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Drivers of Financial Management Behaviour among Gen-Z in Pasuruan Regency

Ufi Rumefi[1*], Rizky Eriandani[2]
Universitas Surabaya, Jawa Timur, Indonesia[1,2]
s139124502@student.ubaya.ac.id[1*], rizky.eriandani@staff.ubaya.ac.id[2]

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Abstract

Purpose: This study aims to examine the influence of financial knowledge on financial management behavior among Generation Z in Pasuruan Regency, Indonesia. It also investigates the mediating roles of emotional intelligence and financial well-being in the relationship between financial knowledge and financial management behaviour

Research Methodology: Data for the study were collected through an online questionnaire and analysed them using SEM based on PLS with WarpPLS, based on 280 valid responses.

Results: The findings indicate that financial knowledge does not significantly directly affect financial management behavior. However, financial knowledge significantly and positively influenced emotional intelligence and financial well-being. In addition, both emotional intelligence and financial well-being significantly and positively affect financial management behaviors. The mediation analysis revealed that emotional intelligence did not significantly mediate the relationship between financial knowledge and financial management behavior, whereas financial well-being served as a significant full mediator.

Conclusions: The study concludes that financial knowledge alone does not directly influence financial management behavior. Financial well-being plays an important mediating role in encouraging responsible financial behaviour among Generation Z.

Limitations: This study is limited to working members of Generation Z in Pasuruan Regency, which may restrict the generalizability of the findings to other regions or demographic groups.

Contributions: This study highlights the important role of financial well-being in strengthening the effect of financial knowledge on financial management behavior among Gen Z. It also emphasizes the influence of psychological factors on financial decision-making.

Keywords: *Emotional Intelligence, Financial Knowledge, Financial Management Behaviour, Financial Wellbeing*

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1. Introduction

Financial well-being has emerged as an increasingly important global issue, as individuals and households are required to navigate more complex financial decisions in a context marked by economic uncertainty, tighter financial conditions, and the rapid digitalization of financial services. Recent study by Burger, Kavanami, Cury, Bouqvar, and Estephanio (2026) highlights that rising market volatility and broader uncertainty continue to challenge household financial resilience, while digital financial literacy has become more important for maintaining long-term financial well-being. In such circumstances, financial knowledge alone is insufficient.

To contribute meaningfully to financial well-being, it must be reflected in sound financial management behavior and supported by emotional capabilities that help individuals deal with financial pressure and control their impulsive financial decisions. This issue is particularly relevant in Indonesia. Data from the 2025 National Survey of Financial Literacy and Inclusion, issued by Keuangan and Statistik (2025), show that the national financial literacy index reached 66.46% and the financial inclusion index reached 80.51%. This gap suggests that access to financial services has grown more rapidly than people's ability to understand and manage them. The same report also highlights disparities across age, education, occupation, and rural-urban residence, indicating that many individuals are already involved in the formal financial system without having sufficient financial capability to make sound financial decisions.

These conditions make financial well-being an especially important issue to examine in Indonesia. The literature suggests that financial well-being is shaped by the interaction of financial knowledge, financial management behavior, emotional intelligence and broader socio-economic conditions. Financial knowledge reflects an individual's understanding of financial concepts and ability to apply that knowledge to budgeting, saving, investing, and debt management. Earlier studies have shown that individuals with stronger financial literacy tend to be more effective at evaluating financial choices and managing their financial resources (Hwang, & Park, 2023; Lone, & Bhat, 2022; Van, Ha, Nguyen, Doan, & Phan, 2022). However, knowledge alone does not automatically lead to stronger financial well-being. Its contribution depends on whether it is reflected in day-to-day financial practices and supported by personal capacities that enable individuals to respond wisely to financial challenges.

One of the clearest ways in which financial knowledge contributes to better outcomes is through financial management. This behavior includes planning, budgeting, saving, controlling expenses and avoiding excessive debt. Such practices are essential for achieving financial goals and maintaining financial stability in the long term. Studies have shown that individuals who display sound financial behavior, supported by strong financial knowledge, tend to report higher levels of financial well-being (Hwang and Park, 2023; Singh, & Malik, 2022). Social influences also play a role in this process. Yanto, Ismail, Kiswanto, Rahim, and Baroroh (2021) found that friends, neighbours, and social media can contribute to the development of financial literacy by encouraging discussion and the exchange of financial information, while Goyal, Kumar, and Hoffmann (2023) showed that financial socialisation during formative years can shape financial management behaviour later in life. Although economic uncertainty and psychological factors may affect how consistently individuals apply financial knowledge, these factors do not diminish the importance of knowledge as a foundation for responsible financial management (Ali, & Talha, 2022; Kayode, Sibanda, & Olarewaju, 2022).

Beyond its role in shaping behavior, financial knowledge can strengthen emotional intelligence. Emotional intelligence refers to a person's ability to recognize, understand, and manage their own emotions while also dealing appropriately with the emotions of others. Individuals with stronger financial knowledge are often more confident and feel more in control when dealing with financial matters, which may reduce stress, uncertainty, and anxiety. This argument is supported by (Risma, Suparman, & Basri, 2022; Zitouni, Park, Lee, Hadjileontiadis, & Khandoker, 2022), who found that higher financial literacy can increase self-confidence and reduce anxiety related to economic challenges. Nan, Ma, Yan, Zhang, Pei, and Chen (2023) suggested that educational interventions aimed at improving financial literacy may foster emotional intelligence by equipping individuals with the knowledge and skills needed to respond more calmly to financial situations.

Simultaneously, financial knowledge is widely recognized as an important determinant of financial well-being. Financial well-being reflects an individual's ability to meet current financial obligations, feel secure about the future, and make choices that support a stable and satisfying life. Tahir, Ahmed, and Richards (2021) found that individuals with higher financial literacy levels tend to report stronger financial capability and better financial well-being. However, this relationship is not always straightforward. Psychological and behavioral factors may influence how financial knowledge is translated into financial outcomes. For example, impulsivity may weaken a person's ability to maintain sound financial management, even when financial literacy is relatively high Tahir et al. (2021). In line with this, She, Rasiah, Turner, Guptan, and Sharif (2022) argued that financial knowledge must be supported by behavioral competencies and self-regulation to produce optimal financial well-being. Kass-Hanna, Lyons, and Liu (2022) also highlighted that financial literacy plays an important role in expanding access to financial services, particularly among marginalized groups, while Singh and Malik (2022) showed that financially literate individuals are generally better able to use financial services effectively, thereby strengthening their economic resilience and overall well-being.

Beyond financial knowledge, emotional intelligence also appears to shape financial management behavior in a meaningful way. Individuals who are better able to regulate their emotions tend to respond more calmly to financial pressure, avoid impulsive choices, and remain focused on their long-term goals. Prajapati, Guha, and Routray (2021) found that higher emotional intelligence is associated with lower levels of financial anxiety, allowing individuals to deal with financial management tasks more clearly and effectively. Similarly, Van and Côté (2022) showed that emotional intelligence contributes to coping strategies that help individuals manage finance-related stress and develop more effective saving behaviors.

Anvari, Kumpikaitė-Valiūnienė, Mobarhan, Janjaria, and Hosseinpour (2023) further suggested that individuals with high emotional intelligence are better able to use their emotional skills to strengthen financial literacy, which in turn supports more effective financial management. In contrast,Eshuis and Klijn (2023) found that low emotional intelligence may hinder individuals from applying financial knowledge appropriately, leading to poorer financial decisions. In the digital era, these issues have become even more relevant because the rapid growth of fintech and other digital financial services has changed the way people learn about finance and manage their financial activities (Van et al., 2022). Individuals with stronger financial literacy are generally better able to use these technologies effectively, which can improve both their financial capability and overall well-being (Hamid, Loke, & Chin, 2023; Van et al., 2022).

Previous studies have found that financial well-being is closely related to the overall quality of life. Individuals who feel financially secure tend to report greater life satisfaction and stronger emotional stability (Choung, Chatterjee, & Pak, 2023; Sabri, Anthony, Law, Rahim, Burhan, & Ithnin, 2023; She et al., 2022). In addition, individuals with stronger financial well-being are generally more confident in financial decision-making and more likely to engage in comprehensive financial planning, including retirement savings, insurance use, and investment diversification (Dare, van Dijk, van Dijk, van Dillen, Gallucci, & Simonse, 2023; Fan, & Henager, 2022). Conversely, financial stress and anxiety may weaken effective financial management behavior by causing individuals to avoid financial tasks or make impulsive decisions (Dare et al., 2023; She et al., 2022). Individuals who perceive their financial condition more positively are usually more resilient when facing financial challenges, which may lead to better financial-management outcomes (She et al., 2022; Nan et al., 2023). This suggests that financial well-being may not only be an outcome of financial behavior but may also encourage healthier and more responsible financial practices.

Taken together, these studies point to a close and dynamic relationship between financial knowledge, financial management behavior, emotional intelligence, and financial well-being. However, the existing literature does not present a fully consistent picture. The findings of earlier studies are mixed. Xu and Abd (2023) found that financial literacy, financial attitudes, and socioeconomic status positively impact students' financial cognitive behavior, which in turn improves emotional financial well-being. In contrast, Rossi and Weber (2023)reported that excessive perceptions of financial literacy may increase the risk of unhealthy financial behavior. Likewise, (Johan, Rowlingson, & Appleyard, 2021) found that although personal finance education significantly improved students' financial knowledge, it did not significantly influence their financial attitudes and behaviours. These mixed findings suggest that financial knowledge alone may not be sufficient to produce stronger financial well-being and that the behavioral and emotional mechanisms linking knowledge to financial outcomes require further explanation.

In light of these findings, an important research gap remains regarding how financial knowledge, financial management behavior, emotional intelligence, and financial well-being interact within a single explanatory framework, particularly in Indonesia. While earlier studies have often examined these variables separately or focused mainly on direct relationships, this study examined them in relation to emotional intelligence. Less attention has been given to the integrated process through which financial knowledge is translated into behavior, strengthened by emotional intelligence, and ultimately related to financial well-being. Therefore, this study examines these relationships within an integrated model to gain a more comprehensive understanding by examining emotional intelligence and financial well-being as interrelated mediating variables among Generation Z workers in developing countries

2. Literature Review and Hypotheses Development

2.1 Financial Knowledge and Financial Management Behavior

Financial knowledge refers to an individual's understanding of financial concepts, including budgeting, saving, investing, debt management, and planning. The theory of planned behavior, with its three key concepts, can encompass financial knowledge as a form of self-control through financial literacy. A good basic understanding of finance can support financial well-being and promote sound financial behavior if applied appropriately. Individuals with higher financial knowledge tend to make more rational and effective financial decisions because they can evaluate risks and opportunities in managing personal finances. Financial management behavior reflects how individuals plan, control, and use financial resources responsibly in their daily lives. Several recent studies indicate that financial knowledge contributes positively to prudent financial behavior, although its effect may vary depending on psychological and social factors. Research conducted within the last five years shows that financial knowledge can improve individuals' capability to manage income, control expenses, and make financial decisions effectively (Arianti, 2018; Azaria, Tubastuvi, Purwidianti, & Aryoko, 2024).

H_1: Financial knowledge has a positive and significant effect on financial management behavior

2.2 Financial Knowledge and Emotional Intelligence

Emotional intelligence is the ability to effectively recognize, understand, and manage emotions in oneself and others. In financial contexts, emotional intelligence helps individuals avoid impulsive spending, manage financial stress, and make rational decisions. Financial knowledge can enhance emotional intelligence because financially literate individuals tend to feel more confident and emotionally stable when they face financial problems. Recent studies explain that individuals with adequate financial understanding are more capable of controlling emotional reactions related to consumption and financial pressure (Moko, Sudiro, & Kurniasari, 2022; Sutejo, Sumiati, Wijayanti, & Ananda, 2023).

H_2: Financial knowledge has a positive and significant effect on emotional intelligence

2.3 Financial Knowledge and Financial Well-Being

Financial well-being refers to a condition in which individuals feel secure and satisfied with their financial situation, both presently and in the future. Financial knowledge contributes to financial well-being because individuals who understand financial concepts are more capable of managing resources, reducing debt, and achieving financial goals. Recent literature explains that financial literacy has a significant positive relationship with financial well-being, particularly among young adults and Gen Z workers (Nurkholik, 2024).

H_3: Financial knowledge has a positive and significant effect on financial well-being

2.4 Emotional Intelligence and Financial Management Behavior

Emotional intelligence plays an important role in shaping financial-management behavior. Individuals with strong emotional control are generally better at budgeting, saving money, and avoiding consumption behavior. In his theory of planned behavior, Ajzen outlined three concepts: attitude towards behavior, subjective norms, and perceived behavioral control. The concept of perceived behavioral control can be linked to emotional intelligence, which plays a role in controlling individuals' financial behaviors. Emotional intelligence can encourage individuals to understand their needs and avoid acting impulsively when spending money. Emotional intelligence also influences self-discipline and a long-term financial orientation. Previous studies have found that emotional intelligence significantly affects financial management behavior because emotionally intelligent individuals tend to make more responsible and planned financial decisions (Elanda & Rizki, 2024).

H_4: Emotional intelligence has a positive and significant effect on financial management behavior

2.5 Financial Well-Being and Financial Management Behavior

Individuals who experience financial security and satisfaction are more likely to maintain healthy financial habits, such as saving regularly, planning their expenditures, and controlling unnecessary consumption. Financial well-being can encourage individuals to behave more responsibly because they possess greater financial confidence and stability. Individuals with high financial well-being who have successfully established good financial habits may also have strong financial behavioral control. This is illustrated by one of the three concepts outlined by Ajzen, namely perceived behavioral control, whereby good behavioral control arising from knowledge, behavior, and emotional intelligence can create financial well-being through a non-consumptive attitude and greater responsibility regarding individual expenditure and financial planning. Several studies over the last five years have found that financial well-being positively affects financial management behavior and supports sustainable financial practices (Mardliyah, & Supriyanto, 2025; Ubaidillah, Rahayu, Sos, Mahmudah, Fauzan, & Mutmainnah, 2025).

H_5: Financial well-being has a positive and significant effect on financial management behavior

3. Methodology

This study was conducted among Generation Z members living in Pasuruan Regency. According to demographic data reported the number of Generation Z individuals in this area is approximately 268,870 people. However, the study specifically targeted individuals already engaged in economic activities, including employees, freelancers, and entrepreneurs. This limitation was applied because the main focus of the study is financial well-being, which is more meaningfully examined among individuals who earn income or participate in economic activities.

The recommended sample size is five to ten times the number of participants. With 28 indicators, the required sample ranged from 140 to 280 respondents; therefore, the upper limit of 280 was selected to ensure a more robust analysis. Data were collected using a structured online questionnaire distributed via Google Forms using purposive sampling. Respondents were selected based on the following criteria: belonging to Generation Z, residing in Pasuruan Regency, currently working or engaged in income-generating activities, and voluntary participation. Of the 305 questionnaires collected, 25 were excluded due to incomplete responses or failure to meet the criteria, leaving 280 valid responses for the analysis.

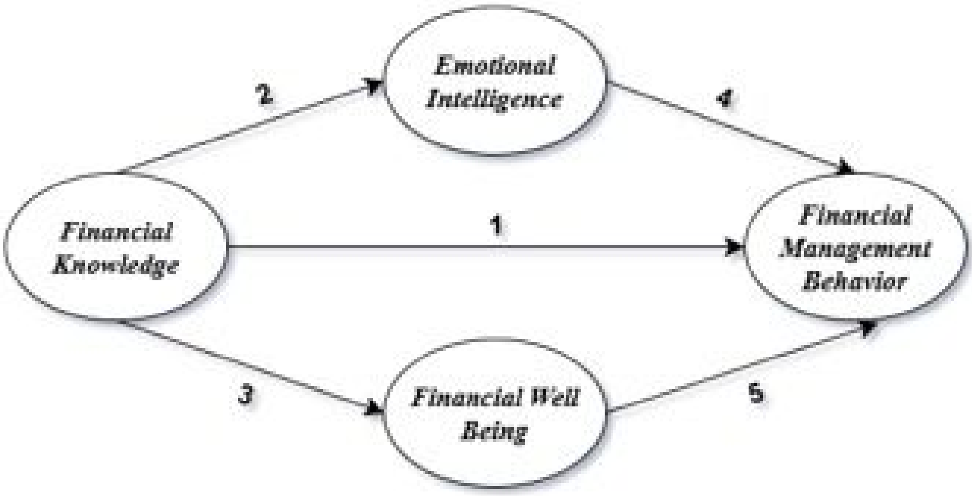

Figure 1. The framework

Data analysis was carried out using SEM based on PLS with the support of the WarpPLS software. This technique was chosen because it is suitable for examining complex relationships among variables, including both direct and indirect effects involving mediating variables, and does not require strict normality assumptions. In addition, SEM-PLS is considered appropriate for studies with moderate sample sizes and relatively complex models (Hair Jr et al., 2021). Instrument validity was assessed through convergent and discriminant validity, while reliability was evaluated using composite reliability and Cronbach alpha coefficients as shown in Figure 1

4. Results and Discussions

4.1 Results

4.1.1 Convergent validity

Table 1. Outer loading

	Z1	Z2	Y
$Z_1.1.1$	0.671	-0.059	-0.200
$Z_1.1.2$	0.734	-0.079	-0.045
$Z_1.1.3$	0.702	0.059	-0.154
$Z_1.1.4$	0.689	0.063	-0.007
$Z_1.1.5$	0.793	0.176	-0.091
$Z_1.1.6$	0.759	-0.091	-0.032
$Z_1.1.7$	0.775	0.071	-0.064
$Z_1.2.1$	0.758	-0.108	0.161
$Z_1.2.2$	0.796	0.109	0.047
$Z_1.2.3$	0.726	0.018	0.235
$Z_1.2.4$	0.749	-0.023	-0.056
$Z_1.2.5$	0.774	-0.198	0.030
$Z_1.3.1$	0.724	-0.082	-0.078
$Z_1.3.2$	0.729	-0.177	0.105
$Z_1.3.3$	0.747	0.117	-0.149
$Z_1.3.4$	0.786	-0.071	0.016
$Z_1.3.5$	0.703	0.251	0.026
$Z_1.3.6$	0.751	0.027	0.235
$Z_2.1$	0.005	0.837	-0.123

	Z1	Z2	Y
Z_2.2	-0.008	0.776	0.071
Z_2.3	-0.044	0.743	-0.094
Z_2.4	0.030	0.821	0.092
Z_2.5	0.013	0.764	0.054
Y.1	-0.003	-0.016	0.720
Y.2	-0.015	-0.052	0.784
Y.3	-0.036	-0.021	0.744
Y.4	0.079	-0.009	0.784
Y.5	0.018	0.008	0.819
Y.6	0.085	0.063	0.662
Y.7	-0.125	0.037	0.733

Table 2. Average Variance Extracted (AVE)

Variables	AVE	Criteria	Description
Z_1	0.553	0.50	Qualified
Z_2	0.622	0.50	Qualified
Y	0.564	0.50	Qualified

Based on the Table 1, it can be seen that the factor loadings range from 0.662 to 0.837, all of which exceed 0.5. These findings confirm that the measurement model demonstrates adequate convergent validity, which is a standard used to evaluate the validity of indicators by considering the coefficient of the outer load of each indicator on other variables. Convergent validity tests were conducted by examining the Average Variance Extracted (AVE). According to Hair, Hult, Ringle, Sarstedt, Danks, and Ray (2021), the AVE criteria are > 0.50. The results of the AVE processing are presented in Table 2. It is clear from the following table that variables X, Z_1, Z_2, and Y have an AVE value above 0.50 (>0.50), and it can be concluded that all variables meet the minimum requirements to pass convergent validity.

4.1.2 Discriminant validity

Table 3. Discriminant validity based on the fornell–larcker criterion

Variables	Z1	Z2	Y
Z_1	0.743	0.547	0.408
Z_2	0.547	0.789	0.625
Y	0.408	0.625	0.751

Discriminant validity was evaluated using the Fornell–Larcker criterion.Hair, Hult, Ringle, Sarstedt, Danks, and Ray (2021)state that validity is achieved when the square root of AVE exceeds inter-construct correlations. As shown in Table 3, all the constructs met this criterion.

4.1.3 Inner Model
Table 4. Inner model

Model Fit and Quality Indices	Value	Criteria	Result/Interpretation
Average Path Coefficient (APC)	0.205 ($P < 0.001$)	$P < 0.05$	Accepted; significant path coefficient
Average R-squared (ARS)	0.159 ($P = 0.002$)	$P < 0.05$	Accepted; significant explanatory power
Average Adjusted R-squared (AARS)	0.154 ($P = 0.002$)	$P < 0.05$	Accepted; significant adjusted explanatory power
Average Block VIF (AVIF)	1.682	Acceptable ≤ 5; ideally ≤ 3.3	No multicollinearity problem
Average Full Collinearity VIF (AFVIF)	1.527	Acceptable ≤ 5; ideally ≤ 3.3	No full collinearity problem
Tenenhaus GoF (GoF)	0.330	Small ≥ 0.10; Medium ≥ 0.25; Large ≥ 0.36	Medium model fit
Sympson Paradox Ratio (SPR)	1.000	Acceptable ≥ 0.70; ideally = 1	No Simpson paradox issue
R-squared Contribution Ratio (RSCR)	1.000	Acceptable ≥ 0.90; ideally = 1	All predictors contribute positively
Statistical Suppression Ratio (SSR)	1.000	Acceptable ≥ 0.70	No statistical suppression issue
Nonlinear Bivariate Causality Direction Ratio (NLBCDR)	1.000	Acceptable ≥ 0.70	Causal relationships are supported

Referring to the output in the Table 4, it can be seen that the VIF value is 1.527, which is acceptable or even ideal, as it is below 3.3. Based on this VIF value, it can be interpreted that there is no indication of a common method.

4.1.4 Composite Reliability and Alpha Cronbach
Table 5. Composite reliability and alpha cronbach

Composite reliability coefficients		
Z_1	Z_2	Y
0.957	0.892	0.900

Cronbach alpha coefficients		
Z_1	Z_2	Y
0.952	0.848	0.870

Reliability was assessed using composite reliability and Cronbach alpha. A composite reliability value above 0.70 and a Cronbach alpha above 0.70 indicate satisfactory reliability, although values above 0.60 may be acceptable in exploratory studies (Hair Jr et al., 2021). The results are presented in Table 5.

4.1.5 R-Square
Table 6. R-Square

	R-Square	Percentage (%)
Y	0.422	42.2
Z_1	0.017	1.7
Z_2	0.038	3.8

The R-squared reflects the degree of variation in the dependent variable explained by the predictors in the model. A higher R-squared value indicates a better explanatory ability. The results are presented in

Table 6. The independent and mediating variables only partially explained the variation in the dependent variable, as indicated by the comparatively low R2 value. This implies that the dependent variable may be influenced by additional variables that are not included in the research model. However, the importance of the direct and indirect effects suggests that there is still empirical support for the mediation mechanism studied.

4.1.6 Hypotheses Test
Table 7. Direct effect

Relationship between Variables	Coefficient	P-Value	Criteria	Description
X - Y	0.017	0.389	<0.05	H_1 rejected
X - Z_1	0.130	0.013	<0.05	H_2 accepted
X - Z_2	0.194	<0.001	<0.05	H_3 accepted
$Z1$ - Y	0.163	0.003	<0.05	H_4 accepted
$Z2$ - Y	0.503	<0.001	<0.05	H_5 accepted

Table 7 presents the results of the direct analysis conducted in this study.

Table 8. Indirect effect

Relationship between Variables	Coefficient	P-Value	Criteria	Description
X ke Y: Mediation Z_1	0.068	0.053	<0.05	H_6 Rejected
X ke Y: Mediation Z_2	0.123	0.002	<0.05	H_7 Accepted

The results of the WarpPLS output analysis of the indirect or mediating effects are presented in Table 8.

4.2 Discussions

4.2.1 The Role of Financial Knowledge on Financial Management

The results suggest that financial knowledge does not significantly impact financial management behavior, with a coefficient value of 0.017 and a p-value of 0.389 (> 0.05). Therefore, H_1 is rejected. This finding indicates that increasing financial knowledge in Generation Z in Pasuruan Regency has not been able to directly encouraged the formation of better financial management behavior. Empirically, this result confirms the gap between cognitive knowledge and real behavioral implementation in the context of personal finance. This finding is in line with the research by Halim and Setyawan (2021), who state that financial literacy or knowledge has a relatively weak direct influence on financial behavior, especially in the young age group. Generation Z tends to face limited self-control, social pressure, and high intensity of digital consumption; therefore, financial knowledge is not strong enough to shape behavior without supporting psychological factors.

4.2.2 The Role of Financial Knwoledge on Emotional Intelligence

The findings show that financial knowledge has a significant positive impact on emotional intelligence, with a coefficient value of 0.130 and a p-value of 0.013 (<0.05). Thus, H2 is supported. This finding suggests that individuals with a better level of financial knowledge tend to have a higher ability to understand, manage, and control emotions related to financial decision-making. This result supports the view of Social Cognitive, which emphasizes that knowledge plays a role in shaping self-regulation capacity, including emotion management. Previous research by (Gurrea, & Libot, 2021; Lambert, Jusoh, & Zainudin, 2023) also showed that cognitive understanding of a domain can improve an individual's ability to control emotional responses, especially in situations involving risk and long-term consequences, such as financial decisions.

4.2.3 The Role of Financial Knowledge on Financial Well being

The findings show that financial knowledge has a positive and statistically significant influence on financial well-being, as reflected in a coefficient of 0.194 and a p-value of less than 0.001. This result supports H3. This suggests that individuals with better financial understanding are more likely to perceive their financial condition as secure, stable, and under control. This finding is consistent with the studies of (Hwang & Park, 2023; She et al., 2022), which emphasised the contribution of financial literacy in shaping subjective financial well-being. Among Generation Z, knowledge related to income management, saving, and financial planning appears to strengthen feelings of financial security, even though it may not always be fully translated into actual financial behaviour.

4.2.4 The Role of Emotional Intelligence on Financial Management Behaviour

The findings show that emotional intelligence had a significant positive impact on financial management behaviour, as reflected in a coefficient of 0.163 and a p-value of 0.003, which is lower than 0.05. Accordingly, H_4 is supported. This result indicates that the ability to regulate emotions contributes meaningfully to the development of responsible financial behaviour and a stronger orientation toward long-term financial goals. The finding is in line with earlier studies by Elanda and Rizki (2024) and Qoirunnisa and Asandimitra (2024), which highlight emotional control and self-regulation as important components of financial decision-making. Among Generation Z, emotional intelligence may help reduce impulsive and consumptive tendencies, particularly those shaped by social pressure and exposure to digital media.

4.2.5 The Role of Financial Well Being on Financial Management Behaviour

The findings show that financial well-being exerts a significant positive impact on financial management behaviour, as reflected in a coefficient of 0.503 and a p-value of less than 0.001. This result supports H_5. The relatively large coefficient indicates that financial well-being is a strong factor in explaining how individuals manage their finances. This finding is in line with earlier studies suggesting that individuals with better financial well-being are more likely to exhibit stronger financial control, planning, and discipline. When individuals feel financially secure, they tend to make more rational decisions and place greater emphasis on long-term financial goals.

4.2.6 The Role of Financial Knowledge Financial Management Behaviour with Emotional Intelligence as A Mediating Variable

The indirect effect analysis shows that emotional intelligence does not significantly mediate the connection between financial knowledge and financial management behaviour. This is reflected in the mediation coefficient of 0.068 and a p-value of 0.053, which exceeds the 0.05 threshold. Accordingly, H_6 is rejected. These results imply that, although financial knowledge contributes to emotional intelligence and emotional intelligence is related to financial behaviour, the indirect pathway is not sufficiently strong to establish a significant mediating role. This also suggests that emotional intelligence among Generation Z is likely shaped by a broader set of influences beyond financial knowledge alone, including social context, life experiences, and personal characteristics. Financial management behavior is more directly influenced by cognitive abilities and financial literacy than by emotional factors. Individuals who understand how to create a budget, manage expenses, save, and invest can adopt good financial habits based on their knowledge without needing to improve their emotional intelligence.

4.2.7 The Role of Financial Knowledge on Financial Management Behaviour with Financial Well Being as A Mediating Variable

The analysis shows that financial well-being plays a significant mediating role in the connection between financial knowledge and financial management behaviour, as reflected by a mediation coefficient of 0.123 and a p-value of 0.002, which is lower than 0.05. Therefore, H_7 is accepted. These results indicate that financial well-being acts as a full mediator, as evidenced by the non-significant direct effect of financial knowledge on financial management behaviour alongside a significant indirect effect through financial well-being. This suggests that financial knowledge is more likely to translate into financial management behaviour when it enhances individuals’ sense of financial security and overall well-being. An overview of the interrelationships between variables, including both direct and indirect effects, is presented in the following visualisation.

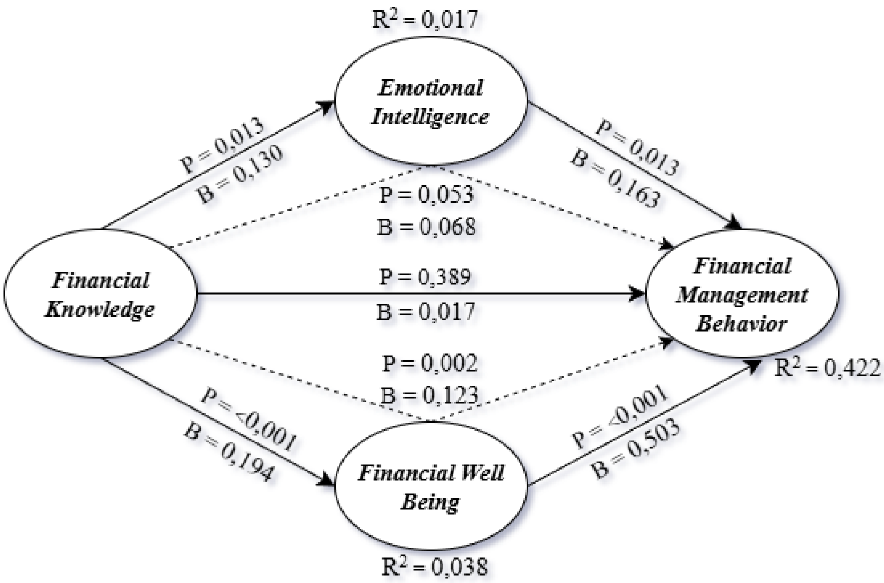

Figure 2. Hypotheses result

An overview of the interrelationships between variables, including both direct and indirect effects, is presented in the following Figure 2 .

5. Conclusions

5.1 Conclusion

This study examined the impact of financial knowledge on financial management behaviour among Generation Z in Pasuruan Regency by incorporating emotional intelligence and financial well-being as mediating variables. The findings indicate that financial knowledge does not directly and significantly influence financial management behaviour, suggesting that knowledge alone is insufficient to encourage consistent and responsible financial practices among Generation Z. Nevertheless, financial knowledge positively and significantly affects both emotional intelligence and financial well-being, demonstrating its role in enhancing individuals' psychological capacity and sense of financial security.

In addition, emotional intelligence and financial well-being were found to have significant positive effects on financial management behaviour, emphasizing the importance of psychological and perceptual factors in financial decision-making. The mediation analysis further revealed that emotional intelligence does not significantly mediate the relationship between financial knowledge and financial management behaviour, whereas financial well-being acts as a significant full mediator. These results imply that financial knowledge is more likely to improve financial behaviour when it contributes to individuals' financial well-being. Overall, the study supports the behavioural finance perspective by highlighting that financial behaviour is shaped not only by cognitive understanding but also by psychological and well-being-related factors.

5.2 Research Limitations

This study has several limitations. First, the research focused only on Generation Z in Pasuruan Regency, which may limit the generalizability of the findings to other regions or demographic groups. Second, the study employed a cross-sectional design, meaning the data were collected at a single point in time and may not fully capture changes in financial behaviour over time. Third, the data were obtained through self-reported questionnaires, which may be subject to response bias and differences in respondents' perceptions. Fourth, the study only examined emotional intelligence and financial well-being as mediating variables, while other potential factors influencing financial management behaviour were not included.

Finally, this study employed an online data collection method, which introduces the potential for sampling bias. This approach tends to represent tech-savvy respondents, resulting in underrepresentation of Gen Z members who are not tech-savvy. This limitation affects the generalizability of the study's findings to the entire Gen Z population, given that tech-savvy Gen Z members can more easily access financial information. Future research is advised to use a combination of online and offline data collection methods and to reach respondents with varying levels of digital access to obtain a more representative sample.

5.3 Suggestions and Directions for Future Research

Based on the findings, educational institutions, policymakers, and financial service providers are encouraged to develop financial education programs that not only enhance financial knowledge but also strengthen financial well-being and psychological readiness in managing finances. Programs focusing on budgeting, financial planning, self-control, and emotional management may help Generation Z apply their financial knowledge more effectively in daily life. For future research, it is recommended to involve broader and more diverse samples from different regions or age groups to improve the generalizability of the findings.

Researchers may also consider using longitudinal approaches to better capture changes in financial behaviour over time. In addition, future studies could examine other mediating or moderating variables, such as financial attitude, self-control, lifestyle, financial stress, or digital financial literacy, in order to provide a more comprehensive understanding of the factors influencing financial management behaviour. The use of mixed-method approaches is also recommended to gain deeper insights into the financial experiences and behaviours of Generation Z.

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Author Contributions

UR contributed to conceptualization, methodology, data collection, formal analysis, writing original draft, and final manuscript preparation. RE contributed to supervision, validation, methodology guidance, writing review and editing, and final approval of the manuscript.

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