

Digital Financial Literacy, Financial Behavior on Financial Well-Being Among Generation Z

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ABSTRACT

Financial well-being has become a challenge for Generation Z, who are in the early stages of their careers amid the rapid advancement of digital technology. Low levels of digital financial literacy have the potential to influence irrational financial behavior, which in turn affects financial well-being. This study aims to analyze the effect of digital financial literacy on financial well-being, with financial behavior serving as a mediating variable among Generation Z in Pasuruan Regency. This study employs a quantitative approach, using primary data as the main source of information. Data were collected through questionnaires distributed to Generation Z respondents who have earned income and reside in Pasuruan Regency. The sample consisted of 234 respondents. Data analysis was conducted using the Structural Equation Modeling Partial Least Squares (SEM-PLS) method with SmartPLS software. The results indicate that digital financial literacy has a positive effect on financial well-being. Financial behavior also has a positive effect on financial well-being and plays a significant mediating role in the relationship between digital financial literacy and financial well-being. These findings suggest that the level of financial well-being can be influenced by both digital financial literacy and financial behavior. The novelty of this study lies in examining the mediating role of financial behavior among Generation Z and focusing on Pasuruan Regency, a semi-urban area with socio-economic characteristics distinct from urban regions.

Keywords: digital financial literacy, financial behavior, financial well-being, Generation Z.

INTRODUCTION

Current rapid economic changes have led to an increase in the cost of living. This situation makes financial management an essential skill that every individual must master. The wave of digital transformation has facilitated financial management by enabling the use of digital financial services, such as digital payments, electronic wallets, online lending platforms, and investment applications (Respati et al., 2023a). However, technological advancements also pose risks to digital transaction security and may trigger irrational financial behavior. Economic pressures in the digital era, combined with a consumptive lifestyle, can lead individuals to experience financial stress and face challenges in achieving financial well-being (Farida et al., 2021).

Financial well-being can be influenced by the level of digital financial literacy and individual financial behavior. Studies by Kamble et al. (2024), Chhillar et al. (2025), Alqam & Hamasri, (2024), Abdurrahman & Nugroho (2024), Kumar et al. (2023), Nurkholik (2024), Choung et al. (2023), and Bai (2023) report that digital financial literacy positively contributes to improving financial well-being. However, Tan et al.

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(2025) found that digital financial literacy does not significantly affect financial well-being. Furthermore, studies by dari Chhillar et al. (2025), Muat et al. (2025), Abdurrahman & Nugroho (2024), Nurkholik (2024), Bhattacharya et al. (2025), Respati et al. (2023), Wage et al. (2024), She et al. (2021) indicate that financial behavior positively influences financial well-being. In contrast, Margasari et al. (2024) report a negative relationship between financial behavior and financial well-being, while Siregar et al. (2024) and Nourallah et al. (2025) found no significant effect.

Most previous studies were conducted among general populations or university students in urban areas. There remains limited research examining the financial well-being of Generation Z, who are increasingly dominating the economy and are highly integrated with digital technology. Additionally, few studies have focused on semi-urban regions with distinct socio-economic characteristics and technological access that may shape financial behavior differently from urban contexts. These conditions highlight the need to examine the relationship between digital financial literacy and financial well-being in a more specific setting.

Financial well-being presents a particular challenge for younger generations, especially Generation Z, many of whom are entering the workforce or developing their careers. Young individuals often experience high levels of financial stress due to limited economic foundations and the need to adapt to rapidly changing market dynamics (Putri & Silvia, 2025). Excessive exposure to digital technology and social media may encourage irrational behavior driven by trends and social pressure to maintain a certain lifestyle. Exposure to digital content and social media advertising increases spending levels, leading many Generation Z individuals to struggle in achieving financial well-being (Prawira & Riyadi, 2025)

Financial well-being can also be examined within semi-urban areas experiencing strong and growing economic performance, such as Pasuruan Regency. Various industrial sub-sectors in this region create employment opportunities for young people. However, although many Generation Z individuals in Pasuruan Regency are employed and earn income, this does not necessarily guarantee financial well-being. Many workers struggle to save consistently due to daily expenses and consumptive lifestyles. The widespread use of digital financial applications also poses risks such as debt accumulation and excessive spending. This condition occurs because low levels of digital financial literacy

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may affect individuals' ability to make sound financial decisions, thereby influencing financial well-being (Pasuruankab.go.id, 2024).

Based on these issues, this study was conducted to examine the factors influencing the financial well-being of Generation Z, particularly digital financial literacy and financial behavior. This article aims to analyze the effect of digital financial literacy on financial well-being, with financial behavior as a mediating variable among Generation Z in Pasuruan Regency.

THEORETICAL BACKGROUND

Theory of Planned Behavior

The Theory of Planned Behavior is an extension of the Theory of Reasoned Action developed by Ajzen & Fishbein (1980). This theory explains that behavior is determined by intention, and intention is influenced by two main factors: attitude toward the behavior and subjective norms. Attitude reflects an individual's positive or negative evaluation of a behavior, while subjective norms represent social influence or environmental pressure affecting decision-making. Ajzen (1991) further developed this theory by adding perceived behavioral control as a new construct. This construct refers to the extent to which an individual feels capable of performing a behavior, considering their abilities, resources, and available opportunities.

Capability Theory

Capability theory was first introduced by Amartya Sen (1985), who argued that human well-being should be assessed based on individuals' real capabilities to achieve lives they value. This theory distinguishes between two key concepts: functionings and capabilities. Functionings refer to actual achievements, such as education, health, and economic security. Capabilities refer to the freedoms and opportunities to achieve those functionings. The theory was further developed by Ingrid Robeyns (2017), who introduced the concept of conversion factors-factors that influence an individual's ability to transform resources into capabilities and functionings. These conversion factors may be personal, social, or environmental, determining how effectively individuals utilize their resources to achieve well-being.

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Financial Well Being

Financial well-being is a personal condition reflecting financial security and the freedom to make financial choices, both in the present and in the future (CFPB, 2015). Financial well-being represents both objective and subjective dimensions of economic welfare. Objectively, it is measured by income, assets, and property ownership. Subjectively, it reflects perceptions and satisfaction regarding one's financial condition (Sorgente et al., 2023). Effective financial management contributes to financial stability and peace of mind (Agustine & Mardiana, 2023).

Digital Financial Literacy

Digital financial literacy refers to the combination of knowledge, skills, attitudes, and behaviors required for individuals to understand, effectively use, and safely interact with digital financial services and technologies to improve their financial well-being (OECD, 2022). Digital financial literacy extends beyond traditional financial knowledge, encompassing the ability to adapt to financial technology innovations such as mobile banking, e-wallets, fintech lending, and digital payment systems (Mazzoli & Baiocco, 2025). Financial knowledge reflects an individual's understanding of financial concepts and information that form the foundation for rational financial decision-making and management (Agustina & Mardiana, 2020).

Financial Behavior

Financial behavior describes how individuals manage and make decisions regarding their financial resources in daily life, including managing expenses, saving, borrowing, investing, and planning for the future (Maji, 2025). Financial behavior is influenced by financial knowledge in shaping planned and sustainable financial habits (Fatiha & Mardiana, 2025). Financial behavior plays a crucial role as a bridge between financial knowledge and financial well-being. Consistent and healthy financial behavior translates digital financial literacy into rational and productive financial decisions, thereby contributing to financial well-being (CFPB, 2015).

Research Hypothesis

The Effect of Digital Financial Literacy on Financial Well-Being

Financial well-being is a personal condition reflecting financial security and freedom to make choices, both presently and in the future (CFPB, 2015). Digital financial literacy is viewed as a personal capability that provides broader access to financial

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information, services, and instruments, thereby enhancing individuals' actual capacity to achieve financial well-being. Digital financial literacy positively influences financial well-being (Kamble et al., 2024; Chhillar et al., 2025; Alqam & Hamasri, 2024; Abdurrahman & Nugroho, 2024; Kumar et al., 2023; Nurkholik, 2024; Choung et al., 2023; Bai, 2023). However, Tan et al. (2025) report that digital financial literacy does not significantly affect financial well-being.

H1: Digital financial literacy has a positive and significant effect on financial well-being.

The Effect of Digital Financial Literacy on Financial Behavior

Digital financial literacy is a combination of knowledge, skills, attitudes, and behaviors required for individuals to understand, effectively use, and safely interact with digital financial services and technologies, with the aim of improving their financial well-being (OECD, 2022). An individual's behavior emerges from intention, which is influenced by beliefs and perceptions regarding their ability to control an action. Therefore, the level of digital financial literacy reflects the extent to which individuals possess the knowledge and skills necessary to form confident financial decisions (Ajzen, 1991). Digital financial literacy positively influences financial behavior (Chhillar et al., 2025; Abdurrahman & Nugroho, 2024; Nurkholik, 2024; Aryan et al., 2024; Abdallah et al., 2024). However, Ali et al. (2024) report that digital financial literacy negatively affects financial behavior.

H2: Digital financial literacy has a positive and significant effect on financial behavior

The Effect of Financial Behavior on Financial Well-Being

Financial behavior describes how individuals manage and make decisions regarding their financial resources in daily life, including managing expenses, saving, borrowing, investing, and planning for future financial needs (Maji, 2025). Individual behavior results from intention and effective behavioral control. Sound financial behavior reflects the implementation of self-control and an individual's capacity to make rational decisions, thereby achieving stability and well-being in life (Ajzen, 1991). Financial behavior positively influences financial well-being (Chhillar et al., 2025; Muat et al., 2025; Abdurrahman & Nugroho, 2024; Nurkholik, 2024; Bhattacharya et al., 2025; Respati et al., 2023; Wage et al., 2024; She et al., 2021). However, Margasari et al. (2024) report that financial behavior negatively affects financial well-being. Additionally,

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Nourallah et al. (2025) and Siregar et al. (2024) state that financial behavior does not significantly influence financial well-being.

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

The Role of Financial Behavior as a Mediator between Digital Financial Literacy and Financial Well-Being

Based on the Theory of Planned Behavior, behavior serves as a bridge between intention and achieved outcomes. Digital financial literacy shapes individuals' beliefs and intentions to act prudently, which is reflected in their daily financial behavior. Such behavior ultimately determines the level of financial well-being experienced by individuals (Ajzen, 1991). Financial behavior mediates the relationship between digital financial literacy and financial well-being (Chhillar et al., 2025; Abdurrahman & Nugroho, 2024; Nurkholik, 2024; Bai, 2023; Respati et al., 2023). However, Margasari et al. (2024) report a negative influence of financial behavior on financial well-being, while Siregar et al. (2024) and Nourallah et al. (2025) find no significant effect on financial well-being.

H4: Financial behavior mediates the effect of digital financial literacy on financial well-being.

METHOD, DATA, AND ANALYSIS

This study adopts a quantitative approach as the basis for analysis. The population consists of Generation Z individuals residing in Pasuruan Regency. The minimum recommended sample size ranges from five to ten times the number of indicators used in the research model (Hair et al., 2017). In this study, there are 46 questionnaire items, resulting in a minimum required sample size of 230 respondents. The sampling technique employed purposive sampling, with the criteria that respondents belong to Generation Z, reside in Pasuruan Regency, and have earned income. This study utilizes primary data collected through online questionnaire distribution using a five-point Likert scale (1–5).

Data analysis was conducted using the Structural Equation Modeling Partial Least Squares (SEM-PLS) method with SmartPLS software. The analysis includes testing the measurement model (outer model), structural model (inner model), hypothesis testing, and mediation effect testing.

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RESULTS

Respondent profiles

The respondent characteristics included in this study comprise age, highest level of education, domicile, occupation, and income. A total of 234 respondents were collected, with characteristics described in each table.

Table 1: Respondent Age Characteristics

Characteristics	Category	Frequency	Percentage
Age	15-20	37	15,8%
	21-25	168	71,8%
	26-28	29	12,4%
Gender	Male	43	18,4%
	Female	191	81,6%
Highest Level of Education	Senior High School or Equivalent	147	62,8%
	Diploma	4	1,7%
	Bachelor's Degree (S1)	82	35%
	Master's Degree (S2)	1	0,4%
Occupation	Civil Servant	11	4,7%
	Private Employee	98	41,9%
	Entrepreneur	21	9%
	Others	104	44,4%
Income	<1 million	34	14,5%
	1-3 million	68	29,1%
	>3 million	132	56,4%

Source: Data processed by the researchers (2026).

The control variables used in this study are gender and income, included to ensure that the structural relationship between digital financial literacy, financial behavior, and financial well-being is not influenced by respondents' demographic characteristics. The analysis results show that the path coefficient from gender to financial well-being is -0.030, with a t-value of 1.342 and a p-value of 0.180. Meanwhile, the path coefficient from income to financial well-being is -0.030, with a t-value of 0.057 and a p-value of 0.955. Both control variables are not statistically significant, indicating that the influence of the main variables remains robust even after the control variables are incorporated into the model.

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Validity Test Results

The convergent validity test was conducted to determine the extent to which the indicators consistently measure their respective constructs. Convergent validity is assessed based on the outer loading values of each construct. An indicator is considered to meet convergent validity if it has an outer loading value greater than 0.70. However, outer loading values between 0.50 and 0.60 are still considered acceptable. The following are the outer loading results, which present the loading factor values for the variables financial well-being, digital financial literacy, and financial behavior.

Table 2: Convergent Validity Test Results of Financial Well-Being

No	Indicator	Loading Factor	Description
1	FWB 1	0,767	Valid
2	FWB 2	0,818	Valid
3	FWB 3	0,771	Valid
4	FWB 4	0,745	Valid
5	FWB 5	0,809	Valid
6	FWB 6	0,806	Valid
7	FWB 7	0,751	Valid
8	FWB 8	0,779	Valid
9	FWB 9	0,810	Valid
10	FWB 10	0,750	Valid

Source: Data processed by the researchers (2026).

Based on the validity test results, all items under the financial well-being variable are considered valid. Each indicator meets the convergent validity requirement, as all outer loading values exceed 0.70. However, outer loading values between 0.50 and 0.60 are still considered acceptable.

Table 3: Convergent Validity Test Results of Digital Financial Literacy

No	Indicator	Loading Factor	Description
1	DFL 1	0,841	Valid
2	DFL 2	0,826	Valid
3	DFL 3	0,749	Valid
4	DFL 4	0,812	Valid
5	DFL 5	0,641	Valid
6	DFL 6	0,739	Valid
7	DFL 7	0,724	Valid

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8	DFL 8	0,691	Valid
9	DFL 9	0,801	Valid
10	DFL 10	0,817	Valid
11	DFL 11	0,795	Valid
12	DFL 12	0,816	Valid
13	DFL 13	0,829	Valid
14	DFL 14	0,812	Valid
15	DFL 15	0,761	Valid
16	DFL 16	0,816	Valid
17	DFL 17	0,841	Valid
18	DFL 18	0,832	Valid
19	DFL 19	0,830	Valid
20	DFL 20	0,845	Valid

Source: Data processed by the researchers (2026).

Based on the validity test results, all items under the digital financial literacy variable are considered valid. Each indicator meets the convergent validity requirement, as the outer loading values exceed 0.70, although values between 0.50 and 0.60 remain acceptable.

Table 4: Convergent Validity Test Results of Financial Behavior

No	Indicator	Loading Factor	Description
1	FB 1	0,833	Valid
2	FB 2	0,828	Valid
3	FB 3	0,781	Valid
4	FB 4	0,816	Valid
5	FB 5	0,829	Valid
6	FB 6	0,806	Valid
7	FB 7	0,784	Valid
8	FB 8	0,795	Valid
9	FB 9	0,757	Valid
10	FB 10	0,803	Valid
11	FB 11	0,810	Valid
12	FB 12	0,772	Valid
13	FB 13	0,826	Valid
14	FB 14	0,836	Valid
15	FB 15	0,813	Valid
16	FB 16	0,790	Valid

Source: Data processed by the researchers (2026).

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Based on the validity test results, all items under the financial behavior variable are considered valid. Each indicator meets the convergent validity criterion, as all outer loading values exceed 0.70.

Composite Reliability Test

Table 5: Composite Reliability dan Cronbach's Alpha
 Composite reliability Cronbach's alpha

	Composite reliability	Cronbach's alpha
<i>Digital financial literacy</i>	0,971	0,969
<i>Financial behavior</i>	0,967	0,964
<i>Financial well being</i>	0,940	0,929

Source: Data processed by the researchers (2026)

Table 5 shows that the composite reliability values for digital financial literacy (0.971), financial behavior (0.967), and financial well-being (0.940) are all above the minimum threshold of 0.70. This indicates that the latent variables in this study demonstrate high reliability. Similarly, Cronbach's alpha values for each construct are above 0.70, namely 0.969 for digital financial literacy, 0.964 for financial behavior, and 0.929 for financial well-being. Therefore, the indicators used in this study are considered reliable and capable of consistently measuring their respective constructs.

R Square (R²)

Table 6: R Square (R²)

	R square	R square Adjusteted
<i>Financial Behavior</i>	0,884	0,883
<i>Financial Well being</i>	0,827	0,825

Source: Data processed by the researchers (2026)

Table 6 shows that the R-square value for financial behavior is 0.884, with an adjusted R-square of 0.883. This indicates that digital financial literacy explains 88.4% of the variance in financial behavior, while the remaining 11.6% is explained by other variables outside the research model. Meanwhile, the R-square value for financial well-being is 0.827, with an adjusted R-square of 0.825. This means that digital financial literacy and financial behavior together explain 82.7% of the variance in financial well-being, while the remaining 17.3% is influenced by other factors not examined in this study.

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F Square

Table 7: F square

	<i>F square</i>
<i>Digital financial literacy -> Financial well being</i>	0,191
<i>Digital financial literacy -> financial behavior</i>	7,584
<i>Financial behavior -> financial well being</i>	0,103

Source: Data processed by the researchers (2026).

Table 7 shows that the f-square value for the effect of digital financial literacy on financial well-being is 0.191, which falls within the medium category. This indicates that digital financial literacy makes a meaningful contribution to explaining financial well-being. The f-square value for the effect of digital financial literacy on financial behavior is 7.584, which falls within the large category, indicating a very strong influence. Furthermore, the f-square value for the effect of financial behavior on financial well-being is 0.103, categorized as small to moderate. This suggests that financial behavior still contributes to financial well-being, although its effect is not as strong as that of digital financial literacy.

Common Method Bias

Table 8: Collineary Statistics (VIF)

Outer VIF Values	VIF
<i>Financial well being</i>	
FWB 1	2.123
FWB 2	2.166
FWB 3	1.991
FWB 4	2.403
FWB 5	2.424
FWB 6	2.014
FWB 7	2.146
FWB 8	2.396
FWB 9	1.978
FWB 10	2.519
<i>Digital Financial literacy</i>	
DFL 1	3.901
DFL 2	3.357
DFL 3	2.241
DFL 4	3.370
DFL 5	2.485

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DFL 6	2.609
DFL 7	2.665
DFL 8	2.488
DFL 9	2.790
DFL 10	3.221
DFL 11	2.747
DFL 12	3.162
DFL 13	3.417
DFL 14	3.305
DFL 15	2.544
DFL 16	3.201
DFL 17	3.583
DFL 18	3.492
DFL 19	3.150
DFL 20	3.367
<i>Financial behavior</i>	
FB 1	3.098
FB 2	3.156
FB 3	2.638
FB 4	2.904
FB 5	3.287
FB 6	2.587
FB 7	2.566
FB 8	2.874
FB 9	2.447
FB 10	2.863
FB 11	2.882
FB 12	2.601
FB 13	2.950
FB 14	3.077
FB 15	2.859
FB 16	2.558

Source: Data processed by the researchers (2026).

All VIF values for financial well-being, digital financial literacy, and financial behavior indicators are below the tolerance threshold of 5, with the highest value recorded at 3.901.

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Uji Hipotesis

Table 9: Hypothesis Testing Results (Path Coefficients)

	Original Sample	T Statistics	P values	Result
<i>Digital financial literacy -> financial behavior</i>	0,940	80,768	0,000	Signifikan
<i>Digital financial literacy -> financial well being</i>	0,532	4,389	0,000	Signifikan
<i>Financial behavior -> financial well being</i>	0,391	3,236	0,001	Signifikan

Source: Data processed by the researchers (2026)

Table 9 shows that the effect of digital financial literacy on financial behavior has a coefficient value of 0.940, with a t-statistic of 80.768 and a p-value of 0.000. These results indicate that digital financial literacy has a positive and significant effect on financial behavior. Furthermore, the effect of digital financial literacy on financial well-being shows a coefficient value of 0.532, with a t-statistic of 4.389 and a p-value of 0.000. This finding indicates that digital financial literacy has a positive and significant effect on financial well-being. Additionally, the effect of financial behavior on financial well-being has a coefficient value of 0.391, with a t-statistic of 3.236 and a p-value of 0.001. This value indicates that financial behavior has a positive and significant effect on financial well-being.

Mediation Testing

Table 10: Mediation Test Results

	Original Sample	T Statistics	P values	Result
<i>Digital financial literacy -> financial behavior -> financial well being</i>	0,367	3,198	0,001	Signifikan

Source: Data processed by the researchers (2026).

Based on Table 10, the mediation test results indicate that the indirect effect of digital financial literacy on financial well-being through financial behavior has a coefficient value of 0.367, with a t-statistic of 3.198 and a p-value of 0.001. This value indicates that the indirect effect is positive and statistically significant.

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DISCUSSION

Based on the results of hypothesis and mediation testing, a comprehensive interpretation and discussion can be formulated to explain the effect of digital financial literacy on financial well-being, with financial behavior as a mediating variable, as follows.

The Effect of Digital Financial Literacy on Financial Well-Being

The results of the data analysis indicate that digital financial literacy has a positive effect on financial well-being. The magnitude of this effect is relatively strong. This finding may be explained by the fact that Generation Z in Pasuruan Regency who possess higher levels of digital financial literacy are more capable of making sound financial decisions to achieve financial well-being. Additionally, the relatively homogeneous population in terms of digital media exposure may enhance financial awareness among Generation Z in Pasuruan Regency, thereby strengthening this relationship.

This finding is consistent with capability theory, which posits that individual well-being is determined not only by the resources owned but also by the ability to utilize those resources optimally. Digital financial literacy enables individuals to access, understand, and use digital financial products and services in making better financial decisions. This capability allows individuals to manage and plan their finances in a structured manner, thereby enhancing financial well-being.

These findings are consistent with previous studies by dari Kamble et al. (2024), Chhillar et al. (2025), Alqam & Hamasri (2024), Abdurrahman & Nugroho (2024), Kumar et al. (2023), Nurkholik (2024), Choung et al. (2023), Bai (2023), which demonstrate that digital financial literacy positively and significantly influences financial management.

The Effect of Digital Financial Literacy on Financial Behavior

The results of the data analysis indicate that digital financial literacy has a positive and significant effect on financial behavior. The magnitude of this effect is relatively high. This finding may be explained by the fact that the respondents belong to Generation Z, who have high access to digital technology. Individuals can easily access digital financial knowledge and directly apply it in their daily lives. Additionally, the relatively homogeneous sample in terms of age, education, and environment may strengthen this relationship.

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This finding aligns with the Theory of Planned Behavior, suggesting that a higher level of digital financial literacy enhances individuals' perceived ability to manage their finances, thereby shaping more responsible financial behavior. Digital financial literacy helps individuals understand how digital financial products and services operate, enabling them to exercise more rational and planned financial control. Such financial behavior is reflected in saving habits, expenditure management, and both short-term and long-term financial planning. These findings are consistent with previous studies by Chhillar et al. (2025), Abdurrahman & Nugroho (2024), Nurkholik (2024), Aryan et al. (2024), Abdallah et al. (2024), which state that digital financial literacy positively influences financial behavior.

The Effect of Financial Behavior on Financial Well-Being

The results of the data analysis indicate that financial behavior has a positive effect on financial well-being. The magnitude of this effect is relatively strong. This finding may be explained by the fact that respondents who are capable of managing their finances efficiently directly experience improvements in financial well-being. Furthermore, contextual factors such as the cost of basic necessities, access to digital financial services, and financial management culture in Pasuruan may strengthen this relationship.

This finding is consistent with capability theory, which emphasizes that individuals' ability to manage resources contributes to their well-being. Sound financial behavior, such as effective expense management, saving habits, and structured financial planning, enhances financial well-being by maintaining financial stability and fostering a sense of financial security and control. These findings are consistent with previous studies by Chhillar et al. (2025), Muat et al. (2025), Abdurrahman & Nugroho (2024), Nurkholik (2024), Bhattacharya et al. (2025), Respati et al. (2023), Wage et al. (2024), She et al. (2021), which demonstrate that financial behavior positively influences financial well-being.

The Mediating Role of Financial Behavior in the Relationship between Digital Financial Literacy and Financial Well-Being

The results of the data analysis indicate that financial behavior mediates the effect of digital financial literacy on financial well-being. The mediation effect is relatively strong. This may be attributed to Generation Z's ability to translate digital financial

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knowledge into daily financial decisions, which significantly determines financial well-being. Financial awareness, technological access, and financial management culture in Pasuruan Regency also contribute to strengthening this mediation relationship.

This finding aligns with the Theory of Planned Behavior, which explains that behavior serves as a link between knowledge, attitudes, and achieved outcomes. Digital financial literacy shapes individuals' beliefs and perceptions regarding financial management, which then lead to responsible and structured financial behavior. These findings are consistent with previous research by Chhillar et al. (2025), Abdurrahman & Nugroho, (2024), Nurkholik (2024), Bai (2023), Respati et al. (2023), which state that financial behavior mediates the relationship between digital financial literacy and financial well-being.

General Interpretation and Research Implications

The results of this study indicate that digital financial literacy has a positive and significant effect on both financial behavior and financial well-being among Generation Z in Pasuruan Regency. Financial behavior also mediates the relationship between digital financial literacy and financial well-being. These findings are consistent with the Theory of Planned Behavior and capability theory, which explain that knowledge and individual capabilities influence planned behavior and achieved well-being. The control variables, namely gender and income, were found to have no significant effect, indicating that the relationships among the main variables remain robust.

This study may serve as guidance for government institutions, educational institutions, and financial service providers to develop digital financial education programs targeting Generation Z. Such initiatives should align with the digital characteristics of Generation Z, including the use of interactive financial applications, social media, and other digital platforms. These efforts should focus on promoting wiser financial behavior to enhance financial well-being.

CONCLUSIONS

This study demonstrates that digital financial literacy has a positive and significant effect on financial behavior and financial well-being among Generation Z in Pasuruan Regency. Financial behavior also mediates the relationship between digital financial literacy and financial well-being. These findings emphasize that possessing digital

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financial knowledge alone is insufficient; it must be consistently applied in daily financial management activities to generate optimal outcomes. The results may serve as guidance for educational institutions, government bodies, and financial service providers in developing digital financial education programs aimed at fostering prudent financial behavior and improving financial well-being. This study is limited to Generation Z in Pasuruan Regency; therefore, generalization to other populations requires further investigation. Future research is recommended to expand the sample to other regions, incorporate additional variables, and conduct longitudinal studies to evaluate changes in financial behavior and financial well-being over time.

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