

## The Effect of Financial Literacy, Self-Control and Risk Tolerance on Financial Welfare with Investment Decision Making as a Mediating Variable in Generation Z in Jambi City

Raras Aroyo<sup>1</sup>, Wirmie Eka Putra<sup>2</sup>, Rita Friyani<sup>3</sup>

<sup>123</sup>Master of Accounting Study Program, University of Jambi, Jambi, Indonesia

*Email:* [rarasaroyo24@gmail.com](mailto:rarasaroyo24@gmail.com), [wirmie\\_eka@unjia.ac.id](mailto:wirmie_eka@unjia.ac.id), [rita\\_friyani@unjia.ac.id](mailto:rita_friyani@unjia.ac.id)

---

### ***Abstract***

#### ***Kata Kunci:***

*Financial Literacy, Financial Well-Being, Generation Z, Investment Decisions, Self-Control*

*This study's goal is to find out how financial literacy, self-control, and risk tolerance affect financial well-being in Generation Z in Jambi City, with investment decision-making as a middle variable. The approach taken for sampling involved non-probability purposive techniques, showing that individuals were picked according to defined standards. The research sample came from the 133,114 generation Z population in Jambi City and included 100 respondents. This way of doing research uses numbers. This project draws upon original data acquired via a Google Form questionnaire circulated to people who participated in its filling. This study's data analysis method is PLS-SEM, which works with SmartPLS software. The insights suggested that overseeing one's own affairs and having financial intelligence was pivotal for economic security, but willingness to accept risk did not manifest a similar effect. Self-control and financial literacy affect how well you are financially by how you make investment decisions. Risk tolerance levels do not substantially alter the path to financial growth while navigating investment-related choices.*

---

## INTRODUCTION

Indonesia endeavors to enhance societal welfare as a metric for evaluating the efficacy of governmental development initiatives through various policies aimed at elevating the quality of life for the populace. Prameswari (2023) emphasizes that financial well-being involves the capacity of a person to satisfy their immediate and forthcoming demands. With a demographic of 74.93 million individuals, Generation Z, representing the most substantial cohort of youth, is maturing in a digital epoch characterized by extensive access to social media, e-commerce platforms, and digital financial services. The Central Bureau of Statistics reveals that this demographic illustrates the most noteworthy youthful coalition in the Digital Age (Central Bureau of Statistics, 2023).

This scenario puts Generation Z in a vulnerable spot, prompting quick purchasing behaviors driven by emotions, culminating in selections that often do not have strong foundations and might endanger their economic security. The Ocbc Nisp Financial Fitness Index 2024 survey indicated that the Financial Health Index for Indonesia's youthful generation was a mere 40.06%, while the Youth Finsight 2.0 study disclosed that 33% encountered challenges in financial management (Ocbc Nisp, 2024; National Council on Inclusive Finance, 2023).

In Jambi City, the Generation Z population comprises 187,213 individuals or 29.2% of the overall populace, positioning it as the economic and educational nucleus of Jambi Province amidst rapidly escalating urbanization. Compared to the national benchmark, the province's financial literacy is lacking, creating a divide in the availability of sophisticated financial technologies and

the necessary management abilities. This quandary poses a risk to the fiscal health of young locals, as inadequate financial comprehension is typically linked with flawed financial choices (Financial Services Authority, 2021).

The low levels of financial literacy among Generation Z, as evidenced by the 2024 National Survey on Financial Literacy and Inclusion (SNLIK), represent a principal factor rendering them vulnerable to incurring excessive debt and making erroneous financial decisions. Furthermore, self-control and risk tolerance are influential factors; however, prior research has illustrated inconsistent findings concerning their impact on financial well-being (Financial Services Authority, 2024; Luis & Mn, 2020).

The issue is further compounded by the inconsistency of earlier research outcomes, necessitating mediated analysis through investment decision-making to gain a comprehensive understanding of the inter-variable relationships. In Jambi City, local circumstances exacerbate the existing divide between access to financial technology and the financial maturity of Generation Z, thereby necessitating a contextual investigation (Riyadi et al., 2023; Trisuci, 2023).

This inquiry is developed to uncover the relationship between financial insight, personal oversight, and risk approach as they pertain to financial endurance, particularly in the investment decisions made by Generation Z in Jambi City. The urgency of this inquiry is underscored by the imperative to bolster the financial well-being of the youth population amidst low levels of literacy and pervasive digital engagement, which collectively bear implications for regional and national economic stability. The innovative aspect of this study lies in its adaptation of the Bai (2023) model by incorporating risk tolerance and employing the theory of planned behavior within the local context of Jambi City, thereby contributing novel empirical insights to the advancement of financial literacy policies.

## LITERATURE REVIEW

Ajzen's 1991 creation of the Theory of Planned Behavior (TPB) provides a behavioral lens through which we can analyze and foresee how individuals will respond, particularly regarding monetary matters. Expanding on the TRA, the TPB introduces components concerning behavior regulation that clarify actions not completely governed by the person.

The SDGs are set into motion through financial understanding, which focuses on how individuals handle money, self-mastery that reflects on their perceived behaviors, and risk awareness that considers their predictions about future events. These three factors affect a person's willingness to make investment choices, which then affects their actual behavior, which is their financial well-being. TPB is the main theory that helps us understand how research variables are related.

Having financial wellness implies that an individual can address their demands and feel assured about future developments. They can also make choices that will help them enjoy their lives. (Pulungan & Siregar, 2024). Markers of solid fiscal wellness involve financial safety, oversight in finance, happiness regarding financial affairs, and freedom in managing finances.

Fostering financial comprehension includes the gathering of wisdom, skillfulness, and tenets that shape one's evaluations and deeds regarding financial situations intended for wealth improvement (OJK, 2021). Financial literacy denotes the proficiency to interpret, oversee, evaluate, and articulate one's financial matters, which subsequently impacts overall well-being (Ade Sophie, Wirmie Eka Putra, 2025). The findings in this review of financial literacy clarify key financial tenets, views, and approaches linked to resource handling.

Self-regulation facilitates the capacity of individuals to achieve economic power or wealth through steadfast decision-making and perseverance; in contrast, the lack of self-regulation may result in illogical decisions, reduced self-efficacy, and inappropriate behavior (Luis & MN, 2020). People who have good self-control are less likely to make bad financial decisions or spend too much (Bai, 2023). This comprehensive research investigation delineates several critical indicators that are indicative of the construct of self-control, which encompass the multifaceted dimensions of emotional regulation or emotional control, the essential characteristic of trustworthiness, the heightened state of being alert and vigilant, the capacity to demonstrate flexibility in various situations, as well as the ability to engage in creative thought processes and behaviors.

How equipped a person feels to engage with possible threats and unpredictabilities reveals their risk appetite concerning investment choices. Those who embrace risk commonly show a superior level of daring in their financial choices (Nabila & Dewi, 2023). Risk tolerance is an important psychological factor in managing money because it affects what investments people like and how comfortable they are when the market changes (Vanessa Eilien Hidayat, 2022). Factors indicating risk tolerance provide insight into how individuals view the investment of their financial resources in multiple enterprises, the risks they are ready to bear, and their strategies for coping with the uncertainties surrounding their investment futures.

The act of deciding on investments includes the techniques individuals utilize to figure out how to assign their financial capital and investment arrangements. Investment is the activity of placing capital into a certain business with the aim of obtaining additional and profits (Wanda Ayu Rasari & Endang Wulandari, 2024). Evaluating diverse investment pathways, reconfiguring the investment portfolio, and remaining committed to recognized investment techniques together denote the establishment of an investment objective.

## RESEARCH METHODS

The kinds of research and the ways they are done are quantitative. This data is primary data. We got the data directly from the people who answered the survey. This is a way of collecting data by sending out questionnaires online. This research employs a Likert scale.

The research population in Jambi City comprised 133,114 individuals. This research specifically targeted those who were legally working and had sufficient financial knowledge. It did not include people between the ages of 13 and 17 because of these restrictions (Sekaran & Bougie, 2019).

The sampling method was derived from non-probability purposive sampling. This study uses the slovin formula with a 10% error rate, which is the best way to get a representative sample in social research. This method was chosen because it fits the goal and makes sure that the sample is a good representation of the target population (Sugiyono, 2021).

This inquiry assesses five different dimensions: financial awareness (X1), self-discipline (X2), risk inclination (X3), fiscal wellness (Y), and decision-making processes in investments (Z) operating as a mediating factor.

## RESULTS AND DISCUSSION

The Slovin formula was used to send out 100 questionnaires. Partial Least Square (PLS)-SEM is the method used to test the proposed hypothesis. The system for appraisal incorporates analyses of both soundness and steadfastness. Hair et al. say that validity is good if the AVE value

is greater than 0.50, which means that the construct can explain more than half of the variance of its constituent indicators.

**Table 1. AVE Value**

<b>Variabel</b>	<b>AVE</b>
Financial Welfare (Y)	0.711
Financial Literacy (X1)	0.679
Investment Decision Making (Z)	0.617
Self-Control (X2)	0.737
Risk Tolerance (x3)	0.653

Source: Processed Data (2025)

Table 1 above shows the results of processing the data. It shows that all of the research variables have AVE values that meet the standards. Since the value is above 0.50, we can say that all of the variables in this model are valid and can accurately show the indicators.

**Table 2. Reliability Test Results (Outer Model)**

<b>Variabel</b>	<b>Cronbach's alpha</b>	<b>Composite reliability</b>
Financial Literacy (X1)	0.941	0.948
Self-Control (X2)	0.960	0.965
Risk Tolerance (x3)	0.950	0.917
Financial Welfare (Y)	0.963	0.965
Investment Decision Making (Z)	0.922	0.948

Source: Processed Data (2025)

The Cross Loadings table above shows a clear pattern: each indicator group fits perfectly with its parent variable. For instance, the indicators in the Financial Literacy variable (X1.1 to X1.9) have a loading value to the original variable (range 0.737–0.884) that is much higher than the correlation with the variables of Self-Control, Risk Tolerance, Financial Well-Being, and Investment Decision Making. There exists a noteworthy congruence in the observable patterns among the variables pertaining to Self-Control, Risk Tolerance, Financial Well-Being, and the intricacies involved in Investment Decision Making, which collectively suggest a significant interrelationship and interplay among these constructs. In these cases, the correlation value of the indicator to the construct itself is always stronger than the correlation value of other constructs.

**Table 3. R-Square Value**

<b>Variabel</b>	<b>R-square</b>	<b>R-square adjusted</b>
Investment Decision Making (Z)	0.601	0.587
Financial Welfare (Y)	0.724	0.712

Source: Processed Data (2025)

In the process of applying PLS to the structural model, you initiate by checking the R-Square for all dependent latent variables. You can use changes in the value of R squared to help figure out how independent latent variables affect dependent latent variables. R-squared statistics

of 0.75, 0.50, and 0.25 suggest that the model provides medium, strong, or weak explanatory insights, in that sequence.

**Table 4. Hypothesis Test**

	<i>Original sample</i> (O)	<i>Sample mean</i> (M)	<i>Standard deviation</i> (STDEV)	<i>T statistics</i> ( O/STDEV )	<i>P values</i>
X1 -> Y	0.405	0.406	0.092	4.402	0.000
X2 -> Y	0.391	0.393	0.067	5.835	0.000
X3 -> Y	-0.043	-0.033	0.066	0.660	0.509
Z -> Y	0.394	0.385	0.081	4.885	0.000
X1 -> Z	0.693	0.689	0.049	14.157	0.000
X2 -> Z	0.467	0.461	0.057	8.194	0.000
X3 -> Z	0.010	-0.003	0.085	0.117	0.907
X1 -> Z -> Y	0.273	0.266	0.060	4.541	0.000

Source: Processed Data (2025)

### **The Influence of Financial Literacy on Financial Welfare**

The outcomes revealed that being financially educated positively influences financial stability. A path coefficient of 0.405 was found, while the t-statistic value reached 4.402, going beyond 1.96, and the p-value indicated was 0.000, which is below 0.05. These results show that Generation Z in Jambi City has better financial well-being when they are more financially literate.

The results of the present investigation are consistent with the empirical research undertaken by Ramadhania and Krisnawati (2024), which demonstrated that financial literacy exerts a considerable impact on the financial welfare of individuals within the productive age demographic in the city of Bandung. Also, the examination led by Kumar and his partners (2023) discloses a considerable positive tie between financial literacy and financial well-being.

The results of the thorough analysis done in this study are very different from the results of Prameswari's (2023) study, which found that financial literacy did not have a statistically significant effect on people's overall financial well-being. This shows that there is a different point of view in the field of financial studies.

### **The Effect of Self-Control on Financial Welfare**

The evaluation's results suggested that one's capacity for self-control positively and significantly affected financial stability, as evidenced by a path coefficient of 0.391, a t-statistic of 5.835, and a p-value of 0.000. This highlights how the skill of individuals to control their money-related actions greatly aids in boosting the financial stability of Generation Z in Jambi City.

The outcomes of the ongoing research are consistent with the scholarly examination carried out by Luis and Nuryasman (2020), which clarified a direct, beneficial, and statistically relevant impact of self-regulation on financial health. Then, consistent with the study by Pulungan and Siregar (2024), which examines the impact of financial planning and financial literacy on

financial welfare through self-control among the residents of Tanjung Putus Village. Examinations have found that personal regulation is indispensable for increasing financial wellness, also functioning as a major conduit linking financial insight to holistic health.

This examination unveils that its deductions sharply oppose those provided by Fred van Raaij and his peers (2023), who detected no notable correlation between self-regulation and economic health. They pointed out that elevated self-discipline may lead to tension in overseeing financial affairs, especially when people have constrained freedom in making decisions. Several contextual factors can help us understand this difference.

### **The interplay of risk acceptance and monetary prosperity.**

Data suggests that being open to risk does not substantially influence financial prosperity. This coefficient path presents a figure of -0.043 alongside a t-statistic of 0.660 and a p-value of 0.509, thereby reinforcing this statement. The analysis indicates that the perceptions of Generation Z regarding risk do not substantially affect their financial circumstances in Jambi City. These findings support the research conducted by Naveed and Ali (2024), emphasizing that risk tolerance does not have a meaningful impact on financial well-being. Examinations reveal that being financially knowledgeable can drastically influence one's monetary state; still, the importance of risk tolerance regarding economic advancement is rather indistinct. This inquiry demonstrates that the association between risk acceptance and the extensive financial sphere is detailed, also influenced by factors including investment styles and market dynamics.

### **The Influence of Investment Decision Making on Financial Welfare**

The empirical analysis revealed that the executed investment decisions were both foundational and beneficial in augmenting financial capital, as evidenced by a path coefficient of 0.394, a t-statistic of 4.885, and a p-value of 0.000. This assessment demonstrates that Generation Z is engaging in intentional investment choices. The interpretations derived from the ongoing inquiry are congruent with the findings articulated by Bai (2023), who elucidated the pivotal role of investment decision-making as a principal mediating variable in the interplay between financial literacy, mental budgeting, and self-regulation within the framework of financial well-being.

### **The Influence of Financial Literacy on Investment Decision Making**

The analysis suggests that financial literacy notably impacts the investment selection of Generation Z in a beneficial and meaningful way, as indicated by a path coefficient of 0.693, a t-stat of 14.157, and a p-value of 0.000. In the research model, the path coefficient with the greatest value indicates that financial literacy is the foremost indicator of Generation Z's perceptions and emotions regarding investments. Recent research points to a significant alignment with the perspectives presented by Mawarni and Hendrawaty (2025), who investigated how financial literacy affects investment choices among Generation Z.

### **The Influence of Self-Control on Investment Decision Making**

The results obtained from the research elucidated that self-regulation exerts a positive and substantial influence on the investment decision-making process, as underscored by a path coefficient of 0.467, a t-statistic of 8.194, and a p-value of 0.000. These findings suggest that an enhancement in an individual's self-regulatory capabilities is associated with an improvement in the quality of the investment decisions made.

The implications derived from this study are consistent with the results of the research conducted by Wei Ming and Keni (2025), who discovered that self-regulation, in tandem with financial literacy and risk tolerance, has a notable and beneficial effect on investment decision-making among students. Additionally, the outcomes of this examination align with the findings presented by Novia (2023), which investigates the influence of self-regulation and financial literacy on consumption behavior, with lifestyle acting as a mediating variable within the millennial cohort.

### **The Effect of Risk Tolerance on Investment Decision Making**

The inquiry disclosed that the readiness to face risks had a negligible effect on the investment decisions taken, underscored by a path coefficient of 0.010, a t-statistic of 0.117, and a p-value of 0.907. Studies reveal that individual risk perceptions have little effect on the quality of investment decisions undertaken by Generation Z in Jambi City.

The ramifications of the study's outcomes concerning the absence of a significant impact of risk tolerance on investment decision-making are substantial for the field of investment education. This showcases the essential requirement for educational approaches to extend past the straightforward upgrade of risk tolerance or transformation of risk understandings. It is vital to provide Generation Z with an in-depth grasp of risk evaluation concerning various investment possibilities, building portfolios that match their financial dreams, and adeptly managing risk via diversification and complete portfolio management.

### **The Influence of Financial Literacy on Financial Welfare through Investment Decision Making**

Analysis illustrates that the decisions surrounding investments have a substantial effect on the way financial literacy impacts total financial stability, shown through an indirect coefficient of 0.273, a t-statistic of 4.541, and a p-value of 0.000. The role of financial understanding is crucial, highlighting a form of Partial Mediation.

Discoveries like these connect with the Theory of Planned Behavior, alongside the mediation model championed by Baron and Kenny, hinting that financial literacy enhances financial well-being through both direct management methods and indirect investment routes.

### **The Influence of Self-Control on Financial Welfare through Investment Decision Making**

The findings reveal that the technique used in creating investment options has had a notable effect on the link between self-regulation and economic steadiness, underscored by a coefficient of 0.184, a t-statistic of 4.327, and a p-value of 0.000. This mediation is classified as Partial Mediation, considering that self-control also has a direct influence on financial well-being.

This data underscores that self-regulation engages in two different areas: routine financial management and selecting investment paths. The power to oversee impulses, appreciate emotions, and stick with responsible saving routines helps Generation Z build a more sustainable economic landscape.

### **The Effect of Risk Tolerance on Financial Welfare through Investment Decision Making**

The observed results pointed out that making investment decisions was not a mediator in the interplay of risk tolerance and financial stability, highlighted by a t-statistic of 0.118 and a p-value of 0.906. This mediating effect's absence could be explained by the limited significance of risk tolerance on both investment strategies and financial health in a direct way.

Within the framework of Generation Z in Jambi City, the data indicates that risk tolerance has not surfaced as a crucial aspect of financial well-being. More foundational factors, such as financial literacy and self-regulation, have been demonstrated to exert a more substantial influence, thereby indicating that risk tolerance is context-dependent and does not operate as the primary mechanism within this research framework.

## CONCLUSION

This study demonstrated that financial literacy and self-control significantly influence Generation Z's financial well-being in Jambi City, with partial mediation via investment decision-making, while risk tolerance showed no significant effect. Deciding on investments has become a crucial element in forecasting financial wellness, validating the Theory of Planned Behavior's significance in promoting sensible financial conduct. The research model exhibited robust predictive power, evidenced by an R-square of 0.724 for financial well-being from SmartPLS data.

Nevertheless, the study's limitations include a purposive sample of 100 respondents, restricting generalizability beyond Jambi City. Research moving forward must concentrate on fostering self-betterment by allocating resources towards the enhancement of financial literacy through workshops and designing personal self-control approaches, for instance, budgeting applications. Also, one should contemplate the integration of supplementary aspects that bear on financial stability, including viewpoints on finance and mastery in digital financial literacy.

## REFERENCES

- Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2), 179–211. [https://doi.org/10.1016/0749-5978\(91\)90020-T](https://doi.org/10.1016/0749-5978(91)90020-T)
- Ajzen, I., & Fishbein, M. (1980). *Understanding attitudes and predicting social behavior*. Prentice-Hall.

- Ade Sophie, W., Son, W. E., & H. R. (2025). Financial literacy, financial technology and MSME performance in Bungo District: The role of financial behavior. *Journal of Maneksi (Economic Management and Accounting)*, 14(4), 2358–2370.
- Central Statistics Agency. (2023). *Indonesian Statistics 2023*. BPS.
- Bai, R. (2023). Impact of financial literacy, mental budgeting and self-control on financial wellbeing: Mediating impact of investment decision making. *PLoS ONE*, 18(11), 1–18. <https://doi.org/10.1371/journal.pone.0294466>
- Baron, R. M., & Kenny, D. A. (1986). The moderator–mediator variable distinction in social psychological research. *Journal of Personality and Social Psychology*, 51(6), 1173–1182. <https://doi.org/10.1037/0022-3514.51.6.1173>
- National Council on Inclusive Finance. (2023). *Youth Finsight 2.0: A survey of financial literacy and inclusion of Indonesia's young generation*. DNKI.
- Ghozali, I., & Latan, H. (2022). *Partial least squares: Concepts, techniques and applications using SmartPLS 4*. Publishing Agency of Diponegoro University.
- Luis, L., & MN, N. (2020). The effect of self-control, literacy and financial behavior on financial well-being. *Journal of Managerial and Entrepreneurship*, 2(4), 994–1004. <https://doi.org/10.24912/jmk.v2i4.9883>
- Mansor, N. S., & Rahman, A. (2020). Measuring financial well-being: Development and validation of a multidimensional scale. *Asian Journal of Business and Accounting*, 13(1), 145–178.
- Marwa, S., & Sultan, S. (2025). The effect of financial literacy on financial welfare with financial management as an intervening variable. *Journal of Economics and Business*, 10(1), 55–68.
- Nabila, D., & Dewi, A. S. (2023). The effect of financial literacy and risk tolerance on financial behavior. *Journal of Mirai Management*, 8(1), 223–231.
- OCBC NISP. (2024). *OCBC NISP financial fitness index 2024*. OCBC NISP.
- Financial Services Authority. (2021). *Indonesia's national strategy for financial literacy*. OJK.
- Financial Services Authority. (2024). *National survey on financial literacy and inclusion 2024*. OJK.
- Prameswari, S., et al. (2023). The effect of financial literacy on financial well-being. *Aquaculture*, 6(1), 43–81.
- Pulungan, S. A. R., & Siregar, Q. R. (2024). The effect of financial planning and financial literacy on financial well-being. *Exchange: Journal of Economics and Business*, 3(2), 93–103. <https://doi.org/10.59086/jeb.v3i2.564>
- Sekaran, U., & Bougie, R. (2019). *Research methods for business: A skill-building approach* (8th ed.). John Wiley & Sons.
- Sudaryono. (2023). *Quantitative, qualitative, and mixed method research methodology* (3rd ed.). RajaGrafindo Persada.
- Sugiyono. (2021). *Quantitative, qualitative, and R&D research methods*. Alfabet.
- Trisuci, I. (2023). The effect of financial literacy on financial well-being. *Journal of Applied Management and Finance*, 12(1), 181–193.
- Vanessa Eilien Hidayat, & Putri, A. S. (2022). The effect of financial literacy and risk tolerance on stock investment decisions. *Journal of Management and Business*, 9(2), 112–124.
- Wanda Ayu Rasari, & Wulandari, E. (2024). The influence of financial literacy and income on student investment decisions. *National Seminar on Tourism and Entrepreneurship*, 3, 594–601.