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INCOME, LIFESTYLE, AND PERSONAL FINANCIAL MANAGEMENT: THE MEDIATING ROLE OF FINANCIAL LITERACY

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Abstract

This research looks at how income and lifestyle somehow shape personal financial management among active Master of Management students at Universitas Negeri Jakarta, and in the middle there is financial literacy as a cognitive mediator variable. A quantitative method was used, with an explanatory design, and the primary data came from 59 valid respondents, selected by purposive sampling, then it was analyzed using PLS SEM in SmartPLS. The empirical findings show that income gives a direct positive effect, and it is statistically significant too, on both financial literacy and personal financial management quality. Meanwhile, lifestyle choices do basically nothing, like fully neutral, they carry no statistically significant direct influence or indirect influence on either variable. This kind of structural neutrality implies that for these working postgraduate students, lifestyle stays as a sort of discretionary action, separated from the core routine of budgeting discipline. Also, financial literacy is shown to be the most critical foundational determinant, directly strengthening financial management. Lastly, the mediation analysis confirms that financial literacy works as a partial mediator for income but it does not mediate lifestyle, because lifestyle is statistically independent.

1. INTRODUCTION

Contemporary society is characterized by a fast paced, modern economy with global uncertainties in many dimensions. For people, the ability to manage their own financial affairs has become a key determinant for long term wellbeing, which includes the full process of financial planning, saving, risk management, investment and financial preparedness. Interestingly, while society enjoys better access to numerous financial services and resources than ever before, the growing disparity between the tools needed to navigate this financial ecosystem and people's ability to make sound financial decisions has been observed, particularly due to enhanced consumerist pressures brought about by increased digitalization and the proliferation of "pay later" services and online shopping that help impulse buying and overspending, as well as digital loans, which may even lead to financial failures among populations with otherwise strong educational backgrounds.

While prior research has mainly focused on the financial behavior of the general public, a lack of evidence is reported regarding the role of advanced financial knowledge in dealing with real world urban financial conditions. Universitas Negeri Jakarta's Master of Management Study Program students are an appropriate case study in addressing this problem. While Master of Management students at Universitas Negeri Jakarta have an unique position compared to undergraduate students or the general public, their financial behavior is shaped by two factors: on one hand, their theoretical knowledge in advanced corporate finance, strategic management and organizational governance; on the other hand, their financial vulnerability in dealing with real world urban financial conditions. Given that most of them are working, with independent incomes and single handedly bearing the financial burden of postgraduate study tuition fees and Jakarta's high cost of living, they face a severe financial dilemma in balancing

theoretical knowledge with their financial behavior. In light of this, this study aims to contribute to a deeper understanding of the role of advanced financial knowledge in real world financial behavior of Master of Management students at Universitas Negeri Jakarta.

In reality, however, income is a major factor in fulfilling life's necessities. The results of empirical studies also show that the relationship between income level and the quality of personal financial management is actually paradoxical. While the level of income experienced a linear connection between quality of personal financial management but it still hasn't guaranteed to provide a positive result. For example, people working at the professional level in Jakarta experienced lifestyle inflation which means as their income increases, so too their expenditures. This implies that in terms of managing finances without having a healthy financial governance structure, psychological variables or competences, MM students at UNJ cannot achieve a better quality of personal financial management just due to a high level of income.

Lifestyle is another issue that prevails in metropolitan areas and more so in a volatile environment. It reflects how a person sees themselves, engages with their environment and manages their finances to satisfy their desires rather than needs. Postgraduate students who work and study in Jakarta are very susceptible to peer and professional exposure to upper-middle class lifestyles, which include frequent visits to cafes, modern digital consumerism, professional attire and recreation. In a period of financial digitalisation, the pressure to adopt these lifestyles is exacerbated by digital financial products such as paylater. The lines between purchasing power and consumerist desires are blurred in the age of digital finance. When a lifestyle lacks moderation and strong self control, it can lead to overspending and debt. This puts students' financial security at risk, even when they're pursuing higher education.

Previous research on income, lifestyle and personal financial management has been well documented and produced inconsistent and fragmented findings. Research by Gama et al., (2023) and Pambunan et al. (2025) demonstrates how different income levels have a important positive effect on financial management ability, whereas the work of Erwatiningsih et al. (2024) posits that income does not directly affect the quality of financial governance and requires a proper regulatory structure for the behavioral management of lifestyle. In addition, discussions surrounding the dynamics between lifestyle and financial management continue to revolve around the issue of whether urban lifestyle patterns damage financial management (Erwatiningsih et al., 2024) or if a digitally planned lifestyle provides an adequate environment for fostering financial efficiency (Wahyuni et al, 2025). So far, the current consensus shows that direct causal relationships are insufficient to articulate the mechanism, instead necessitating the introduction of a strong mediating variable.

Given these dynamics, financial literacy serves as a pivotal cognitive mediator in this model. This construct encompasses the awareness, knowledge, skills, attitudes, and behaviors essential for making prudent financial choices and achieving long term financial wel being. For UNJ's MM students, financial literacy is expected to act simultaneously as an internal psychological buffer and an external behavioral guide. Their grasp of fundamental concepts such as the time value of money, diversification, debt management, and emergency funding critically determines their ability to transform income into wealth while resisting external lifestyle pressures.

Consequently, filling these gaps, this paper hypothesizes financial literacy as a mediating factor which operationalizes external financial (income) and social (lifestyle) pressures and resources into practice based behavioral finance pertaining to personal financial management activities. Since this study was only conducted on working postgraduate students taking management courses in a hyper digitalized big city context, it provides both theoretical and practical contributions. On one hand, it extends the body of knowledge of behavioral finance by conceptualizing both macro-micro economy and individual psycho-cognitive behavioral finance of a unique sample. On the other hand, results can be utilized by postgraduate students to self-evaluate themselves on their financial stewardship and by universities such as UNJ to create tailored financial literacy programs to prevent youth from falling into the debts of hyper digitalized consumerism.

2. LITERATURE REVIEW

This chapter discusses existing theory and reviews literature pertinent to associations between income, lifestyle, financial literacy, and personal financial management. It also presents the theoretical framework and hypotheses used in this study.

2.1 Theoretical and Conceptual Background

In traditional financial theories, individuals are considered to behave rationally when they seek maximum utility from their financial decisions. However, the concept of behavioral finance looks at how psychological and cognitive factors affect financial decisions. Within this framework, financial behavior is not solely driven by mathematical calculations but is heavily influenced by human emotions, biases, and social environments.

To explore why these determinants influence people‘s action, this study applies the model of Theory of Planned Behaviour (TPB) which was proposed by Ajzen in 1991. In the model of TPB, an individuals‘action depends on intention. An individual capacity of behaving derives from three main predictors: attitude toward the behaviour, subjective norm, and perceived behavioural control. In personal finance domain, background resources (income), sociological identity (lifestyle), and mental abilities (financial management) are vital determinants influencing financial attitude and financial control, ultimately affecting financial management actions.

Rather than being just a simple illustration, this model supplements the macro structure of the Ajzen model by layering in a set of waves of variables that are antecedents to the TPB a step not explicitly included in the HADD model. In addition to income, a set of antecedent macro factors include lifestyle a macro factor that is antecedent to both background factors and belief systems and objective baseline. Income is an objective baseline that is antecedent to both financial ability and attitude to the behavior an obstacle to budgeting versus a mental element. There is also a previously unmentioned macro factor in a macro variable that is immediately antecedent to subject norms: lifestyle. Not only does the level of lifestyle precede both sociological pressure and peer influences, it precedes consumption based urban standards, too. Much normative pressure from Jakarta‘s culturally determined definitions of acceptable spending behavior precedes a student‘s mental orientation toward either consumption or conservation.

Moreover, this research also ties financial literacy as a variable that is directly related to the perceived behavioral control component of the TPB. Perceived behavioral control refers to the perception of the ease or difficulty of performing a behavior that is attributed to control factors and memories possessed by the individual him/herself. Master of Management students of Universitas Negeri Jakarta will regard financial literacy as their cognitive perceptions and providing the skills and abilities to perform financial related tasks (know the time value, understands the risk, tracks expenditure). The higher the financial literacy of their financial management, the higher their control of their financial behavior to prevent themselves from so many digital consumption and realize the long term impact of every purchase. Finally, personal financial management as our target actual behavior to be performed. The framework of TPB, after incorporating these variables, would suggest that income and lifestyle will not just a random behavior to be attributed to state of nature, but it is channeled through the process of a more reasonable mental process of financial literacy functioning as the cognitive unit.

2.2 Income

Income is defined as the money received or earned by an individual from work, business, or investments in a certain time period. Studies have shown that money had a positive effect on financial capacity because when receiving more money allows one to save more or take on less financial risks. According to Gama et al. (2023), income had a significant effect on financial wellness. When making more money allows an individual to have more liquidity to take care of where they need to allocate funds and have more financial stability in their lifetime. Pambunan et al. (20 25) stated that having a self income had a positive impact on financial wellness due to the consistency of being able to save and having a budget.

However, results have been different when showing the relationship between income and optimal financial strategy. Some studies show that when there is an increase in money received causes an individual to want to take care of their finances better, while other studies show that there was not a significant relationship when income increased immediate consumption. Erwatiningsih et al. (2024) challenge the usual idea, like raw income doesn’t automatically make financial governance better or worse, at least not by itself unless it is paired with solid self control, and some behavioral constraints too. In other words, the mixed outcomes hint that income can still shape how someone handles finance but more via thinking patterns and competence frameworks, rather than a straightforward automatic influence.

2.3 Lifestyle

Lifestyle is a sociological/psychological construct, pattern of living often characterized by activities, interests, and opinions or AIO, of individuals that represent the way they spend their time and money to fulfill their needs and attain certain social level. In a metropolitan context such as Jakarta, postgraduate students are very vulnerable to rapid and consumption phenomenon of urban lifestyle such as posh café hopping, professional attire, and high tech consumerism.

Empiric prior literature show that orientations high lifestyle are very destructive cash flow, because it will inflate compulsive consumption strategies to aim on self image (prestige) but not utility. Wahyuni et al. (2025) academic destination consumerist identity are temporarily problematic financial management, due to its dramatic enhanced budget deficit and credit dependency.

However, the authoritative conclusion about the influence of modern urban lifestyles on financial behavior is still controversial. Although the general consensus of past traditional wisdom is the urban active life inevitably exerts damaging influence on financial structures, the digital lifestyle studies in the new digital age give mixed findings. According to some modern studies, a highly digitalized lifestyle with more uses of financial technology ideologies, e-banking system and automated investment system could actually improve the financial efficiency and tracking ability. This inconsistency opinion suggests that lifestyle orientations might damage or improve personal financial management will largely depending on the individual cognitive filter and the self control regulatory system possessed.

2.4 Financial Literacy

Financial literacy is a complex construct including financial knowledge, awareness, skills, attitude and behavior and captures the ability of consumers to make informed financial decisions and effectively manage financial resources. Financial literacy is an important cognitive instrument by means of which consumers are able to cope with financial risks, the time value of money, compound interests and diversification benefits of portfolios. Improved

financial literacy can further allow consumers to understand the complexity of financial markets and prevent them from impulsive buying.

According to previous empirical evidence, cognitive financial capability predicts more desirable financial behaviors and sustainability in future economics. Lusardi and Streeter (2023) use empirical evidence to show that basic financial knowledge has an impact on financial well being and behavior. The empirical evidence also finds the impact on financial well being and behavior in strained and changing scenarios like the rise in inflation and economic changes. The empirical evidence also finds that in all aspects, the demographics with higher financial education the more capable they are to have better access to avoiding financial vulnerability, having less burden by debt, greater chance of planning their retirement and derived behavior. In the context of higher education, having increased financial education in the postgraduate demographics becomes a means of resource allocation, which equips students to effectively considers the outcome of their expenditures.

In addition, previous works of empirical literature have proved that financial literacy is a potent mediating agent between resources owned and financial actions taken. The key job of the literacy is to convert inputs into effective results and to alleviating sociological forces. Several references have supported that with no financial knowledge, individuals do not maximize their income, and easily fall into misidentification of living lifestyles. Therefore, financial literacy is a 'core cognitive processor' which determines whether an individual will maintain wealth under the pressure of contemporary financial environment.

2.5 Personal Financial Management

The concept of personal financial management relates to how individuals plan, utilize and monitor their financial resources in order to successfully fulfill their current requirements and future financial goals. This involves applying a number of fundamental financial measures such as budgeting, cash flow control, debt management, savings designated, protection of risks and planning investments. Personal financial management is especially important to postgraduate students who are moving towards more advanced life stages with the need to accommodate career evolution, family life and further education expenses.

Prior empirical literature, emphasizes that a well defined financial management structure emerges as an essential factor leading to financial stability and alleviating financial stress levels, especially for high educated population demographics. Goyal et al. (2024) clearly demonstrate that personal budgeting skills, especially on a practical level, structured budget planning, expense monitoring and setting up financial goals of strategic nature can clearly foster financial stability of an individual, leading in turn to healthier saving behaviour and lowering day to day financial stress substantially for student population and young professionals.

In modern urban environments, the quality of personal financial governance among productive age individuals heavily depends on their ability to resist digital consumerist temptations and execute these budgeting skills. Scholars observe that while advanced education backgrounds theoretically imply better analytical capacities, practical financial management often reveals a behavioral gap where individuals struggle with emergency fund readiness and impulsive expenditure control. Therefore, analyzing personal financial management within the postgraduate segment provides essential insights into how academic management knowledge correlates with day to day behavioral financial prudence and systemic budgeting execution.

2.6 Conceptual Framework and Hypothesis Development

Drawing on theory and evidence, income and lifestyle are crucial stimuli influencing personal financial management both directly and indirectly through financial literacy. Financial literacy serve as the primary cognitive mechanism explaining why economic resources and sociological identities can effectively or ineffectively shape individual financial behavior. For postgraduate students navigating complex urban environments, financial literacy acts as a critical internal processor that mediates the link between available economic inputs, external socio-cultural lifestyles, and their actual personal financial management decisions.

To resolve the inconsistencies regarding lifestyle's dual nature in modern urban frameworks, this study argues that a consumerist, prestige driven lifestyle presents a significant risk of eroding financial literacy by fostering cognitive biases, which ultimately undermines systemic financial budgeting. Conversely, higher income expands a student's cognitive access to financial products, bolstering financial literacy. Therefore, based on the alignment of the TPB and behavioral finance, this study formulates the following hypotheses to be empirically tested:

H1: Income enhances the financial literacy of UNJ's MM students.

H2: Lifestyle significantly influences the financial literacy of UNJ's MM students.

H3: Financial literacy positively influences personal financial management among UNJ's MM students.

H4: Income positively affects the quality of personal financial management among UNJ's MM students.

H5: Lifestyle significantly affects the quality of personal financial management among UNJ's MM students.

H6: Financial literacy serves as a mediator between income and personal financial management for UNJ's MM students.

H7: Financial literacy mediates the link between lifestyle and personal financial management for UNJ's MM students.

3. RESEARCH METHODOLOGY

3.1 Research Design and Population

This research applies quantitative research method with explanatory research design aims to examine causality relation and mechanism of mediation among income, lifestyle, financial literacy and personal financial management. The population under study will be active post graduate students undertaking studies in MM Study Program of UNJ. They are a population of urban students who have high income yet deeply burdened, and posses high work level; thus they represent potential great population and sample unit for studies on behavioral finance.

3.2 Sampling Technique and Sample Size Justification

The sampling technique employed in this study is non probability purposive sampling, utilizing specific criteria: active status within the Master of Management program at UNJ, currently residing or working within the Jakarta metropolitan area, and possessing an independent source of income.

By means of deploying digital structured questionnaires, a sample of 59 valid questionnaires were obtained. Although the sample is limited by the tight time schedule, administrative restrictions and the highly particular background of postgraduate participants, it was sufficiently statistically significant and methodologically established for variance based analysis, for the following reasons:

1. The 10 Times Rule: According to Hair et al. (2011), if the model has a small sample size, then the minimum number of respondents should be 10 times the largest number of structural paths directed at any construct in the outer model. As the readings of Personal Financial Management have received 3 structural paths from Income, Lifestyle and Financial Literacy reading, 30 respondents should be selected as the optimal sample size of this study. This study however selected 59 respondents, which is greater than the minimum requirements, so the optimal sample size is achieved and reported to be feasible for the PLS SEM methodology.
2. Statistical Power and R-Square Recommendations: To address modern PLS SEM recommendations beyond the basic rule of thumb, this sample size was cross verified using the minimum sample size requirements for structural equation modeling based on statistical power analysis (Cohen, 1988; Kock, 2018). With a significance level of 5% ($\alpha = 0.05$) and a standard statistical power of 80% ($1 - \beta = 0.80$), a sample of 59% is fully adequate to detect medium to large experimental effect sizes ($f^2 \geq 0.15$) and to explain minimum R^2 values ranging from 0.25 tp 0.50 given the maximum of three predictors directed at the endogenous construct.
3. PLS SEM Efficiency: Variance based structural equation modeling (PLS SEM) is widely recognized for its ability to produce reliable estimates even when working with relatively small sample sizes without requiring strict multivariate normality assumptions, making a sample of 59 highly acceptable for generating stable predictive parameters (Hair et al., 2019).

3.3 Operational Definition and Measurement of Variables

To facilitate clear as well as empirically testable structural model, each latent construct were translated into observable indicator adapted from well established behavioral finance measurement scale. Every construct were represent by several questionnaire statement measure using five point Likert scale, with response category ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Complete description of operational definition together with measurement indicator are present in Table 3.1.

Table 1. Operational Definition and Measurement of Variables

Variables	Indicators	Sample Questionnaire Item
Income	Perception of Sufficiency, Diversification of Sources, Stability of Fund Flow	My main income (from salary/business/scholarship) is currently sufficient to cover my tuition fees and daily basic needs.
Lifestyle	Prestige, Peer Pressure, Routine Shopping & Entertainment	I often set aside special time and budget for entertainment activities (such as going to the cinema, concerts, traveling, or staycations)
Financial Literacy	Risk Understanding, Self Control, Financial Independence	I have a principle that securing funds for the future is much more important than following current lifestyle trends.
Personal Financial Management	Goal Setting, Cash Flow Monitoring, Emergency Fund Allocation	I consistently set aside some money for an emergency fund to anticipate unexpected needs.

Source: Authors (2026)

3.4 Data Collection Method

Primary data for this research were gather through structured questionnaire administer online using Google Forms. This mode of data collection were choose because it enable efficient access to postgraduate student at Universitas Negeri Jakarta (UNJ), whose academic commitment together with professional responsibility often limit their availability for conventional survey administration.

To ensure respondent eligibility, questionnaire begin with screening item asking, "Are you active Master of Management student at UNJ who currently earn independent income?" Only respondent answering affirmatively were permit to continue with survey. This procedure ensure all 59 usable response fully satisfy purposive sampling criteria specify for study.

3.5 Conceptual Framework Model

Proposed hypothesis were integrate into conceptual structural framework illustrating relationship among study variable. Model depict direct influence of Income (X1) together with Lifestyle (X2) on Personal Financial Management (Y), while simultaneously incorporate Financial Literacy (Z) as mediating construct through which indirect effect are expect to occur.

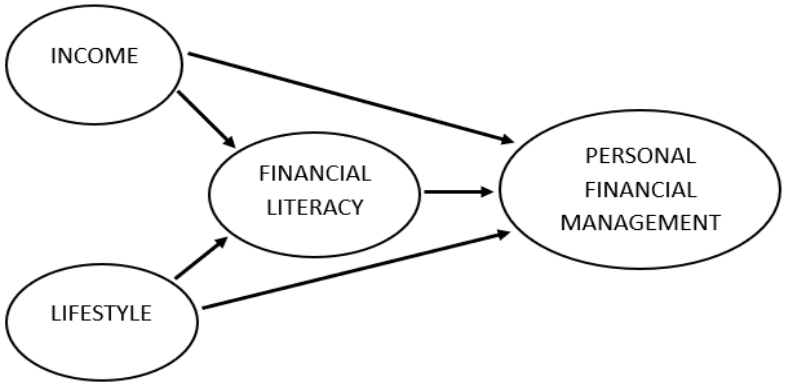


Figure 1. Conceptual Model of Study
Source: Author (2026)

3.6 Data Analysis Method

Statistical analysis were conduct using PLS SEM implement through SmartPLS software. Model evaluation follow two stage analytical procedure consist of measurement model assessment together with structural model assessment.

3.6.1 Evaluation of the Measurement Model (Outer Model)

Evaluation of measurement (outer) model were undertake to verify research instrument satisfy establish standard of reliability together with validity. This assessment focus on three primary psychometric criteria.

1. Convergent validity were examine through indicator outer loading together with Average Variance Extracted (AVE). Indicator were consider satisfactory when outer loading exceed 0.70, while construct were regard demonstrating adequate convergent validity when AVE value were greater than 0.50, indicating latent variable explain more than half of variance in respective indicator.
2. Discriminant validity were evaluate using both Heterotrait-Monotrait (HTMT) ratio together with Fornell-Larcker criterion. HTMT value below 0.85 (or, in some circumstance, below 0.90) indicate sufficient discriminant validity, whereas Fornell-Larcker criterion confirm discriminant validity when each construct share greater variance with own indicator than with any other construct, thereby demonstrate clear conceptual distinction among latent variable.
3. Internal consistency reliability were assess using Cronbach's Alpha together with Composite Reliability (CR). Value greater than 0.70 for both statistic indicate indicator consistently measure same underlying construct along with exhibit satisfactory reliability.

3.6.2 Evaluation of the Structural Model (Inner Model)

Once the measurement model is validated, the inner model is evaluated to test the hypothesized relationships through the following steps:

1. Coefficient of Determination (R^2): Measures the predictive power and the proportion of variance explained in the endogenous constructs.
2. Path Coefficients (β) and t-statistics: Obtained through the SmartPLS Bootstrapping procedure (with 5,000 resamples). A hypothesis is accepted if the p-value is <0.05 or the t-statistic exceeds 1.96 (for a two-tailed test).
3. Mediation Analysis: To test H6 and H7, the study evaluates the Specific Indirect Effects generated from the bootstrapping process to determine whether Financial Literacy exerts full, partial, or no mediation.

4. RESULT AND DISCUSSION

4.1 Result

This part demonstrates the empirical results of the effect of income and lifestyle on personal financial management of graduate students with financial literacy as the mediating variable. It is revealed that the personal financial management of individuals is more heavily affected by their financial literacy level than by their income and lifestyle.

Overall, the measurement model proved to be valid and reliable for all constructs. The indicators were found to be highly correlated to the respective latent construct and showed the research instruments to accurately measure the concepts intended. Specifically, the indicators effectively measure the constructs of income, lifestyle, financial literacy, and personal financial management that were variables in the proposed research model. All three reliability

and validity tests, convergent validity, discriminant validity, and reliability consistently proved the constructs to be valid and reliable for accurately and precisely reflecting the study constructs while not overlapping each other. This means that the research instruments are an accurate reflection of the phenomena, and that the data collection process should be of high quality. As a result, the measurement model is solid and can be used in the next steps of the research process, namely the structural model.

The findings of the structural model show that both income and lifestyle have a joint effect on the variance explained in financial literacy which infers that the financial knowledge of an individual is, to some extent, determined by his or her financial situation and social living conditions. Furthermore, the overall variance explained in both personal financial management and financial literacy displays that a significant amount of variance in the latter variable is explained by all three independent variables. Hence this model has a good degree of fit and comprises of the major factors associated with an individual‘s financial management.

The path analysis reveals that income has a significant positive influence on financial literacy. This suggests that higher income would be associated with better financial literacy. Meanwhile, lifestyle has no statistically significant direct effect on financial literacy. Financial literacy also has a significant positive impact on personal finance management.

In addition, income shows a positive and significant direct effect on personal financial management, while lifestyle doesn‘t demonstrate a significant direct effect. The extended mediation analysis suggests that financial literacy has partially mediating effect on the relationship between income and personal financial management, but doesn‘t have significant mediating effect on the relationship between lifestyle and personal financial management.

4.1.1 Measurement Model Evaluation (Outer Model)

The convergent validity assessment shows that all indicators for Income (X1), Lifestyle (X2), Financial Literacy (Z), and Personal Financial Management (Y) have outer loadings above 0.70. This confirms that each indicator strongly correlates with its respective latent construct and effectively represents the intended concept. The outer loading results for each indicator are presented as follows:

Table 2. Outer Loadings

Variables	Indicators	Outer Loading	Cut-off Value	Information
Income (X1)	X1.1	0.892	> 0,70	VALID
	X1.2	0.899	> 0,70	VALID
	X1.3	0.793	> 0,70	VALID
Lifestyle (X2)	X2.1	0.784	> 0,70	VALID
	X2.2	0.827	> 0,70	VALID
	X2.3	0.751	> 0,70	VALID
	X2.4	0.873	> 0,70	VALID
	X2.5	0.700	> 0,70	VALID
Personal Financial Management (Y)	Y1	0.839	> 0,70	VALID
	Y2	0.766	> 0,70	VALID
	Y3	0.705	> 0,70	VALID
	Y4	0.839	> 0,70	VALID
	Y5	0.764	> 0,70	VALID
Financial Literacy (Z)	Z1	0.755	> 0,70	VALID
	Z2	0.851	> 0,70	VALID
	Z3	0.700	> 0,70	VALID

Source: Output SmartPLS 4.0 Algorithm (2026)

All of the loadings of each construct were greater than the 0.70 threshold, which indicates a good relationship with the construct they were intended to measure. In addition, all of the constructs have AVE above 0.50, which indicates that more than 50% of their measurement variance is accounted for by the underlying construct; thus supporting sufficient convergent validity of the measurement model and satisfactory validity for all measures in the model.

The construct reliability for all constructs was measured by using Cronbachs Alpha and CR. The results show that all of the constructs (except Financial Literacy) are above the needed 0.70 recommendation, which shows that the indicators are measuring those constructs reliably. The Financial Literacy (Z) with a Cronbachs Alpha of 0.678 is below the general guideline of 0.70, but its CR value of 0.814 is above the acceptable level. It is generally accepted to use the CR value as a more accurate reliability measurement in PLS SEM, since it is able to take into account various indicator loadings, and so the Financial Literacy (Z) construct can still be said to be reliable. Hence the results show that all the constructs are reliable for next analysis.

Table 3. Construct Reliability and Validity

Construct	Cronbach's Alpha	CR (rho_a)	CR (rho_c)	AVE
Income (X1)	0.827	0.825	0.897	0.745
Lifestyle (X2)	0.852	0.913	0.891	0.623
Personal Financial Management (Y)	0.844	0.854	0.888	0.615
Financial Literacy (Z)	0.678	0.744	0.814	0.595

Source: Output SmartPLS 4.0 Algorithm (2026)

Evidence for discriminant validity were obtain through both Fornell-Larcker criterion together with HTMT analysis. Square root of AVE for every construct exceed correlation with all other construct, while every HTMT coefficient remain below recommend cutoff value of 0.85. These finding indicate each latent variable represent distinct theoretical concept with minimal conceptual overlap, confirm adequacy of discriminant validity within measurement model.

4.1.2 Structural Model Evaluation (Inner Model)

Once measurement model meet require reliability together with validity standard, structural (inner) model were evaluate using coefficient of determination (R^2). This statistic measure proportion of variance in each endogenous construct explain by predictor together with therefore reflect explanatory as well as predictive capability of proposed model. Resulting R^2 value are report below.

Table 4. R^2

Variable	R^2	R^2 Adjusted
Personal Financial Management (Y)	0.451	0.421
Financial Literacy (Z)	0.272	0.246

Source: Output SmartPLS 4.0 Algorithm (2026)

Financial Literacy (Z) produce R^2 value of 0.272, indicating Income (X1) together with Lifestyle (X2) jointly account for 27.2% of variance in financial literacy. Remaining 72.8% are likely explain by other determinant not include in model, such as educational attainment, family influence, or exposure to financial information. According to commonly accept interpretation guideline, this coefficient represent weak to moderate explanatory power.

R^2 value for Personal Financial Management (Y) were 0.451, meaning Income (X1), Lifestyle (X2), together with Financial Literacy (Z) collectively explain 45.1% of its variance. This magnitude fall within moderate category, indicating proposed model provide reasonably strong explanation of individual financial management behavior.

4.1.3 Path Coefficient Analysis

To examine the seven research hypotheses, path coefficient analysis was employed to identify whether the relationships among the study variables were statistically significant. The complete path coefficient results and their statistical values are presented in the following table:

Table 5. Path Coefficients

Hypothesis	Original Sample (O)	Sample Mean (M)	Std. Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
H1: X1→ Z	0.463	0.471	0.084	5.534	0.000
H2: X2 → Z	-0.209	-0.221	0.155	1.352	0.177
H3: Z → Y	0.419	0.437	0.133	3.145	0.002
H4: X1 → Y	0.373	0.343	0.123	3.037	0.002
H5: X2 → Y	0.179	0.191	0.147	1.217	0.224

Source: Output SmartPLS 4.0 Algorithm (2026)

H1: Income (X1) influences Financial Literacy (Z) positively and significantly with path coefficient of 0.463 and with p-value of 0.000 ($p<0.05$). (H1 is thus supported). Support for this hypothesis indicates that better financial literacy are for those who have higher income while higher income give them room for more exposure to diverse financial instruments and decisions and thus increasing their financial literacy

H2: Lifestyle (X2) had an insignificant effect on Financial Literacy (Z), path coefficient=–0.209, p=0.177 (>0.05) thus it failed to support the hypothesis2. It implied that there was no significant influence of lifestyles of individuals on financial literacy. Different lifestyles did not strongly associate with better/worse financial literacy without any other intervening variables.

H3: is positively and significantly related to Personal Financial Management (Y), with a path coefficient of 0.419 and significance level (p-value) of 0.002 ($p < 0.05$); thus, H3 is supported. People who acquire financial literacy are likely to manage their personal financial affairs more effectively, because financial literacy equips people with the necessary knowledge, skills, and confidence to make responsible financial decisions.

H4: Income (X1) directly affects Personal Financial Management (Y) positively and significantly at a path coefficient of 0.373 ($p = 0.002$, $p < 0.05$) and thus supported. That means the increasing of income directly supports an individual to manage their personal financial situation, even when they know nothing about financial literacy.

H5: An examination of Lifestyle (X2) revealed that it has no significant direct impact to Personal Financial Management (Y), with path coefficient p value equal to 0.179 and p value 0.224 ($p > 0.05$), thus H5 is rejected. This statistically significant, positive path coefficient implies that in the context of personal financial management lifestyle does not play any essential role directly.

4.1.4 Mediation Analysis

Mediation analysis was conducted to test H6 and H7, examining the role of Financial Literacy (Z) as a mediating variable in the relationships between Income (X1) and Lifestyle (X2) and Personal Financial Management (Y). The specific indirect effects results are presented in the following table:

Table 6. Specific Indirect Effects

Hypothesis	Original Sample (O)	Sample Mean (M)	Std. Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
H6: X1 → Z → Y	0.194	0.205	0.070	2.771	0.006
H7: X2 → Z → Y	-0.088	-0.098	0.078	1.116	0.264

Source: Output SmartPLS 4.0 Algorithm (2026)

H6: Financial Literacy (Z) is confirmed to partially mediate the relationship between Income (X1) and Personal Financial Management (Y); therefore, H6 is supported. The indirect effect of X1 → Z → Y is significant with acoefficient of 0.194 and a p-value of 0.006 ($p < 0.05$), while the direct effect of X1 → Y also remains significant ($p = 0.002$). This partial mediation indicates that income influences personal financial management through two pathways: directly, and indirectly through the enhancement of financial literacy.

H7: Financial Literacy (Z) does not significantly mediate the relationship between Lifestyle (X2) and Personal Financial Management (Y); therefore, H7 is not supported. The indirect effect X2 → Z → Y is not significant, with a coefficient of -0.088 and a p-value of 0.264 ($p > 0.05$). this result is cosistent with the earlier finding that lifestyle does not exert a significant effect on financial literacy ($p = 0.177$), thereby preventing the formation of a meaningful mediation pathway through financial literacy.

4.2 Discussion

This study has shown that individual financial management ability is affected by individual‘s income and financial literacy, but not directly by lifestyle. This indicates that financial management ability is more affected by financial ability and financial literacy, rather than by people‘s conscious lifestyle choices.

The large direct effect of income on financial literacy lends support to the assertion that higher-income individuals have more opportunities to do different financial activities like investing, saving and planning for retirement. These activities then indirectly impact their financial knowledge and literacy. This argument can also be tested with Xiao et al. (2014), who once again argue that stability of financial condition can actually motivate individuals to seek for financial information more actively and process them better.

Empirical analysis indicate lifestyle do not have statistically significant direct influence on either financial literacy or personal financial management. This finding suggest everyday consumption pattern alone are insufficient to determine individual financial knowledge or financial management capability. Respondent exhibiting relatively high level of consumption may possess financial literacy comparable to those with more modest lifestyle because financial competence are shape primarily by education together with accumulated experience rather than spending preference. Consequently, effort aim exclusively at changing lifestyle behavior are unlikely to substantially improve personal financial management.

This insignificant relationship can be interpret in light of distinctive circumstance experience by Master of Management student at UNJ. As working professional who simultaneously finance postgraduate education while cope with Jakarta relatively high living cost, respondent are compel to separate discretionary expenditure from essential financial obligation. Although they may occasionally participate in consumption associate with professional networking together with maintaining social presence, these expenditure generally remain occasional as well as control. As result, such lifestyle choice do not substantially interfere with routine budgeting practice or overall financial management behavior.

Moreover, these result reveal clear distinction between individual external lifestyle expression together with internal financial capability. Visible consumption pattern or social status signal do not necessarily represent individual level of financial competence. As Master of Management student are regularly expose to advanced financial together with managerial concept throughout their studie, they are capable of develop strong knowledge of investment, risk management, compound interest, as well as resource allocation regardless of personal lifestyle preference.

Overall, absence of significant relationship suggest lifestyle function primarily as contextual characteristic rather than determining factor among mature working postgraduate student. At this career stage, fundamental self-

regulation have generally been establish, making lifestyle adjustment alone insufficient to improve financial management behavior. Instead, effective financial management depend largely on strengthening financial knowledge together with cognitive skill require to make sound financial decision.

Lusardi and Mitchell (2014) argue higher income contribute to better financial management only when individual possess adequate financial literacy. Because financial literacy partially mediate relationship between income together with financial behavior, increase earning alone do not automatically produce better financial outcome. Individual are more likely to manage their finance effectively when greater financial resource are accompany by sufficient financial knowledge as well as understanding.

Significant positive effect of financial literacy on personal financial management further confirm central role in shaping everyday financial behavior. Individual who possess stronger knowledge of budgeting, investing, financial planning, along with risk management are generally more capable of apply these principle consistently when making financial decision, resulting more organize together with responsible financial management practice.

These finding provide important practical implication. Program design to improve personal financial management should prioritize strengthening financial literacy rather than concentrate exclusively on lifestyle modification. Initiative such as financial education course, budgeting workshop, together with financial capability development program are expect to enhance financial literacy, which subsequently contribute to better financial management practice, particularly among postgraduate student at UNJ.

5. CONCLUSION

Base on empirical finding together with PLS SEM analysis of 59 complete questionnaire, this study conclude effective personal financial management among Master of Management student are influence by combine contribution of economic resource together with financial knowledge rather than socioeconomic characteristic alone. Result indicate income have significant positive effect on both financial literacy as well as personal financial management. Stable earning not only increase financial resource available for allocation but also provide greater opportunity for individual to apply together with benefit from financial knowledge in managing their finance strategically.

Contrary to conventional expectation, lifestyle do not demonstrate either significant direct effect or indirect effect through financial literacy on personal financial management. This finding suggest working postgraduate student in Jakarta are able to separate consumption preference from financial decision making process. Although respondent may adopt consumption pattern associate with urban lifestyle, these preference do not substantially influence budgeting discipline, financial knowledge, or overall financial management behavior.

Finding also identify financial literacy as strongest cognitive factor influence personal financial management. Mediation analysis confirm financial literacy act as important mechanism through which income contribute to improve financial behavior. In contrast, financial literacy do not mediate relationship between lifestyle together with financial management because lifestyle itself show no meaningful statistical association with financial literacy. These result indicate additional financial resource are translate into better financial behavior only when individual possess sufficient financial knowledge, whereas lifestyle characteristic play comparatively limited role among academically train respondent.

From theoretical perspective, this study extend behavioral finance literature by broaden application of Theory of Planned Behavior (TPB) within context of postgraduate management student. Finding demonstrate personal financial management are shape by interaction between economic condition together with individual cognitive capability. Financial literacy therefore function not merely as independent explanatory variable but also as important mediating mechanism which enable individual to utilize financial resource more effectively. Practically, these finding provide several recommendation. Master of Management Program at Universitas Negeri Jakarta should incorporate practical financial management training, behavioral finance workshop, together with wealth management program into curriculum to strengthen student financial capability. Graduate student should prioritize developing financial literacy, budgeting competence, as well as long term financial planning rather than focus solely on modifying lifestyle behavior. Likewise, financial service provider together with financial technology developer are encourage to design digital tool that promote budgeting discipline, expenditure monitoring, along with long term financial planning instead of emphasize consumption-oriented credit product such as PayLater facilitie.

Although proposed model satisfy recommend PLS SEM evaluation criteria, several limitation should be acknowledge together with may provide direction for future research. First, despite meet minimum sample requirement base on ten times rule together with statistical power consideration, final sample consist of only 59 respondent because of administrative constraint as well as limit research time. Future studie are encourage to involve larger sample draw from multiple university to improve generalizability together with predictive capability of model. Second, study rely exclusively on self report questionnaire data, making finding potentially susceptible to social desirability bias. Subsequent research should consider adopt mixed-method approach by combine quantitative survey together with qualitative interview to obtain richer understanding of financial behavior. Finally, present model focus primarily on income, lifestyle, together with financial literacy. Future investigation could extend model by

incorporate digital financial literacy along with contemporary behavioral variable, including e-wallet usage, dependence on PayLater service, together with psychological dimension of digital self control.

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