Phelps & Metzler, 2025). These unresolved issues become particularly important in DIY, where relatively high financial inclusion coexists with a persistent literacy gap and expanding digital financial activity, creating an appropriate empirical setting for examining whether financial knowledge, confidence, and perceived control are actually translated into financial behavior that improves financial well-being.

Against this background, the present study positions financial behavior as a mediating mechanism through which financial literacy, financial confidence, and locus of control influence financial well-being among the population of the Special Region of Yogyakarta aged 20–44 years. The study moves beyond a predominantly direct-effect perspective by examining whether cognitive capability and psychological perceptions become consequential for financial well-being when they are translated into concrete financial practices. The theoretical contribution lies in integrating cognitive and psychological dimensions of financial capability into a single explanatory framework, extending the understanding of financial well-being beyond the assumption that financial knowledge or financial access alone is sufficient to generate favorable financial outcomes. The empirical contribution lies in providing evidence from DIY, a regional context characterized by relatively broad financial inclusion, a continuing literacy gap, and increasing exposure to digital financial services. The methodological contribution lies in testing financial behavior as a mediating variable within an integrated model that simultaneously examines financial literacy, financial confidence, and locus of control as antecedents of financial well-being. The study aims to clarify the mechanisms through which individuals' financial knowledge, confidence in their financial capabilities, and perceptions of personal control are translated into financial practices and subsequently associated with their financial well-being. The findings are expected to provide a stronger empirical basis for developing financial education and intervention strategies that move beyond knowledge transfer toward financial confidence, perceived financial control, responsible financial behavior, and sustainable financial well-being.

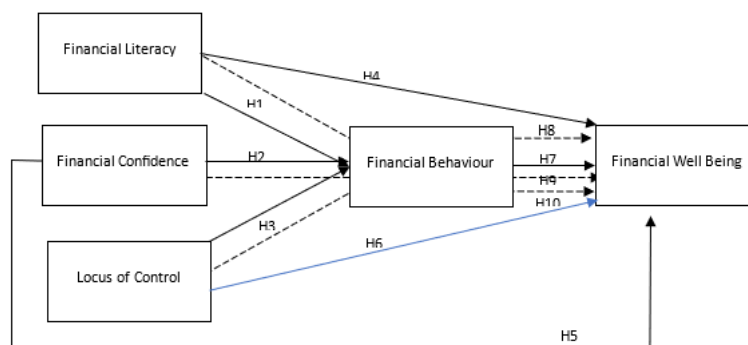


Figure 1. Conceptual Framework of the Study

RESEARCH METHODS

This study is classified as an empirical quantitative study because it collects primary data from respondents in the Special Region of Yogyakarta (DIY) and empirically tests the proposed relationships among financial literacy, financial confidence, locus of control, financial behavior, and financial well-being. The study adopts an explanatory research design to develop and test an integrated model in which financial literacy, financial confidence, and locus of control function as exogenous variables, financial behavior serves as a mediating variable, and financial well-being represents the endogenous outcome. The target population consists of 1,346,400 residents of DIY aged 20–44 years, from which 400 respondents are selected using purposive sampling based on predetermined age and domicile criteria. Primary data are collected through an online questionnaire containing measurement items for financial literacy, financial confidence, locus of control, financial behavior, and financial well-being, with the constructs operationalized based on established conceptualizations in the financial well-being literature (Brüggen et al., 2017). The inclusion of financial behavior as a mediator is theoretically grounded in the proposition that financial knowledge and psychological resources may not automatically generate favorable financial outcomes unless they are translated into actual financial practices (Sajid et al., 2024). This research design provides methodological distinctiveness by simultaneously examining cognitive and psychological determinants within a single empirical model in the context of a regional population experiencing increasing exposure to digital financial services.

The proposed model is analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS, allowing simultaneous assessment of the measurement model and structural relationships among latent constructs. The outer model is evaluated through indicator loadings, average variance extracted (AVE), composite reliability, and Cronbach's alpha to establish indicator reliability, convergent validity, and internal consistency, while discriminant validity is assessed to confirm that each construct represents a theoretically distinct concept. The inner model is evaluated using path coefficients, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2) to assess the explanatory and predictive quality of the structural model, while bootstrapping is applied to determine the statistical significance of the hypothesized relationships. The mediation analysis specifically examines the indirect effects of financial literacy, financial confidence, and locus of control on financial well-being through financial behavior, enabling the study to distinguish direct relationships from behavioral transmission mechanisms. This analytical strategy is supported by recent evidence that financial behavior can function as an important mechanism linking financial literacy with financial well-being, reinforcing the relevance of mediation analysis in explaining how financial capability is converted into financial outcomes (Rai et al., 2025). The methodological robustness of the study is strengthened through the simultaneous assessment of measurement quality, structural model performance, direct effects, and indirect effects, consistent with the broader view that financial well-being is shaped by interconnected structural, cognitive, psychological, and behavioral determinants rather than by a single financial capability factor (Fan & Henager, 2022).

RESULTS AND DISCUSSION

Measurement Model Evaluation

The measurement model was evaluated before testing the structural relationships among Financial Literacy, Financial Confidence, Locus of Control, Financial Behavior, and Financial Well-

Being. The evaluation covered indicator reliability, convergent validity, construct reliability, and discriminant validity. The initial PLS-SEM estimation included all indicators specified for the five latent constructs. Indicators with outer loadings below the recommended threshold were evaluated individually rather than removed automatically, particularly when their retention could be supported by theoretical considerations and construct-level validity. In PLS-SEM, indicators with loadings between 0.40 and 0.70 may be retained when their removal does not improve the measurement model substantially and when their theoretical contribution remains relevant (Hair et al., 2022). The estimation was performed iteratively by eliminating indicators that did not adequately contribute to the measurement model and re-estimating the model after each adjustment.

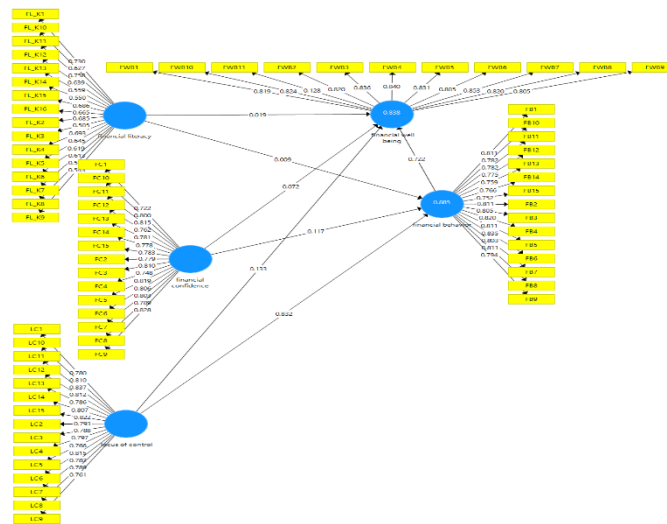


Figure 2. Graphical Output of SEM-PLS Model Estimation

Figure 2 presents the graphical output of the initial SEM-PLS model estimation. The model illustrates the relationships between the latent constructs and their respective measurement indicators before the final indicator configuration was established. The initial estimation provided the basis for identifying indicators that required further evaluation based on their outer loading values. The evaluation was conducted sequentially so that the elimination of an indicator could be assessed in relation to changes in the quality of the remaining measurement model. This approach is consistent with PLS-SEM procedures in which indicator reliability is considered together with convergent validity, construct reliability, and theoretical content rather than relying exclusively on a single statistical criterion (Hair et al., 2022). The resulting model was subsequently re-estimated to obtain the final measurement configuration.

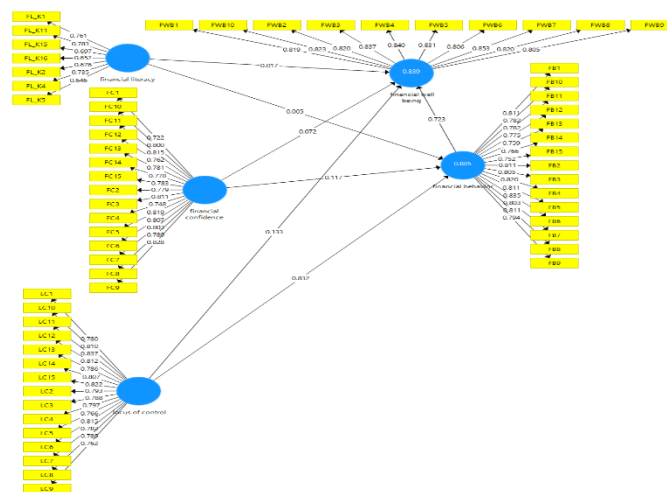


Figure 3. Final SEM-PLS Model After Indicator Elimination

Figure 3 shows the final SEM-PLS model after the indicator elimination process had been completed. The final model contains 15 indicators for Financial Behavior, 10 indicators for Financial Well-Being, 15 indicators for Financial Confidence, 15 indicators for Locus of Control, and 7 indicators for Financial Literacy. Most retained indicators have outer loading values above 0.70, indicating satisfactory indicator reliability. Several Financial Literacy indicators have loading values between 0.60 and 0.70, namely FL_K2, FL_K5, FL_K15, and FL_K16. These indicators were retained because their construct-level reliability and convergent validity remained acceptable, while their theoretical contribution to the measurement of Financial Literacy was maintained. Hair et al. (2022) note that indicators within the 0.60–0.70 range can be considered for retention when the overall quality of the construct remains adequate and theoretical justification exists.

The results of the convergent validity assessment are presented in Table 2. Financial Behavior has outer loading values ranging from 0.752 to 0.835, while Financial Well-Being ranges from 0.805 to 0.853. Financial Confidence records loading values between 0.722 and 0.828, and Locus of Control ranges from 0.762 to 0.837. Financial Literacy has the widest range, from 0.646 to 0.783, with four indicators below 0.70 but above 0.60. The retention of these indicators is supported by the AVE and reliability results presented in Table 3, particularly because the AVE for Financial Literacy remains above the minimum criterion of 0.50. The pattern indicates that the majority of indicators provide adequate representation of their respective constructs, while the retained Financial Literacy indicators require interpretation at the construct level rather than through loading values alone (Hair et al., 2022).

Table 2. Results of Convergent Validity Test

Construct	Indicator	Outer Loading	Status
Financial Behavior	FB1	0.811	Valid
	FB2	0.811	Valid
	FB3	0.805	Valid
	FB4	0.820	Valid
	FB5	0.811	Valid
	FB6	0.835	Valid
	FB7	0.803	Valid
	FB8	0.811	Valid
	FB9	0.794	Valid
	FB10	0.782	Valid
	FB11	0.782	Valid
	FB12	0.775	Valid
	FB13	0.759	Valid
	FB14	0.766	Valid
	FB15	0.752	Valid
Financial Well-Being	FWB1	0.819	Valid
	FWB2	0.820	Valid
	FWB3	0.837	Valid
	FWB4	0.840	Valid
	FWB5	0.831	Valid
	FWB6	0.806	Valid
	FWB7	0.853	Valid
	FWB8	0.820	Valid
	FWB9	0.805	Valid
	FWB10	0.823	Valid
Financial Confidence	FC1	0.722	Valid
	FC2	0.779	Valid
	FC3	0.811	Valid
	FC4	0.748	Valid
	FC5	0.819	Valid
	FC6	0.807	Valid
	FC7	0.803	Valid

Locus of Control	FC8	0.789	Valid
	FC9	0.828	Valid
	FC10	0.800	Valid
	FC11	0.815	Valid
	FC12	0.762	Valid
	FC13	0.781	Valid
	FC14	0.778	Valid
	FC15	0.783	Valid
	LC1	0.780	Valid
	LC2	0.793	Valid
	LC3	0.788	Valid
	LC4	0.797	Valid
	LC5	0.766	Valid
	LC6	0.815	Valid
	LC7	0.782	Valid
Financial Literacy	LC8	0.789	Valid
	LC9	0.762	Valid
	LC10	0.810	Valid
	LC11	0.837	Valid
	LC12	0.812	Valid
	LC13	0.786	Valid
	LC14	0.807	Valid
	LC15	0.822	Valid
	FL_K1	0.761	Valid
	FL_K2	0.676	Retained
	FL_K4	0.735	Valid
	FL_K5	0.646	Retained
	FL_K11	0.783	Valid
	FL_K15	0.697	Retained
	FL_K16	0.652	Retained

Source: Data processed using SmartPLS, 2026.

The construct reliability and validity assessment provides further evidence regarding the quality of the final measurement model, as shown in Table 3. Cronbach's alpha values range from 0.840 to 0.959 across the five constructs. The rho_A values range from 0.866 to 0.959, while composite reliability ranges from 0.875 to 0.963. All reliability coefficients exceed the minimum value of 0.70, indicating adequate internal consistency among the indicators within each construct. The AVE values range from 0.502 to 0.682, with every construct exceeding the minimum threshold of 0.50. Financial Literacy has the lowest AVE at 0.502, but the value remains sufficient to establish convergent validity at the construct level (Hair et al., 2022).

Table 3. Results of Construct Reliability and Validity

Construct	Cronbach Alpha	rho_A	Composite Reliability	AVE	Status
Financial Behavior	0.958	0.958	0.963	0.632	Reliable and Valid
Financial Well-Being	0.948	0.948	0.955	0.682	Reliable and Valid
Locus of Control	0.959	0.959	0.963	0.635	Reliable and Valid
Financial Confidence	0.956	0.957	0.961	0.622	Reliable and Valid
Financial Literacy	0.840	0.866	0.875	0.502	Reliable and Valid

Source: Data processed using SmartPLS, 2026

The final measurement assessment examined discriminant validity using the cross-loading criterion, with the results presented in Table 4. Each indicator demonstrates its highest loading on the construct it was designed to measure. The Financial Behavior indicators range from 0.752 to 0.835 on

their intended construct, whereas Financial Well-Being indicators range from 0.805 to 0.853. Financial Confidence indicators range from 0.722 to 0.828, and Locus of Control indicators range from 0.762 to 0.837. Financial Literacy indicators range from 0.646 to 0.783 and consistently show their highest loading on Financial Literacy despite several values being below 0.70. The cross-loading pattern supports indicator-level discriminant validity because each indicator has a stronger loading on its assigned construct than on the other constructs, allowing the final measurement model to proceed to structural model evaluation.

Table 4. Results of Discriminant Validity (Cross Loadings)

Indicator	Financial Behavior	Financial Well-Being	Locus of Control	Financial Confidence	Financial Literacy
FB1	0.811	0.722	0.767	0.683	0.094
FB10	0.782	0.699	0.739	0.663	0.109
FB11	0.782	0.703	0.738	0.707	0.090
FB12	0.775	0.760	0.731	0.716	0.139
FB13	0.759	0.721	0.713	0.684	0.099
FB14	0.766	0.736	0.708	0.710	0.044
FB15	0.752	0.748	0.667	0.645	0.108
FB2	0.811	0.738	0.784	0.730	0.107
FB3	0.805	0.724	0.761	0.707	0.045
FB4	0.820	0.739	0.782	0.712	0.067
FB5	0.811	0.718	0.759	0.680	0.161
FB6	0.835	0.732	0.777	0.707	0.054
FB7	0.803	0.716	0.750	0.683	0.067
FB8	0.811	0.705	0.765	0.707	0.034
FB9	0.794	0.720	0.754	0.704	0.104
FC1	0.651	0.626	0.655	0.722	0.042
FC10	0.693	0.662	0.721	0.800	0.100
FC11	0.711	0.672	0.748	0.815	0.046
FC12	0.666	0.615	0.694	0.762	0.056
FC13	0.671	0.661	0.709	0.781	0.049
FC14	0.685	0.649	0.738	0.778	0.134
FC15	0.725	0.668	0.762	0.783	0.072
FC2	0.722	0.685	0.707	0.779	0.056
FC3	0.720	0.674	0.731	0.811	0.089
FC4	0.641	0.597	0.666	0.748	0.031
FC5	0.711	0.676	0.740	0.819	0.049
FC6	0.689	0.675	0.722	0.807	0.022
FC7	0.671	0.618	0.707	0.803	0.093
FC8	0.677	0.621	0.726	0.789	0.048
FC9	0.719	0.683	0.748	0.828	0.034
FL_K1	0.083	0.096	0.073	0.032	0.761
FL_K11	0.108	0.109	0.110	0.093	0.783
FL_K15	0.054	0.079	0.078	0.050	0.697
FL_K16	0.028	0.050	0.040	0.000	0.652
FL_K2	0.054	0.053	0.050	0.020	0.676
FL_K4	0.113	0.096	0.123	0.111	0.735
FL_K5	0.054	0.064	0.048	0.007	0.646
FWB1	0.735	0.819	0.715	0.680	0.078
FWB10	0.747	0.823	0.727	0.680	0.084
FWB2	0.745	0.820	0.720	0.681	0.074
FWB3	0.767	0.837	0.746	0.703	0.174
FWB4	0.756	0.840	0.722	0.682	0.062
FWB5	0.752	0.831	0.741	0.676	0.080

FWB6	0.745	0.806	0.708	0.673	0.161
FWB7	0.776	0.853	0.747	0.715	0.070
FWB8	0.769	0.820	0.728	0.678	0.095
FWB9	0.742	0.805	0.710	0.665	0.093
LC1	0.725	0.673	0.780	0.772	0.083
LC10	0.744	0.706	0.810	0.711	0.129
LC11	0.806	0.728	0.837	0.734	0.079
LC12	0.748	0.704	0.812	0.708	0.061
LC13	0.759	0.708	0.786	0.686	0.132
LC14	0.770	0.706	0.807	0.719	0.071
LC15	0.791	0.729	0.822	0.710	0.070
LC2	0.737	0.704	0.793	0.780	0.085
LC3	0.736	0.695	0.788	0.768	0.117
LC4	0.700	0.662	0.797	0.784	0.067
LC5	0.709	0.661	0.766	0.741	0.118
LC6	0.796	0.734	0.815	0.734	0.086
LC7	0.762	0.709	0.782	0.702	0.066
LC8	0.714	0.687	0.789	0.690	0.145
LC9	0.718	0.701	0.762	0.659	0.081

Source: Data processed using SmartPLS, 2026.

Structural Model Evaluation

The structural model was evaluated after the measurement model had satisfied the required reliability and validity criteria. The assessment focused on the coefficient of determination (R^2), predictive relevance (Q^2), and model fit indicators. R^2 was used to determine the proportion of variance in the endogenous constructs that could be explained by their predictor constructs. Q^2 was examined to assess whether the structural model had predictive relevance for the endogenous constructs. Model fit was further evaluated using SRMR, d_ULS, d_G, Chi-Square, and NFI to provide additional evidence regarding the adequacy of the estimated model. These indicators provide complementary information because explanatory power, predictive relevance, and approximate model fit represent different dimensions of structural model assessment (Hair et al., 2022).

Table 5. Results of Coefficient of Determination (R-Square)

Endogenous Construct	R-Square	Adjusted R-Square	Interpretation
Financial Well-Being	0.839	0.837	Strong
Financial Behavior	0.885	0.884	Strong

Source: Data processed using SmartPLS, 2026

Table 5 shows that the R^2 value for Financial Well-Being is 0.839, with an adjusted R^2 of 0.837. This means that 83.9% of the variance in Financial Well-Being is explained jointly by Financial Literacy, Financial Confidence, Locus of Control, and Financial Behavior in the structural model. The remaining 16.1% of the variance is attributable to other factors that are not included in the model. Financial Behavior records an R^2 value of 0.885 and an adjusted R^2 of 0.884, indicating that 88.5% of its variance is explained by Financial Literacy, Financial Confidence, and Locus of Control. The remaining 11.5% is associated with factors outside the model, while the high R^2 values indicate substantial explanatory power for both endogenous constructs. The strength of these values is consistent with the use of R^2 as an indicator of the model's explanatory capability in PLS-SEM, although a high R^2 should be interpreted together with other structural model criteria rather than as evidence of causal certainty (Hair et al., 2022).

The predictive relevance of the structural model was assessed using the Q^2 value. A Q^2 value greater than zero indicates that the model has predictive relevance for the corresponding endogenous construct. The results obtained from the analysis are presented in Table 6. Financial Well-Being has a Q^2 value of 0.566, whereas Financial Behavior has a Q^2 value of 0.544. Both values are substantially above zero, indicating that the structural model provides predictive relevance for the two endogenous

constructs. The results complement the high R^2 values by showing that the model is not only able to explain a substantial proportion of variance but also demonstrates predictive capability for the endogenous variables (Hair et al., 2022).

Table 6. Results of Predictive Relevance (Q^2)

Endogenous Construct	SSO	SSE	Q^2	Interpretation
Financial Well-Being	4,000.000	1,734.053	0.566	Has predictive relevance
Financial Behavior	5,200.000	2,370.276	0.544	Has predictive relevance

Source: Data processed using SmartPLS, 2026

The Q^2 findings in Table 6 indicate that Financial Well-Being has stronger predictive relevance than Financial Behavior based on the respective Q^2 values of 0.566 and 0.544. The difference between the two values is relatively small, suggesting that the model demonstrates meaningful predictive relevance for both endogenous constructs. The SSO and SSE values also show that the prediction error represented by SSE remains below the total sum of squares represented by SSO for each endogenous construct. This pattern produces positive Q^2 values and confirms that the estimated model contains predictive information relevant to Financial Behavior and Financial Well-Being. Predictive relevance is particularly important in this study because the proposed framework positions Financial Behavior as a mechanism connecting cognitive and psychological factors with Financial Well-Being. The combination of substantial R^2 values and positive Q^2 values provides empirical support for evaluating the hypothesized structural relationships in the subsequent hypothesis-testing stage (Hair et al., 2022).

Model fit was subsequently evaluated using several fit statistics, as presented in Table 7. The SRMR value is 0.037 for both the saturated and estimated models, which is below the commonly applied criterion of 0.08. This value indicates a low level of residual discrepancy between the observed and model-implied correlations and provides evidence of good approximate model fit. The d_{ULS} and d_G values are both 2.721 and 1.902, respectively, while the Chi-Square value is 3,803.974. The NFI value of 0.832 indicates that the model achieves a moderate level of comparative fit, although it remains below more stringent benchmarks commonly used to characterize very strong fit. Taken together, the fit statistics provide adequate support for the estimated structural model, with SRMR offering the clearest evidence of approximate fit and NFI indicating room for improvement in comparative fit.

Table 7. Results of Model Fit Testing

Fit Index	Saturated Model	Estimated Model	Criterion	Interpretation
SRMR	0.037	0.037	<0.08	Good
d_{ULS}	2.721	2.721	Smaller is better	Meets
d_G	1.902	1.902	Smaller is better	Meets
Chi-Square	3,803.974	3,803.974	Additional information	-
NFI	0.832	0.832	Approaching 1	Good

Source: Data processed using SmartPLS, 2026

Direct Effects and Hypothesis Testing

The direct effects were evaluated using the bootstrapping procedure in SmartPLS to determine whether the proposed relationships among Financial Literacy, Financial Confidence, Locus of Control, Financial Behavior, and Financial Well-Being were statistically significant. Hypothesis testing was conducted at a 5% significance level, with a relationship considered significant when the t-statistic exceeded 1.96 and the p-value was below 0.05. The bootstrapping procedure provides empirical estimates of the sampling distribution of the structural path coefficients and allows the significance of each hypothesized relationship to be assessed. The analysis covered seven direct relationships, consisting of three paths toward Financial Behavior and four paths toward Financial Well-Being. The results provide evidence regarding whether cognitive resources, psychological resources, and financial practices are associated with the financial outcomes represented in the proposed model. The

interpretation of each hypothesis considers both the statistical evidence and the theoretical relationship among the constructs (Hair et al., 2022).

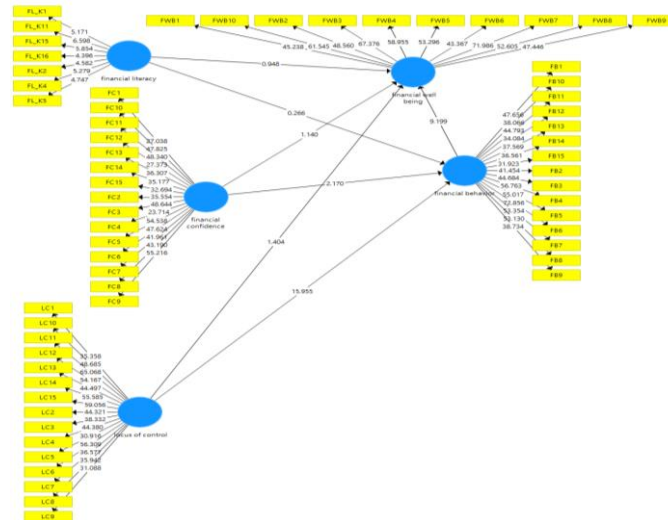


Figure 4. Inner Model

Figure 4 presents the inner model generated from the bootstrapping procedure, including the estimated path coefficients and statistical information for the relationships among the constructs. The model shows that Financial Literacy, Financial Confidence, and Locus of Control are specified as predictors of Financial Behavior. Financial Literacy, Financial Confidence, Locus of Control, and Financial Behavior are also connected directly to Financial Well-Being. The magnitude and significance of these paths provide the empirical basis for determining whether hypotheses H1 through H7 are supported. The structural coefficients show considerable variation across the proposed relationships, particularly in the substantially stronger path from Locus of Control to Financial Behavior. Such variation suggests that the cognitive and psychological constructs do not contribute equally to the behavioral and well-being outcomes within the estimated model.

Table 8. Results of Direct Effect Testing

Hypothesis	Relationship	β	t-statistic	p-value	Decision
H1	Financial Literacy → Financial Behavior	0.006	0.356	0.722	Rejected
H2	Financial Confidence → Financial Behavior	0.127	2.379	0.018	Accepted
H3	Locus of Control → Financial Behavior	0.817	15.837	0.000	Accepted
H4	Financial Literacy → Financial Well-Being	0.016	0.896	0.371	Rejected
H5	Financial Confidence → Financial Well-Being	0.070	1.187	0.236	Rejected
H6	Locus of Control → Financial Well-Being	0.179	2.050	0.041	Accepted
H7	Financial Behavior → Financial Well-Being	0.681	9.489	0.000	Accepted

Source: Data processed using SmartPLS, 2026

Table 8 shows that four of the seven proposed direct relationships are statistically significant, whereas three relationships are not supported. Financial Literacy does not significantly predict Financial Behavior, as indicated by $\beta = 0.006$, $t = 0.356$, and $p = 0.722$. Financial Confidence has a positive and significant relationship with Financial Behavior ($\beta = 0.127$, $t = 2.379$, $p = 0.018$), while Locus of Control

has the strongest positive relationship with Financial Behavior ($\beta = 0.817$, $t = 15.837$, $p < 0.001$). Financial Literacy and Financial Confidence do not significantly predict Financial Well-Being directly, with $\beta = 0.016$ and $p = 0.371$ for Financial Literacy and $\beta = 0.070$ and $p = 0.236$ for Financial Confidence. Locus of Control and Financial Behavior, however, demonstrate significant positive relationships with Financial Well-Being, with coefficients of 0.179 and 0.681, respectively. These results indicate that psychological control and actual financial practices have stronger direct associations with Financial Well-Being than the cognitive and confidence-based predictors examined independently.

H1 proposes that Financial Literacy has a positive effect on Financial Behavior, but the empirical result does not support this hypothesis. The path coefficient is $\beta = 0.006$, with a t -statistic of 0.356 and a p -value of 0.722, indicating that the relationship is statistically insignificant. The nearly zero coefficient suggests that differences in financial knowledge among respondents are not accompanied by meaningful differences in their reported financial practices within the estimated model. Financial literacy provides knowledge regarding financial concepts and decisions, but possessing such knowledge does not necessarily ensure that individuals consistently apply it in everyday financial management (Ingale & Paluri, 2022). Previous research indicates that financial literacy does not always translate directly into financial behavior, as the process may depend on psychological and contextual factors (Mireku et al., 2023). The finding is also consistent with research showing that financial knowledge may require complementary capabilities or self-regulatory mechanisms before it can generate observable changes in financial behavior (Phelps & Metzler, 2025).

H2 is supported because Financial Confidence has a positive and statistically significant relationship with Financial Behavior. The path coefficient of $\beta = 0.127$, $t = 2.379$, and $p = 0.018$ indicates that higher financial confidence is associated with more favorable financial practices among the respondents. Financial confidence represents an individual's perceived capability to understand, evaluate, and manage financial decisions, making it a psychological resource that can facilitate the implementation of financial intentions. Research by Morris et al. (2022) demonstrates that financial confidence is associated with financial behavior even when financial knowledge is considered within the same analytical framework. Similar evidence indicates that confidence can strengthen individuals' willingness to engage in financial planning, saving, and other financial management activities (Das & Maji, 2023). The positive but relatively modest coefficient in the present study suggests that confidence contributes to Financial Behavior, although its association is considerably weaker than that of Locus of Control.

H3 is supported, with Locus of Control demonstrating the strongest direct relationship with Financial Behavior in the structural model. The coefficient is $\beta = 0.817$, accompanied by a t -statistic of 15.837 and a p -value below 0.001. The magnitude of this coefficient indicates that respondents' perceptions of personal control over financial outcomes are strongly associated with their financial practices. Individuals with a stronger internal orientation toward control may be more likely to perceive financial outcomes as influenced by their own decisions, encouraging active management, planning, and monitoring of financial resources. Perry and Morris (2005) identify perceived control as an important factor in explaining consumer financial behavior, while Mutlu and Özer (2022) further demonstrate the relevance of locus of control in explaining financial behavior. The result positions Locus of Control as the most prominent direct predictor of Financial Behavior among the three antecedent variables examined in this study.

H4 is rejected because Financial Literacy does not have a statistically significant direct relationship with Financial Well-Being. The estimated path coefficient is $\beta = 0.016$, with a t -statistic of 0.896 and a p -value of 0.371. The very small coefficient indicates that financial knowledge alone does not provide a sufficient direct explanation for differences in respondents' perceived financial well-being. Financial Well-Being encompasses broader conditions involving financial security, financial freedom, perceived control, and the ability to manage present and future financial needs, making financial knowledge only one component of a multidimensional outcome (Brüggen et al., 2017). Recent evidence indicates that the relationship between Financial Literacy and Financial Well-Being may operate through intervening mechanisms such as Financial Behavior and financial self-efficacy rather than through a direct pathway alone (Rai et al., 2025). The non-significant direct effect in the present model reinforces the distinction between knowing financial concepts and experiencing favorable financial conditions.

H5 is not supported because Financial Confidence does not have a statistically significant direct relationship with Financial Well-Being. The path coefficient is $\beta = 0.070$, with a t-statistic of 1.187 and a p-value of 0.236, which fails to meet the specified significance criteria. Financial confidence may provide individuals with greater perceived capability in dealing with financial matters, but confidence alone may not immediately translate into improved financial circumstances. The relationship can be influenced by the extent to which confidence is translated into concrete financial practices such as budgeting, saving, debt management, and expenditure control (Atlas et al., 2019). Studies examining financial confidence indicate that confidence is more closely associated with financial actions and decision-making processes than with financial outcomes directly (Morris et al., 2022). The absence of a significant direct path in this study is particularly relevant because Financial Behavior is subsequently shown to have a strong relationship with Financial Well-Being.

H6 is supported because Locus of Control has a positive and statistically significant direct relationship with Financial Well-Being. The path coefficient is $\beta = 0.179$, with a t-statistic of 2.050 and a p-value of 0.041. The finding indicates that individuals who perceive greater personal control over financial outcomes tend to report higher levels of financial well-being within the structural model. Perceived control is relevant to Financial Well-Being because individuals who believe that their financial outcomes are influenced by their own actions may be more inclined to plan, regulate, and respond proactively to financial challenges. Perry and Morris (2005) establish the relevance of perceived control to financial behavior, while She et al. (2022) show that psychological beliefs can contribute to Financial Well-Being through financial behavioral mechanisms. The significant direct path observed here indicates that Locus of Control has relevance not only for financial practices but also for the financial well-being outcome itself.

H7 is supported and represents one of the strongest direct relationships in the model. Financial Behavior has a path coefficient of $\beta = 0.681$, with a t-statistic of 9.489 and a p-value below 0.001. The coefficient indicates a strong positive association between favorable financial practices and Financial Well-Being among the respondents. Individuals who consistently manage expenditures, save, plan finances, and make deliberate financial decisions are more likely to experience greater perceived financial security and control. This finding is consistent with evidence that financial behavior is an important determinant of Financial Well-Being among young adults (Sabri et al., 2024). The result also supports the view that Financial Well-Being is not determined solely by what individuals know or believe but is strongly connected to how financial resources are actually managed in everyday life.

Mediating Effects of Financial Behavior

The mediation analysis was conducted to examine whether Financial Behavior transmits the relationships between Financial Literacy, Financial Confidence, Locus of Control, and Financial Well-Being. The analysis focused on the indirect effects generated through the Financial Behavior construct. A mediation relationship is established when the indirect effect is statistically significant, while the relationship between the predictor and outcome through the mediator can be further interpreted by considering the corresponding direct effect. The significance of the indirect effects was assessed using the bootstrapping procedure in SmartPLS at a 5% significance level. This approach enables the study to identify whether cognitive and psychological resources are translated into Financial Well-Being through actual financial practices. The mediation framework is consistent with recent research positioning Financial Behavior as an important mechanism linking financial capability and psychological resources with financial well-being outcomes (Sajid et al., 2024).

Table 9. Results of Indirect Effect Testing

Hypothesis	Relationship	β	t-statistic	p-value	Decision
H8	Financial Literacy → Financial Behavior → Financial Well-Being	0.004	0.350	0.727	Rejected
H9	Financial Confidence → Financial Behavior → Financial Well-Being	0.086	2.311	0.021	Accepted
H10	Locus of Control → Financial Behavior → Financial Well-Being	0.556	7.999	0.000	Accepted

Source: Data processed using SmartPLS, 2026

Table 9 shows that Financial Behavior does not mediate the relationship between Financial Literacy and Financial Well-Being, whereas significant mediation is found for Financial Confidence and Locus of Control. The indirect effect of Financial Literacy on Financial Well-Being through Financial Behavior is $\beta = 0.004$, with a t-statistic of 0.350 and a p-value of 0.727. The indirect effect of Financial Confidence on Financial Well-Being through Financial Behavior is $\beta = 0.086$, with a t-statistic of 2.311 and a p-value of 0.021. The strongest indirect effect is observed for Locus of Control through Financial Behavior, with $\beta = 0.556$, $t = 7.999$, and $p < 0.001$. These findings indicate that Financial Behavior does not function uniformly as a transmission mechanism for all antecedent variables in the model. The contrasting mediation patterns demonstrate that the conversion of financial knowledge and psychological resources into Financial Well-Being depends on the specific nature of the antecedent construct (Bashir & Qureshi, 2023).

The eighth hypothesis is not supported because Financial Literacy does not have a significant indirect relationship with Financial Well-Being through Financial Behavior. The indirect coefficient of $\beta = 0.004$ is extremely small, while the t-statistic of 0.350 and p-value of 0.727 indicate that the indirect pathway is statistically insignificant. This result corresponds with the non-significant direct relationship between Financial Literacy and Financial Behavior reported in H1, where $\beta = 0.006$ and $p = 0.722$. Without a meaningful relationship between financial knowledge and financial practices, Financial Behavior cannot effectively transmit the influence of Financial Literacy to Financial Well-Being. Financial literacy can provide individuals with information about financial products, planning, saving, and risk management, but knowledge alone may not be sufficient to generate consistent financial practices (Ingale & Paluri, 2022). Recent evidence indicates that the relationship between Financial Literacy and Financial Well-Being may depend on intervening psychological and behavioral mechanisms rather than operating automatically from knowledge to financial outcomes (Anghel & Pochea, 2025).

The ninth hypothesis is supported because Financial Confidence has a significant indirect relationship with Financial Well-Being through Financial Behavior. The indirect effect is $\beta = 0.086$, with a t-statistic of 2.311 and a p-value of 0.021, satisfying the specified significance criteria. At the same time, the direct relationship between Financial Confidence and Financial Well-Being is not significant, as shown by H5 with $\beta = 0.070$, $t = 1.187$, and $p = 0.236$. The combination of a non-significant direct effect and a significant indirect effect indicates that Financial Behavior provides the principal pathway through which Financial Confidence is associated with Financial Well-Being in the estimated model. Financial confidence may encourage individuals to feel more capable of handling financial decisions, but its contribution to financial well-being becomes more evident when that confidence is translated into concrete financial practices (Atlas et al., 2019). This pattern is consistent with evidence that Financial Behavior can serve as a mediating mechanism between financial confidence and Financial Well-Being (Sajid et al., 2024).

The tenth hypothesis is supported because Locus of Control has a significant indirect relationship with Financial Well-Being through Financial Behavior. The indirect effect reaches $\beta = 0.556$, with a t-statistic of 7.999 and a p-value below 0.001, indicating a strong and statistically significant mediation pathway. The direct relationship between Locus of Control and Financial Well-Being is also significant, with $\beta = 0.179$, $t = 2.050$, and $p = 0.041$ as reported for H6. The simultaneous significance of the direct and indirect effects indicates that Financial Behavior partially mediates the relationship between Locus of Control and Financial Well-Being. The finding suggests that perceived control over financial outcomes is associated with Financial Well-Being both directly and through the adoption of financial practices. This pattern is consistent with research identifying perceived control as an important psychological factor in financial behavior and financial well-being (Perry & Morris, 2005).

The three mediation pathways reveal distinct mechanisms linking the antecedent variables with Financial Well-Being. Financial Literacy shows neither a significant direct relationship with Financial Behavior nor a significant indirect relationship with Financial Well-Being through Financial Behavior. Financial Confidence demonstrates a significant indirect pathway despite its non-significant direct relationship with Financial Well-Being, indicating that its contribution is primarily transmitted through financial practices. Locus of Control exhibits both a significant direct relationship with Financial Well-Being and a significant indirect pathway through Financial Behavior, producing a partial mediation pattern. The magnitude of the indirect coefficient for Locus of Control ($\beta = 0.556$) also exceeds the

corresponding indirect effect of Financial Confidence ($\beta = 0.086$), reinforcing the dominant role of perceived control in the behavioral pathway. These results are consistent with an integrated perspective in which Financial Well-Being emerges from the interaction of cognitive resources, psychological beliefs, and financial behavior rather than from financial knowledge alone (Fan & Henager, 2022).

CONCLUSION

This study concludes that Financial Literacy does not have a significant effect on either Financial Behavior or Financial Well-Being among the population of the Special Region of Yogyakarta. Financial Confidence has a positive and significant effect on Financial Behavior, indicating that individuals with greater confidence in managing their finances tend to demonstrate better financial practices. Locus of Control also has a positive and significant effect on Financial Behavior, with the substantially stronger path coefficient indicating that perceived control is an important factor in shaping responsible financial practices. Financial Confidence does not have a significant direct effect on Financial Well-Being, whereas Locus of Control has a positive and significant direct effect on Financial Well-Being. Financial Behavior has a positive and significant effect on Financial Well-Being, confirming its important role in translating individual financial resources and psychological characteristics into financial outcomes. The findings indicate that financial knowledge alone is insufficient to produce better financial practices or financial well-being when it is not accompanied by behavioral implementation. The structural model also shows that Financial Literacy, Financial Confidence, Locus of Control, and Financial Behavior collectively provide substantial explanatory power for the endogenous constructs in the model.

The mediation results further demonstrate that Financial Behavior plays different roles in transmitting the effects of the antecedent variables to Financial Well-Being. Financial Behavior does not significantly mediate the relationship between Financial Literacy and Financial Well-Being, indicating that the possession of financial knowledge does not automatically generate behavioral or well-being improvements. Financial Behavior significantly mediates the relationship between Financial Confidence and Financial Well-Being, while the absence of a significant direct effect indicates a full mediation pattern. This finding suggests that financial confidence contributes to financial well-being primarily when it is translated into concrete financial practices. Financial Behavior also partially mediates the relationship between Locus of Control and Financial Well-Being because both the direct and indirect effects are significant. Locus of Control consequently contributes to financial well-being through both its direct relationship and its influence on financial behavior. The overall findings highlight that improving Financial Well-Being among the population of the Special Region of Yogyakarta requires greater attention to behavioral implementation and psychological resources alongside the development of financial knowledge.

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