

The Influence of Financial Self-Efficacy and Financial Well-Being on Gen-Z in Padang City: The Role of Financial Behavior as a Mediator

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ABSTRACT

This study aims to analyze the effect of *financial self-efficacy* on *financial well-being* with *financial behavior* as a mediating variable in Generation Z who have worked in Padang City. This study is motivated by the still low level of financial well-being of Generation Z, which is influenced by low confidence in managing finances and suboptimal financial behavior. The study used a quantitative approach with the *Partial Least Squares – Structural Equation Modeling* (PLS-SEM) method. The research sample consisted of 200 respondents selected using a *purposive sampling technique*. The results showed that *financial self-efficacy* had a positive and significant effect on *financial behavior* and *financial well-being*. In addition, *financial behavior* also had a positive and significant effect on *financial well-being*. The results of the mediation test proved that *financial behavior* was able to positively and significantly mediate the effect of *financial self-efficacy* on *financial well-being*. These findings indicate that improving the financial well-being of Generation Z is not only influenced by individual confidence in managing finances but also by the ability to apply good financial behavior in everyday life.

Keywords: *Behavioral Finance, Financial Behavior, Financial Self-Efficacy, Financial Well-Being, Generation Z*

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INTRODUCTION

Modern economic developments demonstrate that individual well-being is no longer measured solely by income, but rather by the ability to manage financial resources effectively and sustainably (Apriansah & Mulyatini, 2022). This condition is formulated in the concept of financial well-being, namely the state of an individual being able to meet current financial obligations, have resilience to economic shocks, and feel secure about future financial conditions (Oquaye, 2020). Financial well-being encompasses objective dimensions such as income, assets, and the ability to repay debts, as well as subjective dimensions such as satisfaction and control over financial conditions (Halandová, 2024); these two dimensions complement each other because financial well-being is not solely determined by numbers, but also by the individual's psychological perception of them.

From a life cycle perspective, the productive age group, especially Generation Z, who have just

entered the workforce, are in a crucial phase of developing long-term financial well-being, when income is unstable but consumption demands and financial responsibility continue to increase (Acharya, 2023; Muaviah et al., 2023). This generation grew up in a digital environment that shapes fast-paced and trend-responsive consumption patterns (Grigoreva et al., 2021); on the one hand, this opens up opportunities for financial literacy and inclusion, but on the other hand, it has the potential to encourage consumptive behavior and dependence on instant credit if not balanced with adequate financial understanding. National data shows that Indonesia's Financial Literacy Index has only reached around 65.43%, while the digital literacy of the younger generation is around 62% (www.ojk.go.id), indicating that increased access to financial services has not been fully followed by the quality of individual financial decision-making.

This phenomenon is also evident in Padang City. Data from the Padang City Central Statistics Agency (2025) shows that the population structure is dominated by the productive age group, with Generation Z as the largest generational group (34%) compared to other generations in that age range. This large proportion makes Generation Z a strategic group to study, considering that their financial management patterns have the potential to have long-term impacts on individual and regional economic stability. In practice, Generation Z in Padang City still faces financial management challenges, such as a tendency towards consumptive behavior, minimal long-term planning, and dependence on family financial support (Ariani et al., 2024). The strong Minangkabau cultural values that emphasize responsibility for the family also influence the financial patterns of the younger generation; some are even required to help with family needs, even though their personal financial condition is not yet stable (Renaldo et al., 2020), thus giving rise to symptoms of a sandwich generation at a relatively young age (Nur Annisa, 2024). This double financial burden has the potential to reduce financial well-being if not balanced with good financial management behavior (Muhammad et al., 2022).

Financial behavior is a concrete manifestation of an individual's financial management, including budgeting, saving habits, spending control, and managing financial obligations based on priorities (Chavali et al., 2021). Individuals with planned financial behavior tend to have better control over cash flow and financial risk, thereby increasing the chances of achieving financial well-being. However, financial behavior does not develop automatically but is influenced by psychological determinants in the form of financial self-efficacy, namely an individual's belief in their ability to manage finances and make appropriate financial decisions (Prasetya & Kurniyati, 2022). Individuals with high financial self-efficacy tend to be more disciplined in budgeting, consistently saving, and able to resist impulsive consumption urges, while low self-efficacy has the potential to lead to avoidance of financial planning or dependence on consumer debt (Dare et al., 2023).

Conceptually, financial self-efficacy is thought to influence financial well-being both directly and

indirectly through financial behavior as a mediating variable . However, research specifically testing this mediation model on working Generation Z is still limited, because most previous studies were conducted on student populations or areas with different socio-economic characteristics, so that not many have simultaneously tested the direct and indirect effects of these three variables in one integrated model on the working Generation Z group at the city level, including Padang City. Based on this description, this study aims to analyze the effect of financial self-efficacy on financial well-being, both directly and through financial behavior as a mediating variable, on working Generation Z in Padang City.

RESEARCH METHODS

This study used a quantitative method with a causal design. This approach aimed to examine the causal relationship between financial well-being (Y), financial self-efficacy (X), and financial behavior (Z). The population in this study was Generation Z who resided in Padang City. The research sample was determined using a purposive sampling technique, with the respondent criteria being individuals belonging to Generation Z aged 25-30 years at the time of the study, domiciled in Padang City, and already employed or having an income and therefore considered capable of managing finances independently. The number of samples was determined at 200 respondents according to the rules of (Hair et al., 2010). The collected data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the help of SmartPLS 4. The PLS-SEM method was chosen because it is suitable for analyzing complex causal models with mediating variables, does not require normal data distribution, and is suitable for use in medium sample sizes (Hair et al., 2010) . The analysis was carried out in two stages, namely: (1) evaluation of the measurement model (outer model) to test validity and reliability, and (2) evaluation of the structural model (inner model) to test the hypothesis.

Hypothesis

H1: Financial self-efficacy has a positive and significant effect on financial well-being.

H2: Financial self-efficacy has a positive and significant effect on financial behavior.

H3: Financial behavior has a positive and significant effect on financial well-being.

H4: financial behavior mediates the effect of financial self-efficacy on financial well-being.

RESULTS AND DISCUSSION

RESULTS

Convergent Validity

Convergent validity testing was conducted to ensure that each indicator truly represents the same construct through a strong relationship between them. The criteria used refer to Hair et al., (2010)

, namely an outer loading value ≥ 0.60 for exploratory studies and an *Average Variance Extracted* (AVE) value ≥ 0.50 . In the initial outer loading test, several indicators showed values < 0.60 , namely the *financial behavior variable* (Z), indicators FB1, FB11, FB12 and several other variable indicators as well. Therefore, it was necessary to eliminate them; the elimination process was carried out gradually until all remaining indicators met the minimum criteria. After elimination, the final model produced 6 appropriate indicators for the *financial behavior variable* (Z), 5 indicators for the *financial self-efficacy variable* (X), and 4 indicators for the *financial well-being variable* (Y). All retained indicators have an outer loading value ≥ 0.60 and have an AVE value ≥ 0.50 , as shown in Table 2.

Table 2. AVE Output

	Average Variance Extracted (AVE)
Financial Behavior (Z)	0.574
Financial Self-Efficacy (X)	0.669
Financial Well-Being (Y)	0.635

Source: Processed data, 2026.

Based on Table 2, the results show that the AVE value of all variables is > 0.5 . Therefore, convergent validity is declared valid (Hair et al., 2010).

Reliability

Reliability testing was conducted using two methods: *Cronbach's Alpha* and *Composite Reliability* (rho_a). A construct is considered reliable if the *Cronbach's Alpha* value is ≥ 0.60 and *Composite Reliability* (rho_a) is ≥ 0.70 (Hair et al., 2010). The test results are presented in Table 3:

Table 3. Cronbach's Alpha

	Cronbach's Alpha	Composite Reliability (rho_a)
Financial Self-Efficacy (X)	0.876	0.878
Financial Behavior (Z)	0.851	0.855
Financial Well-Being (Y)	0.808	0.809

Source: Processed data, 2026.

Table 3 proves that the variables have good reliability or can measure their constructs because Cronbach's Alpha ≥ 0.60 and Composite Reliability (rho_a) ≥ 0.70 (Hair et al., 2010). Next, the structural model was tested. Structural model testing was conducted after all indicators were deemed valid and reliable. The R2 value was used to determine the extent to which the independent variables could explain the dependent variable in the research model.

Table 4. R-Square

	R-square (R ²)	R-square adjusted (R ² -adj)
Financial Behavior (Z)	0.390	0.387

	R-square (R²)	R-square adjusted (R²-adj)
Financial Well-Being (Y)	0.693	0.689

Source: Processed data, 2026.

The adjusted R-square for financial behavior was recorded at 0.387, while for financial well-being it was 0.689. This indicates that financial self-efficacy is able to explain more than 38% of the variation in financial behavior and financial self-efficacy and financial behavior are able to explain more than 68% of the variation in financial well-being of Generation Z. The analysis conducted showed that the model met all validity and reliability criteria.

Hypothesis Test

Hypothesis testing in this study was conducted to identify the direct and indirect impacts of variables. The method used in this test was bootstrapping with the help of SmartPLS 4 software. Where the t-statistic value must be > 1.96 and the p-value must be < 0.05 , then the hypothesis can be accepted (Hair et al., 2010). The following are the results of the hypothesis test for this study:

Table 5. Path Coefficient (Direct Effect)

Relationship between variables	Original Sample (O)	T statistics (O/STDEV)	P value	Information
Financial Behavior=> Financial Well-Being	0.468	6,310	0.000	(+) Significant
Financial Self-Efficacy=> Financial Behavior	0.625	8,923	0.000	(+) Significant
Financial Self-Efficacy=> Financial Well-Being	0.455	5,831	0.000	(+) Significant

Source: Processed data, 2026.

Based on the results of hypothesis testing in Table 5, all direct relationships between variables in this study are declared accepted because they show a positive and significant influence. Financial self-efficacy is proven to have a positive and significant influence on financial well-being with a t-statistic value of $5,831 > 1.96$, a P-value of $0.000 < 0.05$, and a positive original sample value of 0.455. Furthermore, financial self-efficacy also has a significant positive influence on financial behavior with a t-statistic of $8,923 > 1.96$, P-value $0.000 < 0.05$, and a positive original sample value of 0.625. Finally, financial behavior is proven to have a significant positive influence on financial well-being with a t-statistic value of $6,310 > 1.96$, P-value $0.000 < 0.05$, and a positive original sample value of 0.468.

Table 6. Path Coefficient (Indirect Effect)

Relationship between variables	Original Sample (O)	T statistics (O/STDEV)	P value	Information
Financial Self-Efficacy=> Financial Behavior => Financial Well-Being	0.293	4,966	0.000	(+) Significant

Source: Processed data, 2026.

Based on Table 6, the test results indicate that financial behavior can mediate the influence of financial self-efficacy on financial well-being. This is evident from the T-statistic value of $4.966 > 1.96$, the P-value of $0.000 < 0.05$, and the positive original sample value of 0.293.

DISCUSSION

This study aims to analyze the influence of financial self-efficacy on financial well-being, with financial behavior as a mediating variable in Generation Z who have worked in Padang City. The test results indicate that all proposed hypotheses are accepted, indicating that financial self-efficacy and financial behavior are important factors in improving financial well-being. These findings indicate that the financial well-being of Generation Z is not only influenced by economic conditions but also by the individual's confidence in their ability to manage finances, which is manifested through good financial behavior.

The results of the study indicate that financial self-efficacy has a positive and significant effect on financial well-being. This finding indicates that the higher an individual's confidence in their ability to manage their finances, the higher their perceived level of financial well-being. Individuals with high levels of financial self-efficacy tend to be better able to develop financial plans, control expenses, fulfill financial obligations, and face various financial risks with more confidence. This condition ultimately encourages a sense of security, satisfaction, and financial stability. The results of this study are in line with research by Oquaye et al. (2020), Mushtaq et al. (2022), Dare et al. (2023), Hesniati et al. (2026), and Faturohman et al. (2024), which states that financial self-efficacy is a factor that positively influences financial well-being.

In addition to influencing financial well-being, the study also shows that financial self-efficacy has a positive and significant effect on financial behavior. This suggests that individuals with high confidence in their ability to manage their finances are more motivated to adopt positive financial behaviors, such as budgeting, controlling expenses, saving regularly, and making responsible financial decisions. These findings support Ajzen, (2012) Theory of Planned Behavior, which explains that an individual's belief in their abilities will influence actions taken in daily life, including financial management. The results of this study are also consistent with research by Asmin et al. (2021), Prasetya & Kurniyati (2022), Rahmawati & Marcella (2023), and Hesniati et al. (2026), which found that financial self-efficacy plays a significant role in shaping better financial behavior.

Good financial behavior is a concrete manifestation of an individual's confidence in managing their finances. Generation Z with high levels of financial self-efficacy tend not only to understand the importance of financial management but also to be able to apply it in their daily activities through the habit of managing expenses, setting aside income for savings, managing financial obligations, and

considering financial decisions rationally. Conversely, individuals with low levels of financial self-efficacy tend to lack confidence in making financial decisions, resulting in suboptimal financial behavior. This condition indicates that increasing financial self-efficacy is an important step in developing healthy financial behavior in Generation Z.

Furthermore, the research results prove that financial behavior has a positive and significant effect on financial well-being. This indicates that the better an individual's financial behavior, the higher their perceived level of financial well-being. Individuals who are able to manage expenses wisely, have savings habits, plan their finances, and manage financial obligations well will more easily achieve financial stability and feel secure about their financial condition. This finding is in line with research by Oquaye et al., (2020) , Chavali et al., (2021) , Faturohman et al., (2024) , Hesniati et al., (2026) , and Subaida, (2024), which states that financial behavior is a major determinant in improving financial well-being.

Furthermore, the research results show that financial behavior can positively and significantly mediate the relationship between financial self-efficacy and financial well-being. This finding indicates that an individual's confidence in their ability to manage their finances not only has a direct influence on financial well-being but also encourages the formation of better financial behaviors, which in turn impacts financial well-being. In other words, individuals with high financial self-efficacy are better able to implement responsible financial behaviors, thereby achieving a more prosperous financial condition. These results support research by Oquaye et al. (2020) , Ghazali et al. (2022) , Prasetya & Kurniyati (2022) , and Faturohman et al. (2024) , which explains that financial behavior is a mechanism that bridges the influence of psychological factors on financial well-being.

Overall, the results of this study confirm that financial self-efficacy and financial behavior are two complementary factors in improving the financial well-being of Generation Z who have worked in Padang City. Individual confidence in their ability to manage their finances will encourage the formation of more responsible financial behavior, thereby improving financial well-being both in meeting current needs and in preparing for future financial conditions. These findings imply that efforts to improve financial well-being should not only focus on improving financial capabilities but also on strengthening self-confidence in managing finances and developing healthy and sustainable financial behaviors.

CONCLUSION

The conclusion of this study shows that financial self-efficacy has a positive and significant effect on financial well-being and financial behavior in Generation Z who have worked in Padang City. Furthermore, financial behavior also has a positive and significant effect on financial well-being. The

results of the study indicate that financial behavior is able to positively and significantly mediate the influence of financial self-efficacy on financial well-being. These findings indicate that increasing individual confidence in managing finances needs to be followed by the implementation of good financial behavior to achieve optimal financial well-being. Therefore, efforts to improve the financial well-being of Generation Z should not only focus on strengthening psychological aspects through financial self-efficacy but also on developing responsible and sustainable financial behavior.

This study has several limitations. The study was conducted only on 200 Generation Z respondents who were employed in Padang City. Therefore, the results cannot be generalized to different age groups, regions, or respondent characteristics. Furthermore, this study only examined the influence of financial self-efficacy, financial behavior, and financial well-being. Therefore, there are other factors that could potentially influence financial well-being that were not analyzed in this study.

Based on the research results, it is recommended that working Generation Z members increase their confidence in their financial management skills through the habit of developing financial plans, controlling expenses, saving regularly, and making wise financial decisions. Furthermore, the government, educational institutions, and financial institutions are expected to organize financial education and training programs that focus not only on increasing financial knowledge but also on strengthening financial self-efficacy and developing positive financial behaviors. For future researchers, it is recommended to expand the scope of the research area, use a larger number of respondents, and add other variables such as financial literacy, financial attitude, financial stress, or lifestyle to provide a more comprehensive understanding of the factors that influence financial well-being.

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