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FIRE mindset and digital financial inclusion as determinants of Gen Z financial stability

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Abstract: *This research investigates how the FIRE mindset and digital financial inclusion impact financial stability among Generation Z, with self-concept serving as the mediating variable. The study employed a quantitative survey method and gathered data from 300 digitally active respondents. The data were then analyzed using PLS-SEM. The findings reveal that both the FIRE mindset and digital financial inclusion are significant factors that determine financial stability. Also, self-concept is a direct influencing factor of financial stability. On the contrary, digital financial inclusion neither affects self-concept significantly nor does self-concept mediate the relationships. Hence, the results point out that the behavioral discipline and long-term financial orientation of Generation Z drive their financial stability more than the psychological mediation mechanisms. The paper further explains that for improving financial resilience, financial literacy, digital access, and consistent financial behavior need to be combined.*

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Keywords: *digital financial inclusion; financial stability; FIRE mindset; self-concept*

Mindset FIRE dan *digital financial inclusion* sebagai penentu stabilitas keuangan Generasi Z

Abstrak: *Penelitian ini mengkaji pengaruh FIRE mindset dan inklusi keuangan digital terhadap stabilitas keuangan pada Generasi Z, dengan konsep diri sebagai variabel mediasi. Survei kuantitatif dilakukan terhadap 300 orang responden yang aktif secara digital, dan data dianalisis menggunakan PLS-SEM. Hasil penelitian menunjukkan bahwa FIRE mindset dan inklusi keuangan digital berpengaruh signifikan terhadap stabilitas keuangan, sementara konsep diri juga memiliki pengaruh langsung yang signifikan. Namun, inklusi keuangan digital tidak berpengaruh signifikan terhadap konsep diri, dan konsep diri tidak memediasi hubungan tersebut. Temuan ini menunjukkan bahwa stabilitas keuangan pada Generasi Z lebih banyak didorong oleh kedisiplinan perilaku dan orientasi keuangan jangka panjang dibandingkan oleh mekanisme mediasi psikologis. Penelitian ini menekankan pentingnya integrasi literasi keuangan, akses digital, dan perilaku keuangan yang konsisten untuk meningkatkan ketahanan finansial.*

Kata kunci: *inklusi keuangan digital; konsep diri; mindset FIRE; stabilitas keuangan*

INTRODUCTION

Financial inclusion worldwide has improved significantly; however, empirical evidence suggests that young adults remain disproportionately vulnerable to financial fragility (Demirgüç-Kunt et al., 2022). The rapid development of fintech ecosystems has increased access to digital banking, online investment, and credit services with short-term repayment periods (Gomber et al., 2018). Nevertheless, this expanded access has also heightened the risk of impulsive borrowing and short-term financial decision-making. Prior studies indicate that financial literacy alone has limited and often short-term effects on financial behavior (Fernandes et al., 2014). This pattern is also observed in financially advanced countries, where younger generations tend to have lower levels of financial preparedness compared to older groups (Lusardi & Mitchell, 2010). What these findings show is a kind of structural paradox; an increase in financial access and financial literacy does not necessarily guarantee a sustainable financial stability.

In fact, the scenario in Indonesia is showing a similar trend. The data obtained from national surveys revealed a significant rise in financial literacy during the last ten years, but financial inclusion has not always been effective in converting to actual financial participation. According to the data presented in Table 1, financial literacy rose from 21.84% in 2013 to 66.46% in 2025, whereas financial inclusion was 85.10% in 2022 and thereafter decreased to 75.02% in 2024 before increasing to 80.51% in 2025. These changes indicate that greater access to digital financial services doesn't always lead to a consistent ability to cope financially. Going back to a previous study, it has been pointed out that although digital financial inclusion can increase economic participation, the downside is that it can also open the door to risks if there isn't proper behavioral control and psychological preparedness (Ozili, 2018). So, besides just having structural accessibility, long-term financial mindset and psychological internal factors are important considerations.

Table 1. Trends in national financial literacy and inclusion indexes (2013-2025)

Year	Financial literacy index (%)	Financial inclusion index (%)
2013	21.84	59.74
2016	29.70	67.80
2019	38.03	76.19
2022	49.68	85.10
2024	65.43	75.02
2025	66.46	80.51

Source: Financial Services Authority (OJK), processed by authors (2026)

Financial literacy related to Generation Z is among the youngest demographics that scholars have examined. As digital natives and very probably the biggest users of fintech services, they form a very significant group for such research. In addition, studies reveal that the younger generations employ digital financial platforms much more than the older ones (Demirgüç-Kunt et al., 2022). However, some other research has also found that, compared to other age groups, Gen Z may be more prone to impulsive consumption and one off financial decision making (Lusardi & Mitchell, 2014). Fast fintech growth in emerging countries has been accompanied by uneven financial resilience (Ozili, 2018). Therefore, this combination of a high level of digital access and financial vulnerability makes Generation Z an appropriate and theoretically sound sample for investigating whether digital inclusion and a long-term financial mindset could contribute to sustainable financial stability.

The results of research on financial literacy and financial behavior have been inconsistent (Lusardi & Mitchell, 2014; Xiao & Porto, 2017). Meta analytical data shows that financial literacy has only a minor long-term effect on financial behavior (Fernandes et al., 2014). Furthermore, the majority of the work concentrates on short-term financial behavior instead of long-term financial stability (Brüggen et al., 2017). Research on digital financial inclusion mainly focuses on access and usage, and the ramifications for financial resilience have not been sufficiently studied (Ozili, 2018). Besides, there is very little empirical work on long-term financial orientation, such as the FIRE mindset, especially in emerging economies (Hauff et al., 2020). Moreover, psychological elements, including self-concept, are seldom considered in financial stability models (Marsh & Martin, 2011). These shortcomings call for a more comprehensive model that integrates behavioral, structural, and psychological viewpoints. In spite of these results, earlier research has failed to provide a detailed examination of the joint impacts of long-term financial mindset, digital financial inclusion, and psychological factors (like self-concept) in explaining financial stability (Brüggen et al., 2017; Ozili, 2018). Most of the previous studies target only a single aspect, financial literacy, or financial behavior, instead of looking at them together with behavioral, structural, and psychological perspectives (Hasan et al., 2023). Besides, it has been found from the recent literature that digital financial systems can be a double-edged sword. They may promote financial inclusion but at the same time, also generate financial vulnerability in the absence of sufficient behavioral control (Yue et al., 2022). Hence, this research is aimed at filling in this space by including these aspects in one consolidated model to explain financial stability in Generation Z in a better way. One of the major differences between this and previous works is that instead of analyzing financial literacy or digital financial inclusion separately, this study combines three dimensions, namely behavioral orientation (FIRE mindset), structural access (digital financial inclusion), and psychological factors (self-concept) in a single framework (Gomber et al., 2017). Such a holistic approach allows this paper to offer a deeper understanding of financial stability among Generation Z.

This paper, therefore, takes on this challenge and comes up with a model to look at how the FIRE mindset and digital financial inclusion affect financial stability, not just individually, but also through self-concept (mediating role). Besides, the paper takes into account financial stability as a long-term outcome instead of short-term financial behavior (Brüggen et al., 2017). It also sees self-concept as one of the cognitive mechanisms that links behavioral orientation and structural access in the light of Theory of Planned Behavior (Ajzen, 1991; Marsh & Martin, 2011). By integrating behavioral, structural, and psychological elements, this paper is able to offer an explanation of financial stability among Generation Z that is more comprehensive.

This research intends to find out the effects of the FIRE way of thinking and digital financial inclusion on financial stability. Besides, it also investigates self-concept as a mediator in the relationships between these variables for Generation Z. But still, the integration of effects of long-term financial mindset (FIRE), digital financial inclusion, and psychological factors (like self-concept) on financial stability has not been thoroughly studied in earlier research. Most of the earlier research only deals with these variables separately or accentuates short-term financial behavior only. Hence, this paper tries to discover the contribution of behavioral, structural, and psychological factors, combined together in a single model explaining the financial stability of Generation Z.

The research evidence for the Theory of Planned Behavior by showing that behavioral and structural aspects have a more direct impact on financial stability than the psychological mediation mechanisms (Ajzen, 1991). Also, it incorporates the FIRE mindset, digital financial inclusion, and self-concept together in one framework, thus increasing the understanding of the subject. While previous studies primarily focus on financial literacy and access (Lusardi & Mitchell, 2010; Morgan & Pontines,

2014), this study provides a more comprehensive explanation by combining behavioral orientation, digital access, and psychological dimensions in explaining financial stability among Generation Z.

The grand theory underpinning this study is the *Theory of Planned Behavior* (TPB), which explains that individual behavior is determined by attitudes, subjective norms, and perceived behavioral control that shape intention and ultimately influence actual behavior (Ajzen, 1991). In the context of financial decision-making, TPB provides a strong explanatory foundation for understanding how long-term financial orientation and access to financial systems translate into sustainable financial outcomes. The FIRE mindset is focused on long-term potential through discipline-saving commitment to investment and frugal lifestyles, shifting to research shows digital financial inclusion as perceived behavioral control by having access and being able to use properly the digital financial services (Ozili, 2018). Besides this, self-concept is considered to be a cognitive internal mechanism that influences financial behavior through boosting confidence, self-regulation, and consistency (Marsh & Martin, 2011). That is why financial stability is seen as the result of well-planned and controlled financial behavior over time, not just a snapshot of financial behavior, in line with the literature on financial well-being and resilience over time (Brüggen et al., 2017; Xiao & Porto, 2017). By including psychological orientation, structural accessibility, and cognitive self-assessment in TPB, the present paper provides an in-depth explanation of how Generation Z achieves continuous financial stability in the digital world.

The FIRE mindset is a way of thinking oriented toward achieving financial independence and early retirement through disciplined and strategic financial planning. This mindset is reflected in having clear long-term financial goals, a commitment to increasing the saving rate and investments, as well as implementing a frugal lifestyle to accelerate asset accumulation. Through this approach, individuals strive to reduce dependence on routine jobs and gain financial freedom and time in the future (Taylor & Davies, 2021). The FIRE mindset is realized through a commitment to keeping expenses under control and actively increasing earning capacity. With this mindset, a person's primary focus is on generating the largest possible difference between income and expenses so to increase saving rate and investment. The major tactics for quicker financial independence are keeping strict control over consumption, staying away from unproductive debts, and finding ways to increase income. Therefore, the FIRE mindset stands for a person's coming-of-age mentality towards obtaining liberty in financial decisions and freedom to carry out life and career choices (Taylor & Davies, 2021). The FIRE mindset indicators include several important aspects, such as:

1. Financial independence orientation: The degree to which individuals are oriented toward achieving financial independence and time freedom through long-term financial planning.
2. Saving and investing commitment: The extent one can make a consistent effort to allocating parts of income for savings and investment in order to speed up the process of asset accumulation.
3. Frugal living behavior: A person's capability in maintaining a certain level of expense control and introducing a frugal way of life for the support of financial goals.

Financial inclusion is a removal of barriers so that individuals are not only able to save but also borrow and manage financial risks efficiently through formal financial services (Gallego-Losada et al., 2023). Recently, digital financial inclusion is being used more and more as a means of promotion and inclusion because it is based on technologies and uses of mobile telephony and the internet offers financial services easier, faster, and have wider reach. Especially for Gen Z who have been living in the digital age, this new convenience offers opportunities to connect with formal financial systems, improve their financial independence, and pave the way for financial stability even at a younger age. Additionally, financial inclusion also plays a role in reducing economic disparities by ensuring each individual has access to high-quality, safe, and needs-appropriate financial services, including young people who are adaptive to technology (Ozili, 2018; Gallego-Losada et al., 2023). Digital financial inclusion is understood not only as the availability of access but also as a factor influencing perceptions of behavioral control in managing finances. The easier the access to and use digital financial services, the greater the individual's control over their financial decisions, ultimately strengthening their financial stability. However, the effectiveness of digital access is also influenced by mindsets such as FIRE, as well as the individual's self-concept regarding their capability in long-term financial management. The indicators of digital financial inclusion according to include:

1. Access to digital financial services: The extent to which individuals use digital financial applications or platforms.

2. Usage of digital financial services: Measuring the frequency and intensity of their usage in daily financial activities, such as payments, fund transfers, and account management.
3. Quality of digital financial products and services delivery: Including service speed, system reliability, data security, and customer service responsiveness.

Financial stability is the ability of a person to manage his/her cash flow well, resist economic shocks, and practice a well-structured financial planning that is both short and long term. With Gen Z, financial stability is being equated with not just how much wealth you have but really by the factors of a sense of financial security, being free from parental financial support, and being ready to asset building early on through saving and investing (Brüggen et al., 2017). Financial stability is also reflected in an individual's ability to maintain balance between income and expenses, control debt, and build a reserve fund to face unexpected situations, such as inflation or job loss. Amid the pressure of the digital lifestyle and the FOMO phenomenon, individuals with financial stability are able to remain rational in making financial decisions and prioritize long-term economic security (Xiao & Porto, 2017). According to Morgan & Pontines (2014), financial stability indicators include several important aspects, such as:

1. Savings and emergency fund: The individual's ability to build savings and an emergency fund as protection against unforeseen financial risks.
2. Cash flow management and debt control: The individual's ability to manage cash flow in a balanced way and control debt so as not to disrupt their financial condition.
3. Investment behavior: The individual's consistency and awareness in investing as an effort to build assets and maintain long-term financial sustainability.

Self-concept is a cognitive schema that reflects an individual's self-identity, shaped by beliefs and attitudes about oneself, and developed through experience and social interaction. This psychological aspect serves as an evaluative framework for understanding one's potential and determining behavioral orientations that align with personal values (Markus & Wurf, 1987). In a financial context, self-concept describes how individuals evaluate themselves in managing finances. A positive self-concept strengthens belief in one's abilities to manage expenditures, prepare budgets, and make financial decisions (Tang et al., 2015). According to Sirgy (1982) and Marsh & Shavelson (1985), self-concept indicators include:

1. Capability: Gen Z's understanding of their strengths, weaknesses, interests, values, and self-identity in managing finances.
2. Self-strategies: Personal steps taken to shape and develop self-concept in relation to financial decision-making.
3. Future expectations: People's anticipation of changes in their financial situations and personal achievements over time.

Table 2. Measurement items

Variable	Indicator	Source
FIRE mindset (X_1)	Financial independence orientation, saving and investing commitment, and frugal living behavior	Taylor & Davies (2021)
Digital financial inclusion (X_2)	Access to, usage of, and service quality of digital financial services	Ozili (2018); Gallego-Losada et al. (2023);
Financial stability (Y)	Savings and emergency funds, cash flow management and debt control, and investment behavior	Morgan & Pontines (2014)
Self-concept (M)	Capability, self-strategy, and future expectation	Sirgy (1982); Marsh & Shavelson (1985)

Source: Processed by authors (2026)

METHOD

This research is limited to studying Generation Z in East Java, Indonesia. This location was chosen mainly because there is a large and varied population of digitally engaged people living there. The

demographic situation serves as a good place for looking at financial behavior in an environment where things are going digital very quickly (Wood, 2013; Francis & Hoefel, 2018). The population that this study will be targeting includes those who not only use digital financial services regularly but also have some knowledge of long-term financial planning (Lusardi & Mitchell, 2010; Morgan & Trinh, 2017). As the population size is unknown, non-probability sampling will be used. Specifically, purposive sampling will be applied due to its wide use in behavioral and social sciences researches (Etikan, 2016; Hair et al., 2019). Participation was offered to 300 persons in this study, which is a sufficient number to carry out PLS-SEM analysis in order to obtain reliable estimator (Hair et al., 2019; Sarstedt et al., 2021).

This work employed quantitative descriptive research methods to precisely measure if the FIRE (financial independence, retire early) approach and digital financial inclusion affect Generation Z 's financial stability and at the same time self-concept is the mediator in these relationships. Quantitative designs are widely utilized in financial behavior and management research to test causal relationships among latent constructs (Ali et al., 2018). This research employs a quantitative method to analyze the relations between the FIRE mindset, digital financial inclusion, self-concept, and financial stability. Structured, closed ended questionnaires derived from well-known indicators of each construct, were used to gather primary data from respondents who met the specified criteria (Podsakoff et al., 2012; Henseler et al., 2016). Five-point Likert scale, 1 (strongly disagree) to 5 (strongly agree), was used to measure all constructs. To achieve construct validity and reliability, five indicators were used to measure each variable, all of them were adapted from previously validated studies.

The data were analyzed using SmartPLS 3.0 with the partial least squares structural equation modeling (PLS-SEM) technique, which is a good fit for complicated predictive models and mediation analysis (Hair et al., 2019). PLS-SEM was chosen because of its appropriateness for predictive analyses, complex models, and smaller samples compared to covariance-based SEM (CB-SEM). Firstly, the outer model assessment was done to look at convergent validity by using average variance extracted (AVE) and construct reliability by composite reliability and Cronbach's alpha (Fornell & Larcker, 1981). Next, the inner model was reviewed for its explanatory power and predictive relevance; also hypothesis testing was done by examining the path coefficients and bootstrapping procedure's statistical significance (Hair, 2022; Sarstedt et al., 2021). This method allows evaluating direct and indirect variable relationships simultaneously (Preacher & Hayes, 2008; Zhao et al., 2010). To examine common method bias Harman's single-factor test was used. The findings show that one factor didn't account for most of the variance, indicating that common method bias isn't a serious issue here (Podsakoff et al., 2012).

RESULTS AND DISCUSSION

Results

The outer model functions to determine validity and reliability. The outer model consists of several stages, such as convergent validity, composite reliability and Cronbach's alpha, and discriminant validity. Convergent validity is used to measure the extent to which indicators can represent and explain the latent variables they form. The higher the value of convergent validity, the better the indicator reflects the construct being measured. In this study, the convergent validity test was conducted by examining the average variance extracted (AVE) value, where a construct is considered to meet the criteria if it has an AVE value > 0.50.

Table 3. Average variance extracted (AVE) test

	Average variance extracted (AVE)	Explanation
Mindset FIRE (X_1)	0.509	Valid
Digital financial inclusion (X_2)	0.580	Valid
Financial stability (Y)	0.534	Valid
Self-concept (M)	0.566	Valid

Source: Processed by authors (2026)

Based on the average variance extracted (AVE) values in Table 3, all variables in this study have AVE values > 0.50. This indicates that each construct meets the criteria for convergent validity and can adequately explain the variance of the indicators, so the measurement model is considered to have good construct quality and is suitable for further analysis. Composite reliability is used to assess the level of internal consistency and the accuracy of the instrument in measuring a construct. A variable is considered reliable if it has composite reliability and Cronbach's alpha values > 0.70, indicating that the indicators within the construct have good consistency.

Table 4. Composite reliability test and Cronbach's alpha

	Cronbach's alpha	Composite reliability	Explanation
Mindset FIRE (X_1)	0.775	0.836	Reliable
Digital financial inclusion (X_2)	0.827	0.872	Reliable
Financial stability (Y)	0.784	0.851	Reliable
Self-concept (M)	0.815	0.866	Reliable

Source: Processed by authors (2026)

Based on Table 4, all constructs have a composite reliability and Cronbach's alpha value > 0.70. This indicates that the variables of the FIRE mindset (X_1), digital financial inclusion (X_2), financial stability (Y), and self-concept (M) have all met the reliability criteria. Therefore, this research instrument is considered to have good internal consistency and can be trusted to measure each construct.

Discriminant validity is used to assess the extent to which a construct can be clearly distinguished from other constructs in the model based on empirical evidence. This validity ensures that each latent variable has distinct characteristics and does not overlap with other constructs. Discriminant validity testing is conducted through cross-loading values, where an indicator is considered to meet the criteria if it has the highest loading value on the construct being measured compared to other constructs.

Table 5. Cross loading values

	Mindset FIRE (X_1)	Digital financial inclusion (X_2)	Financial stability (Y)	Self-concept (M)
X1.1	0.543	-0.010	-0.006	0.082
X1.2	0.833	-0.006	0.185	0.185
X1.3	0.782	-0.021	0.234	0.103
X1.4	0.688	0.054	0.137	0.094
X1.5	0.687	0.100	0.101	-0.047
X2.1	0.054	0.619	0.050	-0.047
X2.2	0.057	0.684	0.092	-0.093
X2.3	-0.028	0.800	0.140	-0.036
X2.4	-0.001	0.845	0.184	0.039
X2.5	0.042	0.834	0.185	-0.033
Y1	0.197	0.023	0.658	0.178
Y2	0.152	0.144	0.744	0.128
Y3	0.182	0.219	0.824	0.148
Y4	0.172	0.213	0.748	0.078
Y5	0.090	0.028	0.669	0.204
M1	0.128	-0.072	0.193	0.795
M2	0.106	-0.006	0.036	0.619
M3	0.116	-0.005	0.135	0.777
M4	0.139	0.013	0.219	0.828
M5	0.145	-0.059	0.009	0.725

Source: Processed by authors (2026)

Based on Table 5, it can be seen that each indicator has the highest cross loading value on the construct; it measures compared to other constructs. This condition indicates that all indicators in the study have

met the criteria for discriminant validity, so each variable can be clearly distinguished and does not experience overlapping measurements.

The inner model is a test conducted to determine the causal relationships between latent variables. Measurement of the inner model can be carried out by looking at the R-square (R^2) value, predictive relevance (Q-square/Q^2), and path coefficient to determine the overall effect of exogenous latent variables on endogenous latent variables. The R-square test is used to determine how well exogenous latent variables explain endogenous latent variables in the structural model. The R-square value is categorized as strong if > 0.75, moderate if > 0.50 up to ≤ 0.75, and weak if < 0.25. Below are the R-square test results for the financial stability and self-concept variables.

Table 6. R-square values

	R-square	Adjusted R-square
Financial stability (Y)	0.113	0.098
Self-concept (M)	0.029	0.023

Source: Processed by authors (2026)

The modest explanatory power of the model implies that financial stability is a multifaceted construct that is impacted by a variety of behavioral, structural, and socio-economic factors. As shown in Table 6, the R-square value for financial stability (Y) is 0.113, which means that the FIRE mindset (X_1) and digital financial inclusion (X_2) account for 11.3% of the variance in financial stability whereas the remaining 88.7% is due to other factors outside the model. This value is considered low (< 0.25). Likewise, the R-square for self-concept (M) is 0.029, which indicates that the model explains very little variation in self-concept and that 97.1% of the variation is due to variables that have not been examined. These low R-square values imply that there are other factors besides those examined (influence financial stability and self-concept). While statistically significant, the FIRE mindset and digital financial inclusion only explain a small portion of the variance. This suggests that other variables, such as financial literacy, income level, lifestyle behavior, and peer influence, may have a more significant impact on the financial stability of Generation Z. Hence, the current model partly explains the phenomenon, and further research should include a wider range of behavioral and socio-economic variables in order to improve the model's predictive power.

Predictive relevance is used to evaluate the extent to which the model has the ability to predict the observed data. This test is carried out using the blindfolding procedure by observing the Q-square value. If the Q-square value is greater than zero ($Q^2 > 0$), then the model is considered to have predictive relevance, while a Q-square value less than zero ($Q^2 < 0$) indicates that the model does not have predictive relevance.

Table 7. Q-square value

	SSO	SSE	Q^2 (=1-SSE/SSO)
Financial stability (Y)	1500.000	1480.999	0.013
Self-concept (M)	1500.000	1421.752	0.052

Source: Processed by authors (2026)

Referring to Table 7, the Q-square value of financial stability (Y) is 0.013. Since the figure exceeds zero, the model is acknowledged to have predictive relevance. However, the size of its predictive contribution is small. On the other hand, for the self-concept variable (M), the Q-square value of 0.052 also demonstrates a value > 0. In other words, the model still holds the ability to make predictions for the self-concept variable, with a fairly higher level of relevance as compared to the financial stability variable. Therefore, the two constructs of the model both reached the standard of predictive relevance although their strengths of predicting were considered to be small.

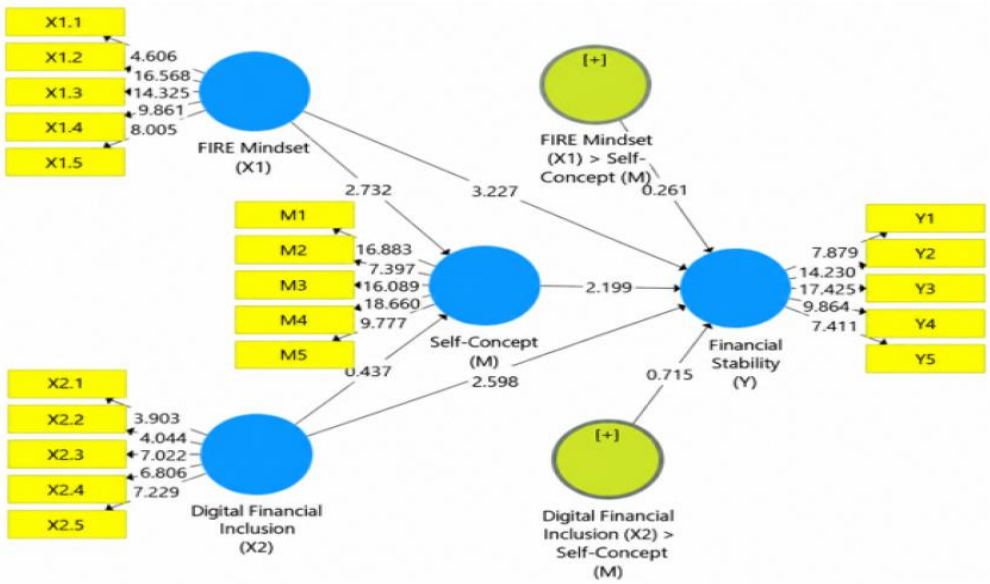


Figure 1. Path coefficient
Source: Processed by authors (2026)

The path coefficient test aims to evaluate the significance of the relationships between variables in the process of hypothesis testing. This analysis is conducted by considering the original sample value, t-statistic, and *p*-value. The original sample value indicates the direction of the hypothesized relationship, and it is considered consistent and has a positive influence if it is positive. In this way, the t-statistic value is the criterion for deciding whether the link between the exogenous latent variable and the endogenous latent variable is significant or not. A relational significance is determined when the t-statistic value is greater than the t-table value. Here, in this paper, at 5% significance level and two-tailed test (k = 2) and degrees of freedom (df = n-k = 298), the t-table value is 1.967. Hence, the hypothesis is supported if the t-statistic > 1.967. In addition, the test also considers the *p*-value, where a hypothesis can be accepted if the *p*-value < 0.05. Thus, these three values (original sample, t-statistic, and *p*-value) form the main basis for determining whether the relationships between variables in the model are considered significant or not.

Table 8. Path coefficient test values

	Original sample (O)	Standard deviation (STDEV)	T statistics (\O/STDEV\)	*P* values	Hypothesis
$X_1 > Y$	0.184	0.057	3.227	0.001	Accepted
$X_2 > Y$	0.187	0.072	2.598	0.010	Accepted
M > Y	0.171	0.078	2.199	0.028	Accepted
$X_1 > M$	0.167	0.061	2.732	0.007	Accepted
$X_2 > M$	-0.036	0.083	0.437	0.662	Rejected
$X_1 > M > Y$	-0.024	0.090	0.261	0.794	Rejected
$X_2 > M > Y$	-0.051	0.071	0.715	0.475	Rejected

Source: Processed by authors (2026)

As shown in Table 8, the bootstrapping test results show that not all relationships in the research model are significant. The *p*-values < 0.05 found in this study show that the FIRE mindset (X_1) and digital financial inclusion (X_2) variables influence financial stability (Y) positively and significantly. They also demonstrate that self-concept (M) affects financial stability (Y) in a positive and significant manner. In terms of the association with the mediating variable, it was found that the FIRE mindset (X_1) positively and significantly influences self-concept (M). On the other hand, digital financial inclusion (X_2) has no significant effect on self-concept (M) since it has a *p*-value > 0.05. Meanwhile, the indirect effect of the FIRE mindset (X_1) on financial stability (Y) through self-concept (M), as well as the indirect

effect of digital financial inclusion (X_2) on financial stability (Y) through self-concept (M), were found to be insignificant. Thus, only some direct pathways in the model have been statistically proven to significantly explain the respondents' financial stability.

Discussion

The FIRE mindset strengthens financial discipline and supports long-term financial planning among Generation Z. This discovery is in agreement with the behavioral finance theory and the life-cycle hypothesis, both of which state that financial decisions are influenced by time orientation and self-control (Lusardi & Mitchell, 2014). People strongly committed to the FIRE approach usually limit consumption, save more, and dedicate themselves to investment activities over the long run, thus they increase their level of financial stability. These outcomes emphasize how critical future oriented financial habits are in driving sustainable financial accomplishments. The FIRE (financial independence, retire early) mindset reflects a strong long-term orientation toward asset accumulation and financial independence, thus aligning with the concept of financial stability, which highlights an individual's ability to maintain sustainable financial conditions without excessive pressure in the future (Brüggen et al., 2017). Practically, the result of this research is that a changed and improved FIRE mindset among Generation Z will not only serve them well in handling their finances, but, in fact, increase their level of financial discipline and reduce their habits of control digital consumption, and commitment to increase investments and savings for the long-term. Even if the transaction methods reach Generation Z, and they are always aware of the society on social media that the behavior of consumerism is promoted, a mindset of the financial freedom orientation that young people can use to make economic decisions more situational and deliberate (Xiao & Porto, 2017). On the one hand, these findings, from a theoretical standpoint, contribute to financial stability and well-being literature by establishing FIRE mindset not only as a psychological tool capable of enhancing the links between financial literacy, self-regulation, and sustainable financial behavior but also as a concept that reveals the influencers of financial well-being of the digital generation.

Digital financial inclusion enhances financial stability by improving access to financial services and enabling more effective financial management. This finding is consistent with financial intermediation theory, which suggests that access to formal financial systems can improve individuals' ability to manage risks and allocate resources efficiently (Ozili, 2018). Digital financial inclusion is a concept that has been associated with the expansion of the most accessible, least expensive and online, technology-supported financial services such as e-banking, e-wallets, and digital investments platforms which are all used to carry out every day financial transactions and to support personal financial management (Demirgüç-Kunt et al., 2022). Increasing the level of digital financial inclusion of Generation Z will result in their better budgeting habits, clearer understanding of cash flow, and higher likelihood of using formal saving and investment tools, all of which contribute to the stability of financial conditions. By the use of digital platforms in their regular financial activities, youngsters can even track their expenditures, save money automatically, and create diversified portfolios with little difficulty. Obviously, digital platforms have revolutionized the way we manage our finances. For instance, these platforms enable users to track their expenditure, set their savings on autopilot, and even explore investment opportunities. Nevertheless, these advantages are only achievable if the users exercise financial responsibility and are equipped with a basic knowledge of financial products and concepts (Morgan & Pontines, 2014). From this perspective, the findings also provide valuable insights by highlighting the role of digital financial inclusion as a structural factor that not only connects individuals to the financial infrastructure but also translates to better financial behaviors, thereby deepening our understanding of what affects financial well-being in the digital era.

Self-concept is one of the most important factors leading to financial stability as it impacts on the financial self-confidence and self-regulation of individuals. The Theory of Planned Behavior sees internal thoughts as influencing one's choice of action and the behavior that is actually carried out (Ajzen, 1991). People who have a positive self-image tend to practice financial discipline and keep their financial plans for a long time. In other words, a person's psychological state or preparedness is very significant when it comes to one's financial well-being. Within such a perspective, a person's self-concept is the internal mental evaluation of oneself that helps amplify positive financial attitudes and also the perception of one's control over financial conduct. Consequently, such actions that are considered and controlled deliberately are the cause of one's financial stability.

This has implications for Generation Z financial education program where, apart from technical literacy, a self-development approach should be taken including self-awareness training, goal-setting workshops, and confidence building activities. Educational institutions, policymakers, and financial providers working in unison can come up with well-structured programs that not only build financial skills but also promote psychological strength especially in digital environments where social comparison and consumption pressure are common. At theoretical level, this paper enhances TPB by laying down the role of self-concept as a core psychological factor that determines financial attitudes and perceived behavioral control, thus providing a richer, personality-based insight into financial stability and financial well-being literature than those focusing only on knowledge-and access-oriented aspects (Ajzen, 1991; Brüggen et al., 2017).

The FIRE mindset positively influences self-concept by reinforcing individuals' perception of financial control and independence. Within the TPB framework, consistent engagement in goal-oriented financial behavior strengthens self-evaluation and confidence (Ajzen, 1991). Individuals who adopt a long-term financial orientation are more likely to develop a positive self-identity characterized by discipline and responsibility. This finding indicates that financial behavior can contribute to the development of psychological constructs. In other words, The FIRE mindset which encompasses long-term focus, willful consumption restraint, and anticipatory financial planning epitomizes a well-financed thought pattern that intensifies the feeling of being in control of one's financial behavior. As per the TPB perspective, the regular participation in well-intended and target-driven financial undertakings can boost self-esteem. This results in a more positive self-image, one that is associated with traits such as being well-disciplined, highly independent, and fully responsible. On a practical note, promoting the FIRE mentality among Generation Z can be a method of not only improving financial behavior but also developing a more solid self-concept oriented towards independence and the achievement of long-term goals. Being future-oriented is key to financial planning. Thus, schools and financial education programs can combine modules on future-oriented financial planning with activities aimed at enhancing self-discovery so that both behavioral and psychological development are supported. Theoretically, this finding extends TPB by demonstrating that sustained financial attitudes and intentional behaviors may contribute to the formation of self-concept, suggesting a reciprocal cognitive-developmental dimension within financial decision-making contexts (Ajzen, 1991; Marsh & Craven, 2006).

Digital financial inclusion does not significantly influence self-concept, indicating that access to financial services alone is insufficient to shape individuals' psychological self-evaluation. According to the Theory of Planned Behavior, internal cognitive factors are not automatically influenced by external enabling conditions (Ajzen, 1991). This finding suggests that technological access must be complemented by psychological and behavioral development to influence self-concept effectively. Digital financial inclusion goes even farther than only physical access to financial services. Nevertheless, the mere fact people have digital financial services at their disposal does not completely change their attitudes, perception of control over their behavior, or their self-evaluations, which are forms of internal psychological frameworks that derive from each individual's beliefs, experiences, and self-regulatory mechanisms (Marsh & Craven, 2006). Therefore, just giving Generation Z more access to digital financial services should be complemented by their psychological preparedness and reflective financial education so that the accessibility of the technology can be turned into the users' meaningful personal development. Also, the increase in access to fintech platforms will very likely raise transactional efficiency but it will not, by itself, enhance one's sense of self or personal financial identity. In terms of theory, this finding leads to a modification of the TPB-based financial behavior model in a way that firstly distinguishes between structural enablers and psychological determinants and secondly points out that internal cognitive constructs, such as self-concept, require more experiences and behavioral support than mere infrastructural access (Ajzen, 1991; Ozili, 2018).

Within the TPB framework, financial stability is considered a behavioral outcome that is a result of both the intention and actual behavior control (Ajzen, 1991). Although the FIRE philosophy emphasizes a strong financial outlook for the future, its indirect influence through self-concept may be limited, as self-concept is a relatively stable psychological evaluation rather than a direct behavioral mediator. It can be concluded that just focusing on one's financial future in a broad sense will not help to improve financial stability if not paired with consistent financial behavior and actions. What is more, new strategies to encourage FIRE among Gen Z should focus on quantifiable money management activities. These are activities that can be checked and controlled easily such as budgeting regularly,

saving automatically, and investing with discipline. Instead of using just the brain or identity power to keep one's mind on the goal. Theoretically, this insight adds to the TPB literature by clarifying that self-concept may act more as a background psychological factor rather than a mediating mechanism connecting financial attitudes to financial stability. It underscores the need to differentiate between identity-related constructs and behavior enabling constructs within financial stability models (Brüggen et al., 2017).

The Theory of Planned Behavior (TPB) stipulates that indirect factors which allow actions to be performed do not necessarily produce a behavioral result if they are not mediated by intention and perceived behavioral control (Ajzen, 1991). Features of digital financial inclusion serve to broaden users' reach to financial systems, but this reach through use of the system does not necessarily imply any change in one's self-concept or responsible financial behavior. Self-concept, which is the internal cognitive evaluation, may not be aroused sufficiently by simply having technological access in order to exercise financial stability. In fact, it is very important for policy makers and financial institutions to go further than initiating digital inclusion projects and include financial education and psychological empowerment programs in order to make sure that access turns into eventual financial benefits. From a theoretical point of view, this revelation highlights that there are differences between infrastructural inclusion and one's psychological readiness in financial stability studies. This shows that to gain financial stability in the digital age, one needs a combination of access, intention to behave, and internal cognitive support, not just relying on technological advances only (Ozili, 2018; Brüggen et al., 2017). Overall, these findings support the argument that financial stability is a multidimensional construct influenced by behavioral, structural, and psychological factors, consistent with recent financial well-being models (Brüggen et al., 2017).

CONCLUSION AND SUGGESTIONS

The study aimed at identifying factors that affect financial stability of Generation Z through the incorporation of the FIRE mindset, digital financial inclusion, and self-concept within a behavioral framework. The findings show that concentration on long-term financial objectives, continuous use of digital financial services, and good self-concept likewise lead to financial stability. This indicates that financial well-being is dependent not only on the availability of financial systems but also on cognitive and psychological preparedness. Besides, the study demonstrates that while the FIRE mindset facilitates the development of a stronger self-concept, digital financial inclusion does not by itself alter internal self-perception, thereby suggesting that mere technological access is not enough for a major psychological transformation. Besides, since no mediating effect was found, it can be argued that in the case of financial orientation or digital access and financial stability, self-concept, even though very influential, does not serve as a mediator. These results are a signal that when targeting an increase in financial stability for Generation Z, it is wise to think of various aspects, such as a long-term financial oriented mindset, responsible digital finance usage, and psychological empowerment, instead of focusing on just one aspect. Nevertheless, these kinds of results should be taken with a grain of salt as the sample used in the study contains contextual and demographic boundaries that may not be applicable on a larger scale. For the purpose of thorough understanding of the complex factors which determine financial stability in the digital generation, it is recommended that future studies not only add more behavioral and environmental factors such as lifestyle, peer influence, and financial habits but also pave the way for indiscriminate study of these issues. This study contributes to the Theory of Planned Behavior by demonstrating that financial stability is more directly influenced by behavioral and structural factors rather than psychological mediation mechanisms.

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