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Financial psychological characteristics and psychological well-being: The mediating role of financial well-being

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Abstract: *Psychological well-being plays an important role in many aspects of life, but its relationship with financial factors remains insufficiently explored. This study aims to examine whether financial well-being can serve as a mediator between five financial psychological characteristics and psychological well-being. Drawing on the conservation of resources theory, this research focuses on materialism, financial self-efficacy, financial risk tolerance, external locus of control, and propensity to plan as financial psychological characteristics. Data were collected from 157 respondents aged 18 to 60 years old in Indonesia who actively managed their finances, and analyzed using PLS-SEM. The results show that materialism, financial self-efficacy, and propensity to plan positively affect financial well-being, while financial risk tolerance and external locus of control do not. Furthermore, financial well-being can enhance psychological well-being and act as a mediator of the relationships between materialism, financial self-efficacy, and the propensity to plan on psychological well-being.*

Keywords: *financial psychological characteristics; financial well-being; psychological well-being*

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Karakteristik psikologis keuangan dan kesejahteraan psikologis: Peran mediasi kesejahteraan keuangan

Abstrak: *Kesejahteraan psikologis penting dalam banyak aspek kehidupan. Namun, keterkaitannya dengan faktor keuangan masih belum banyak dieksplorasi. Penelitian ini bertujuan untuk menguji apakah kesejahteraan keuangan dapat berperan sebagai mediator antara lima karakteristik psikologis keuangan dan kesejahteraan psikologis. Dengan menggunakan teori conservation of resources, penelitian ini berfokus pada materialisme, efikasi diri keuangan, toleransi risiko keuangan, lokus kendali eksternal, dan kecenderungan untuk merencanakan sebagai karakteristik psikologis keuangan. Data diperoleh dari 157 orang responden berusia 18 hingga 60 tahun di Indonesia yang secara aktif mengatur keuangannya sendiri, dan dianalisis menggunakan PLS-SEM. Hasil penelitian menunjukkan bahwa materialisme, efikasi diri keuangan, dan kecenderungan untuk merencanakan berpengaruh positif terhadap kesejahteraan keuangan, sedangkan toleransi risiko keuangan dan lokus kendali eksternal tidak berpengaruh signifikan. Selain itu, kesejahteraan keuangan dapat meningkatkan kesejahteraan psikologis dan memediasi pengaruh materialisme, efikasi diri keuangan, dan kecenderungan untuk merencanakan terhadap kesejahteraan psikologis.*

Kata kunci: *karakteristik psikologis keuangan; kesejahteraan keuangan; kesejahteraan psikologis*

INTRODUCTION

Mental health has become a crucial aspect of individual well-being worldwide, shaping how people think, feel, and behave in daily life. Globally, approximately 62% of people across 31 countries experience stress that affects their daily lives, with mental health disorders such as anxiety and depression on the rise (Ipsos, 2024). Around 40% of them report prolonged depressive feelings, showing their vulnerability. In Indonesia, recent findings show that people are now more concerned about mental health issues, particularly stress and burnout, than physical illnesses (Simbolon, 2024). As mental health concerns grow, there is an increasing focus on psychological well-being (PWB), which refers to the positive aspects of mental health, such as life satisfaction, happiness, and a sense of purpose. While mental health broadly includes both disorders and well-being, psychological well-being focuses more on achieving a fulfilling and balanced emotional state.

One important factor that contributes to psychological well-being is financial condition (Owusu, 2023; Ryu & Fan, 2023). When people face economic instability, they are more likely to experience financial stress, which can negatively affect their mental health (Kumalasari & Prajawati, 2025; Wake & O'Donnell, 2024). Robinson & Smith (2024) also reported that financial stress is a major source of anxiety, affecting around 72% of people and interfering with their emotional balance and daily activities. This situation is closely related to the concept of financial well-being. Financial well-being (FWB) is a multidimensional outcome that reflects individual perceptions of financial condition, encompassing feelings of financial security, satisfaction with the current financial situation, and confidence in managing present and future financial needs (She et al., 2022). Individuals with higher financial well-being are better equipped to manage financial challenges, leading to greater emotional stability and reduced stress. Hence, financial well-being is an appropriate determinant of psychological well-being. This relationship is supported by the conservation of resources (COR) theory, which suggests that people are motivated to protect and preserve valuable resources, such as financial security, to maintain well-being (Hobfoll, 1989). When these financial resources are depleted, psychological well-being deteriorates.

However, the direct relationship between financial and psychological well-being remains underexplored. Existing studies have examined related but conceptually distinct constructs. Atta (2024) focused on financial inclusion as structural access rather than individual subjective financial conditions, while Borrescio-Higa et al. (2022) examined financial distress rather than financial well-being as a multidimensional personal resource. Owusu (2023) used financial satisfaction, a narrower subjective construct, and found that it predicts psychological well-being among Ghanaian postgraduate students. The most relevant one, Nurkhalida & Renanita (2025) found that financial well-being mediates the

relationship between financial behavior and stress. Yet their sample was limited to low-income workers, and psychological well-being was captured solely through stress levels rather than a broader positive construct. This leaves the relationship between FWB and PWB empirically underconfirmed.

Indonesia presents a relevant context for this research because financial problems are one of the common issues faced by many people as indicated by the results of a recent survey conducted by United Overseas Bank (2024), which found that 76% of respondents worry about their financial condition. Besides, the problem can also be related to psychological outcomes, as around 55% of people in Indonesia experience stress (Hasmy & Ghozali, 2022). Muhamad (2025) also found that financial issues are perceived as one of the main contributors to mental health problems among Indonesian citizens. Moreover, a large proportion of the Indonesian workforce operates in the informal sector with irregular income patterns, making financial well-being not merely an economic outcome but a potential psychological buffer against income volatility and uncertainty (Nurkhalida & Renanita, 2025). These conditions suggest that this research is not only theoretically relevant but also practically urgent to examine within the Indonesian context.

To better understand what shapes FWB in this context, it is important to examine its antecedents. Mathew et al. (2024) found that financial psychological characteristics are important determinants of financial well-being in emerging markets, suggesting that these factors may also be relevant in Indonesia. These characteristics are important since they shape the way people perceive, evaluate, and respond to financial situations, thus determining their financial outcomes. Five financial psychological characteristics were examined in this study, such as materialism (MAT), financial self-efficacy (FSE), financial risk tolerance (FRT), propensity to plan (PTP), and external locus of control (ELC). While Mathew et al. (2024) included social comparison as a fifth variable, this study excludes it as the effect of social comparison on FWB; that variable is mostly indirect and overlaps with materialism as people who compare themselves to others more often tend to develop more materialistic tendencies. Instead, the external locus of control was incorporated from Goyal et al. (2023), which is particularly relevant in the Indonesian context, where many individuals face income instability and economic uncertainty, potentially reinforcing their perceived lack of control over financial outcomes (Nurkhalida & Renanita, 2025).

Meanwhile, previous studies showed inconsistent findings regarding the effect of financial psychological characteristics on FWB. MAT generally negatively affects FWB since those who are materialistic usually accumulate more debts, save little money, and consume more than think about financial stability (Khenfer, 2022; Sinha et al., 2021). However, Park (2025) mentioned that materialism can increase economic motivation without any side effects. Some inconsistencies have also been found in FSE. Mathew et al. (2024) found that high levels of FSE are connected with more effective financial management since people with high FSE feel confident in managing their money. On the other hand, Pearson & Korankye (2023) and Kim et al. (2020) state that overconfidence in financial abilities leads to distorted judgments, underestimating risks, ignoring important information, and poor decision making.

In addition, FRT also has mixed effects on FWB. According to Naveed & Ali (2024), risk tolerance has a positive effect on FWB since people with high FRT make sound financial decisions and are less affected by market uncertainty. In contrast, Mathew et al. (2024) stated that risk tolerance has no significant effect on FWB. The two other factors are ELC and PTP. People with an ELC tend to attribute financial outcomes to external forces and are less proactive in improving their financial conditions (Nawang et al., 2024). Furthermore, people with a strong propensity to plan for their financial future tend to have better risk management skills, as they carefully consider various investment or spending options (Amelinda et al., 2025; Singh et al., 2024). However, these studies primarily examined their effects on financial behavior rather than on FWB itself, limiting their role in FWB.

Based on background discussed above, this study aims to examine the effects of five financial psychological characteristics on PWB, mediated by FWB within COR theory. Previous studies have examined the relationship between financial psychological characteristics and FWB. However, limited attention has been paid to how these characteristics can be understood as distinct types of resources within COR theory. MAT and ELC are conceptualized as resource-depleting factors that increase vulnerability to poor FWB and PWB, whereas FSE, risk tolerance, and propensity to plan are treated as personal resources that buffer against financial stress and support financial stability (Ali et al., 2024; Hobfoll, 1989). The novelty of this research lies in positioning FWB as a resource-conversion

mechanism that explains how financial-psychological characteristics translate into psychological well-being. The findings also contribute to educators, financial institutions, and policymakers by offering insights for designing programs that strengthen personal financial habits and support overall financial and psychological well-being.

To empirically test these relationships, the following section presents the hypotheses for each relationship. MAT is characterized by an excessive emphasis on the acquisition and ownership of material items (Tantawi, 2024). Materialistic individuals frequently prioritize asset acquisition, which increases spending and debt accumulation. It can divert resources away from investing and saving. Over time, this spending pattern can reduce financial security and hinder the achievement of long-term FWB (Khenfer, 2022). Social media may reinforce materialistic values by exposing people to luxury lifestyles and leading them to believe that owning more things brings happiness and acceptance (Ardi & Putri, 2020). In addition, according to COR theory, this behavior results in resource depletion rather than conservation, ultimately leading to lower FWB. Previous research, conducted by Aisyahrani et al. (2020), also supports the idea that MAT can negatively affect FWB.

H_1: Materialism negatively influences financial well-being.

FSE refers to individual self-confidence in controlling their financial condition through various financial efforts and research (Noor et al., 2020). Previous studies have shown that improving FSE through appropriate education strengthens FWB (Mathew et al., 2024). People with high FSE are proven to be better at managing their finances, which means they will have better FWB (Handayati et al., 2023; Hernandez-Perez & Rambaud, 2025). Aligned with COR theory, individuals with strong FSE are better able to protect their financial resources, preventing unnecessary resource loss, and enabling them to focus on resource-building activities, such as saving and investing, which can improve their well-being.

H_2: Financial self-efficacy positively affects financial well-being.

FRT is the willingness of an individual to make decisions regarding financial activities that involve uncertainty, variability of outcomes, and potential losses (Grable & Rabbani, 2023). People with higher risk tolerance tend to make more confident and strategic investments. This confidence can lead to higher financial returns and improved FWB. Naveed & Ali (2024) found that people with higher risk tolerance tend to make rational and opportunistic investment decisions because they know that risk is part of long-term return. Moreover, people with higher risk tolerance usually feel more confident in understanding financial information and dealing with uncertainties (Bayar et al., 2020).

H_3: Financial risk tolerance has a positive effect on financial well-being.

ELC refers to a cognitive disposition in which individuals believe that life outcomes are primarily determined by external forces, such as fate, luck, or powerful others, rather than by their own actions or abilities (Whelan et al., 2025). A person with a strong ELC often perceives that they have little influence over their financial situation (Rahmawati et al., 2023). Previous research, conducted by Faturohman et al. (2024), found that individuals with a high ELC tend to surrender control of their financial conditions. This passive financial attitude is characterized by less planning, saving, and goal setting, which can reduce FWB. In line with COR theory, such individuals are less able to protect and manage their financial resources effectively because they attribute financial outcomes to external factors.

H_4: External locus of control negatively affects financial well-being.

The tendency of people to plan is known as their planning propensity (Lee & Kim, 2020). Planned individuals demonstrated the ability to think long-term. They tend to be more disciplined in managing expenses, saving regularly, and building emergency funds as control behaviors in the face of financial uncertainty (Hidayat & Hermawan, 2025). In addition, individuals with a higher PTP are more likely to avoid regrets, as proactive planning fosters long-term FWB.

H_5: Propensity to plan has a positive effect on financial well-being.

PWB refers to a positive mental state that blends hedonic aspects, such as happiness and life satisfaction, with eudaimonic aspects, such as meaning, growth, and purpose, reflecting both pleasure and fulfillment (Kundi et al., 2020). When people feel financially safe, they can manage stress and life challenges. They do not need to worry about their basic needs, such as housing, food, or health, which results in control and peace of mind (Ponchio et al., 2022). In COR theory context, FWB can be seen as a resource that reduces mental burden and fosters emotional stability, thereby supporting PWB (Nurkhalida & Renanita, 2025). Tosun et al. (2025) also found that FWB can increase subjective happiness and reduce depression, leading to higher PWB.

H_6: Financial well-being has a positive effect on psychological well-being.

Based on previous discussion and COR theory, FWB can be positioned as a key resource mechanism that explains how financial psychological characteristics are transformed into PWB. MAT, FSE, FRT, ELC, and PTP may affect how individuals gain, protect, or lose financial resources. MAT and ELC may function as resource-depleting tendencies, while FSE, FRT and PTP are expected to support resource acquisition and protection (Ali et al., 2024). When these traits strengthen individuals' FWB, they may reduce financial pressure and support better PWB. Hence, FWB not only serves as an outcome of financial psychological characteristics but also as a mediating resource that explains how these characteristics are translated into PWB (Nurkhalida & Renanita, 2025).

H_{7a}: Financial well-being mediates the relationship between materialism and psychological well-being.
H_{7b}: Financial well-being mediates the relationship between financial self-efficacy and psychological well-being.
H_{7c}: Financial well-being mediates the relationship between financial risk tolerance and psychological well-being.
H_{7d}: Financial well-being mediates the relationship between the external locus of control and psychological well-being.
H_{7e}: Financial well-being mediates the relationship between propensity to plan and psychological well-being.

Based on these hypotheses, the research model is presented in Figure 1. The oval represents the latent variable, and the rectangle represents the manifest variable, as Ghozali (2020) explains.

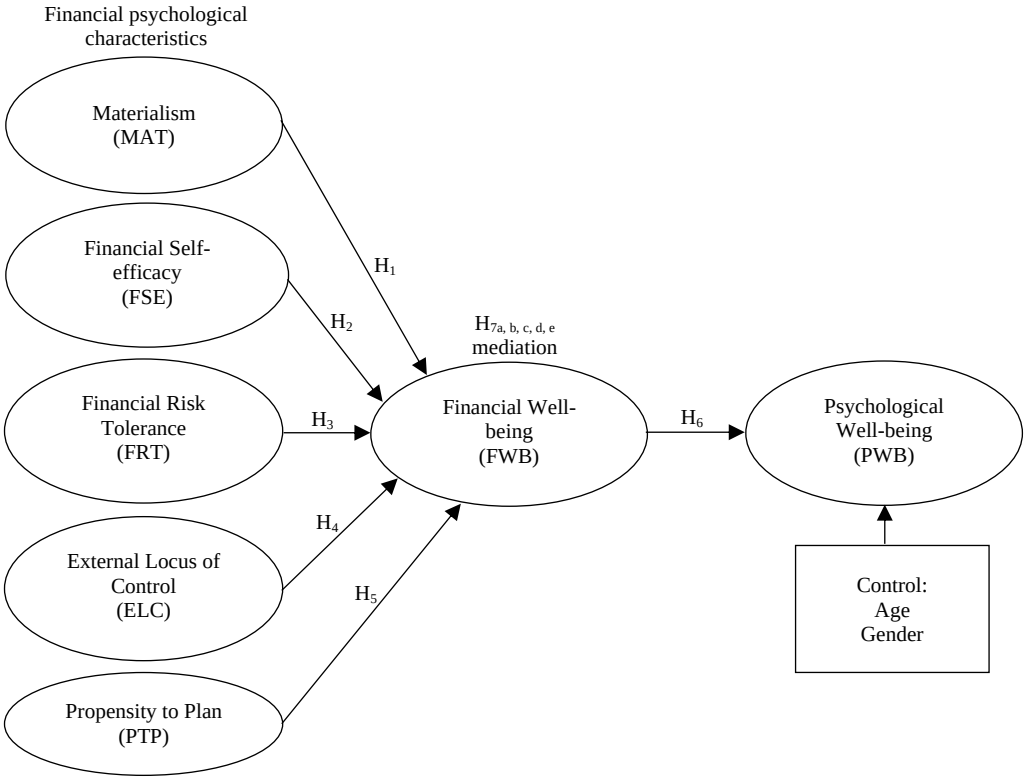


Figure 1. Research model
Source: The review of literatures (2026)

METHOD

This research employed a quantitative and causal research design. The population of this research was Indonesian people aged 18 to 60 years old. The minimum age of 18 years old was set because, at this stage, individuals are generally considered capable of making independent decisions and managing their personal finances. In addition, an upper limit of 60 years old is applied because people older than 60 years old are often considered retired and may have distinct financial and psychological circumstances. Hence, respondents in this age range are deemed suitable for examining the relationship between

psychological characteristics, FWB, and PWB. The sampling method used in this study is non-probability purposive sampling, as the respondents were selected based on specific criteria. The inclusion criteria were that respondents must personally manage their financial matters, as those who do not manage their own finances will not have direct experience making financial decisions. Hence, their experience related to FWB will not be relevant.

The data were collected in accordance with the ethical guidelines. The minimum sample size required was calculated using G*Power (Hair et al., 2022). While a statistical power of 0.80 is generally considered the minimum acceptable threshold, this study used a higher power of 0.90, an alpha level of 0.05, and an effect size of 0.10. The result indicated that at least 108 respondents were required. However, the authors distributed the questionnaires to 200 respondents and collected 157 valid responses (78.5%), exceeding the minimum requirement. Table 1 presents the demographic characteristics of the respondents. The respondent profile shows that the largest proportions are in the 18-25 years old and 41-60 years old as age ranges (each at 38.9%), while the 26-40 years old group is smaller at 22.3%. The gender distribution was nearly balanced, and most respondents (68.8%) are domiciled in Java.

Table 1. Respondent demographic profiles

Profile	Category	Respondents	Percentage (%)
Age	18-25	61	38.9
	26-40	35	22.2
	41-60	61	38.9
Gender	Male	82	52.2
	Female	75	47.8
Domicile	Java	108	68.8
	Outside Java	49	31.2
Total		157	100.0

Source: Author's processed data (2026)

The questionnaire is measured on a 5-point Likert scale, where 1 indicates strongly disagree and 5 indicates strongly agree. Question items for MAT and PTP are adapted from Mathew et al. (2024) while FSE, FRT, and ELC are adapted from Goyal et al. (2023). FWB and PWB are measured using the questions from She et al. (2022) and Owusu (2023), respectively (see Table 2).

Table 2. Indicators of MAT, FSE, FRT, ELC, and PTP

Variables	Indicators	Sources
Materialism (MAT)	MAT 1: I admire people who own expensive homes, cars, or clothes. MAT 2: The things I own say a lot about how well I am doing in life. MAT 3: Buying things gives me a lot of pleasure. MAT 4: I like a lot of luxury in my life. MAT 5: My life would be better if I owned certain material things I do not currently have.	Mathew et al. (2024)
Financial self-efficacy (FSE)	FSE 1: I can handle unexpected financial expenses without relying on credit. FSE 2: I can find effective solutions when facing financial challenges. FSE 3: I am confident in my ability to manage my finances. FSE 4: It is hard to stick to my spending plan when unexpected expenses arise (R). FSE 5: It is challenging to make progress toward my financial goals (R). FSE 6: I worry about running out of money in retirement (R).	Goyal et al. (2023) with modification
Financial risk tolerance (FRT)	FRT 1: In terms of investing, safety is more important than returns (R). FRT 2: I see financial risks as opportunities for potential gain, not just loss. FRT 3: Investing is too difficult to understand for me (R).	

Variables	Indicators	Sources
	FRT 4: I am more comfortable putting my money in a bank account than in the stock market (R).	
	FRT 5: Making money in stocks and bonds is based on luck (R).	
External locus of control (ELC)	ELC 1: I do not have control over the important things in my life.	
	ELC 2: I cannot do anything I set my mind to.	
	ELC 3: I'm helpless in dealing with the problems of life.	
	ELC 4: I believe that factors beyond my control determine many things in my life.	
	ELC 5: There is really no way I can solve some of my problems.	
	ELC 6: I am being pushed around in my life.	
	ELC 7: I can change the important things in my life by myself (R).	
Propensity to plan (PTP)	PTP 1: I set financial goals for the next 1-2 years for what I want to achieve with my money.	Mathew et al. (2024)
	PTP 2: I actively consider the steps I need to take to stick to my budget in the next 1-2 years.	
	PTP 3: It makes me feel better to have my finances planned out in the next 1-2 years.	
	PTP 4: I decide beforehand how my money will be used in the next 1-2 years.	
Financial well-being (FWB)	FWB 1: I am not financially stressed these days.	She et al. (2022)
	FWB 2: I feel satisfied with my present financial situation.	
	FWB 3: I feel good about my present financial situation.	
	FWB 4: I am confident that I can find the money to pay for a financial emergency that costs about twice my weekly income.	
	FWB 5: Because of my money situation, I feel like I can purchase things that I want in life.	
	FWB 6: I am confident that the money I have will last for a long time.	
Psychological well-being (PWB)	PWB 1: I feel low in energy or slowed down in my daily life (R).	Owusu (2023)
	PWB 2: I have trouble concentrating (R).	
	PWB 3: I feel easily annoyed or irritated (R).	
	PWB 4: I have frequent headaches (R).	
	PWB 5: I have difficulty in making decisions (R).	
	PWB 6: I have temper outburst that I could not control (R).	
	PWB 7: I suddenly feel scared for no reason (R).	
	PWB 8: I have poor appetite (R).	
	PWB 9: I cry easily (R).	
	PWB 10: My mind goes blind (R).	

Source: The review of literatures (2026)

RESULTS AND DISCUSSION

Results

Table 3 presents the descriptive statistics and outer model with valid and reliable indicators. From the table, MAT2 has the highest mean, implying the highest level of agreement among the MAT items. The occurrence of this condition results from the need of recognition in society by Indonesian respondents. However, ELC indicators have the lowest mean, ranging from 2.191 to 2.554. This result shows that respondents believe that life outcomes are within their control rather than depending on external factors. The FSE and PTP indicators showed a moderate mean of approximately around 3.00-3.50. In addition, items measuring FWB and PWB scored between 3.255 and 3.618, indicating that respondents were moderately satisfied with their current financial and psychological well-being.

Additionally, all loading factors in Table 3, after deleting some invalid indicators, are above 0.7, ranging between 0.705 and 0.953, indicating that these indicators are valid and supported by AVEs value that greater than 0.5, such as 0.705, 0.689, 0.771, 0.760, 0.664, 0.671, and 0.697 for MAT, FSE, FRT, ELC, PTP, FWB, and PWB, respectively. To assess the internal consistency of the variable, Cronbach's alpha and composite reliability (rho_a and rho_c) are used, and their values for all variables range from 0.731 to 0.935. These results suggest that the constructs are measured reliably without redundancy, and that the indicators consistently capture the intended variables.

Table 3. Descriptive statistics and outer model detection result

Variable	Indicator	Mean	Standard deviation	Loading factor	AVE	Cronbach alpha	Comp. reliability (rho_a)	Comp. reliability (rho_c)
Materialism	MAT1	3.975	0.964	0.895	0.705	0.792	0.827	0.877
	MAT2	4.255	0.851	0.816				
	MAT3	4.096	0.956	0.804				
Financial self-efficacy	FSE1	3.408	1.016	0.705	0.689	0.780	0.842	0.868
	FSE2	3.433	0.891	0.903				
	FSE3	3.369	0.992	0.869				
Financial risk tolerance	FRT1	3.229	1.021	0.953	0.771	0.731	0.935	0.870
	FRT2	2.962	1.021	0.797				
External locus of control	ELC1	2.210	0.984	0.864	0.760	0.895	0.900	0.927
	ELC2	2.255	1.094	0.899				
	ELC3	2.191	1.041	0.858				
	ELC4	2.554	1.108	0.864				
Propensity to plan	PTP1	3.389	1.014	0.877	0.664	0.759	0.835	0.856
	PTP2	3.070	1.059	0.792				
	PTP3	3.535	1.103	0.773				
Financial well-being	FWB1	3.255	0.930	0.756	0.671	0.879	0.896	0.911
	FWB2	3.414	0.938	0.830				
	FWB3	3.420	1.004	0.827				
	FWB4	3.459	1.000	0.871				
	FWB5	3.408	1.094	0.809				
Psychological well-being	PWB1	3.395	1.045	0.824	0.697	0.781	0.791	0.873
	PWB2	3.599	1.027	0.898				
	PWB3	3.618	1.025	0.777				
Age		34.04	13.02	N.A.	N.A.	N.A.	N.A.	N.A.
Gender		0.52	0.50	N.A.	N.A.	N.A.	N.A.	N.A.

Source: Output of Smart PLS 4 (2026)

Table 4 presents the heterotrait-monotrait ratio (HTMT), which assesses the discriminant validity of the constructs. All HTMT values are below the recommended threshold of 0.90. This is indicating that the discriminant validity of the measures are sufficient for analysis.

Table 4. Discriminant validity

	AGE	ELC	FRT	FSE	FWB	GENDER	MAT	PTP
AGE								
ELC	0.230							
FRT	0.303	0.424						
FSE	0.318	0.777	0.518					
FWB	0.109	0.391	0.190	0.430				
GENDER	0.266	0.132	0.447	0.039	0.104			
MAT	0.058	0.434	0.168	0.254	0.523	0.094		
PTP	0.409	0.767	0.523	0.651	0.376	0.196	0.245	
PWB	0.422	0.782	0.497	0.838	0.553	0.155	0.284	0.641

Source: Output of Smart PLS 4 (2026)

Table 5 presents multicollinearity diagnostics for the five determinants of FWB, as reflected in the variance inflation factors (VIFs). The VIFs for MAT, FSE, FRT, ELC, and PTP are less than 3, such as 1.163, 1.906, 1.262, 2.424, and 1.787. Therefore, multicollinearity is not an issue.

Table 5. Variance inflation factor of the determinants of financial well-being

Determinant	MAT	FSE	FRT	ELC	PTP
Variance inflation factor	1.163	1.906	1.262	2.424	1.787

Source: Output of Smart PLS 4 (2026)

Table 6 presents the R-squared, adjusted R-squared, F-squared, and Q-squared analysis for the structural model. According to Hair et al. (2022), the F-square showed that MAT has a medium effect, FRT and ELC have almost no effect, and PTP and FSE have a small effect on FWB, while FWB itself has a medium effect on PWB. The R-square value of FWB is 0.317, with an adjusted R-square of 0.294, suggesting that approximately 31.7% of its variance is explained by the five financial psychological characteristics. Meanwhile, the R-square value for PWB is 0.327, with an adjusted R-square of 0.314, implying that 32.7% of its variance is explained by FWB and control variables. The Q-square values of 0.192 for FWB and 0.214 for PWB indicate medium predictive relevance.

Table 6. F-square, R-square, adjusted R-square, and Q-square

Model	The determinants	F-square	R-square	Adjusted R-square	Q-square
FWB	MAT	0.198	0.317	0.294	0.192
	FSE	0.048			
	FRT	0.001			
	ELC	0.002			
	PTP	0.027			
PWB	FWB	0.272	0.327	0.314	0.214
	Age	0.143			
	Gender	0.001			

Source: Output of Smart PLS 4 (2026)

Table 7. Hypotheses checking results

Relationship for direct effect (expected sign)	Original sample (O)	Sample mean (M)	Standard deviation	t-statistics	*p*-values	Remarks
MAT → FWB (-)	0.397	0.403	0.066	6.011	0.000	H_1 is rejected
FSE → FWB (+)	0.253	0.254	0.090	2.800	0.005	H_2 is accepted
FRT → FWB (+)	-0.026	-0.017	0.081	0.325	0.745	H_3 is rejected
ELC → FWB (-)	0.057	0.054	0.123	0.459	0.646	H_4 is rejected
PTP → FWB (+)	0.180	0.182	0.083	2.179	0.029	H_5 is accepted
FWB → PWB (+)	0.431	0.435	0.064	6.707	0.000	H_6 is accepted
AGE → PWB	0.323	0.322	0.062	5.187	0.000	
GENDER → PWB	0.057	0.056	0.141	0.402	0.688	
Relationship for indirect effect	**Original sample (O)**	**Sample mean (M)**	**Standard deviation**	**t-statistics**	***p*-values**	**Remarks**
MAT → FWB → PWB	0.171	0.175	0.036	4.732	0.000	H_{7a} is accepted
FSE → FWB → PWB	0.109	0.111	0.045	2.441	0.015	H_{7b} is accepted
FRT → FWB → PWB	-0.011	-0.008	0.035	0.322	0.748	H_{7c} is rejected
ELC → FWB → PWB	0.024	0.021	0.053	0.459	0.646	H_{7d} is rejected
PTP → FWB → PWB	0.078	0.079	0.037	2.102	0.036	H_{7e} is accepted

Source: Output of Smart PLS 4 (2026)

Table 7 presents the hypothesis-testing results. MAT shows a positive effect on FWB. Hence, it rejects H_1, stating a negative relationship between MAT and FWB. On the other hand, FSE and PTP have a positive effect on FWB, thereby supporting H_2 and H_5. FRT and ELC have *p*-values > 0.05, indicating that neither variable affects FWB. The strongest direct and significant relationship was found between FWB and PWB, with a coefficient of 0.431, supporting the acceptance of H_6. Regarding the indirect effects, the mediating role of FWB is significant in the relationships between MAT, FSE, and PTP with PWB, whereas FRT and ELC show no significant mediating effects, resulting in H_{7a}, H_{7b}, and H_{7e} are accepted, while H_{7c} and H_{7d} are rejected.

Discussion

This study examined how MAT, FSE, FRT, ELC, and PTP directly affect FWB, and how these psychological traits indirectly affect PWB through FWB. The finding shows that MAT can increase FWB. This finding contradicts the findings of Aisyahrani et al. (2020) and Mathew et al. (2024). This differing result may be explained by the instrumental or functional role of MAT within the Indonesian context. Maison & Adamczyk (2020) emphasize that MAT is not a uniform construct. It can manifest as either negative MAT or instrumental MAT, in which money and material goals serve as means to higher-order aspirations. In emerging economies, such as Indonesia, materialistic goals motivate individuals to work harder and manage their money more proactively, which, in turn, leads to a higher sense of financial security (Sirgy et al., 2021).

FSE has been shown to positively affect FWB. This finding is consistent with Mathew et al. (2024). Individuals with high FSE have high confidence in taking over their finances (Radianto et al., 2022). They translate their confidence into real action by being more consistent in budgeting, saving, and avoiding consumptive loans, which is a common problem in Indonesia (Elisan et al., 2025; Hernandez-Perez & Rambaud, 2025). As a result, this behavior leads to higher FWB. PTP also positively affected FWB. This finding aligns with Börsch-Supan et al. (2023), who found that people with lower PTP or higher procrastination are dissatisfied with their financial preparedness, which lowers their FWB. Planned people will be able to anticipate future financial risks and feel secure and at peace with their money, thereby increasing FWB (Mathew et al., 2024).

FRT did not significantly affect FWB. This result contradicts earlier studies by Grable & Rabbani (2023), who reported a positive relationship between risk tolerance and FWB. A possible justification is that people with high tolerance may not always have sufficient literacy, numeracy, and discipline to manage risk (Helvianto & Madyanti, 2024). Hence, the willingness to take risks is not reflected in FWB. In the Indonesian context, this finding may also be related to increased exposure to speculative investments, in which higher risk tolerance can lead to uncertain financial outcomes rather than a stronger sense of financial security (Naveed & Ali, 2024). ELC is also not significant for FWB. This result does not align with Faturohman et al. (2024). This insignificant effect may occur because, in developing countries, high levels of competition, job competition, and economic uncertainty may push individuals to remain financially adaptive and proactive, regardless of whether they believe that external factors influence their lives. It means that even individuals with higher ELCs may still try to manage their finances because survival pressure requires it (Carballo-Penela et al., 2024). Hence, beliefs in external forces become less influential.

The results also confirmed that FWB positively affects PWB. This finding aligns with Tosun et al. (2025). This relationship becomes more reasonable when considering the sample's demographic profile, in which respondents in the productive age groups dominate. Individuals in these life stages tend to face greater financial responsibilities and psychological pressures (Ryu & Fan, 2023). Financial stability is a crucial resource for maintaining emotional balance. This result also aligns with COR theory, suggesting that adequate financial resources reduce stress and protect psychological states.

The mediation results further suggest that FWB functions as an important psychological resource that channels the effect of MAT, FSE, and PTP to increase PWB. The significant indirect effect of MAT on PWB through FWB provides important theoretical implication. Among Indonesian respondents in this study, material goals may contribute to PWB when they help people become more financially secure. The significant mediation of FWB between FSE and PWB also shows that people with higher financial confidence tend to feel more secure about their financial condition and this sense of security

supports their PWB. In the same way, mediation of PTP and PWB through FWB reveals that people who plan tend to feel more prepared and secure with their finances, thus enhancing PWB.

In contrast, FRT and ELC do not show mediation through FWB. This finding is important because it shows that not all psychological traits can lead to resource-gain spirals. From the conservation of resources perspective, psychological traits can improve PWB through FWB only when they help people feel more financially secure.

CONCLUSION AND SUGGESTIONS

The findings of this study show that FWB is a factor that enhances PWB in the Indonesian context. The results also show that MAT, FSE, and PTP positively affect FWB, while FRT and ELC do not. FWB itself can also mediate the effects of MAT, FSE, and PTP on PWB. This study extends the conservation of resources (COR) theory by explaining how FWB may act as a mechanism linking several financial psychological characteristics to PWB. While COR theory mainly explains how individuals acquire and protect resources to maintain their well-being, this study suggests that specific financial psychological characteristics, such as MAT, FSE, and PTP, can also function as personal resources that influence PWB through FWB. This study does not only view FWB as financial outcome, but also resource-based pathway that converts financial psychological characteristics into PWB. This result offers a more contextual understanding of how COR theory relates to everyday financial life, particularly in Indonesia.

At a practical level, these findings help individuals understand which financial psychological characteristics can improve both their financial and psychological well-being. For example, people can strengthen their FSE by building confidence in their ability to manage unexpected expenses and deal with financial difficulties. This confidence may help them feel more secure when facing everyday financial pressure. In addition, developing better planning habits, such as organizing tasks earlier and avoiding delay, may encourage healthier financial well-being. Since many people also see money as a way to show their ability and achieve their goals, financial education programs can be tailored to encourage better money management. These findings are also important for educators, financial institutions, and policymakers. They should not only focus on basic financial literacy, but also on developing financial confidence and better planning habits.

However, this study has several limitations. First, the R-square value of FWB and PWB are considered moderate, which are 31.7% and 32.7% respectively. This shows that although the variables examined are important, some other factors may also affect FWB and PWB. Thus, future research could include other factors, such as financial socialization, educational background, and income level to better explain well-being. Second, this study was conducted in Indonesia, meaning that the findings reflect the local financial habits and cultural context. The results may be similar in countries with comparable characteristics, but may differ in other settings. Therefore, future research should examine the proposed model in different countries to examine whether the findings remain consistent across cultural and economic contexts. Third, the purposive sample does not fully represent the population of Indonesia, so the findings cannot be widely generalized. Broader sampling could improve sample diversity.

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