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UNDERSTANDING FINANCIAL WELL-BEING AMONG GEN Z: THE ROLE OF BEHAVIOR, LITERACY, AND STRESS IN SURABAYA

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ABSTRACT

This study examines the influence of financial behavior, financial literacy, and financial stress on the financial well-being of Generation Z (Gen Z) in Surabaya, Indonesia. As digitally adept individuals navigating intricate financial landscapes, Gen Z encounters distinct challenges, including increasing economic pressures, impulsive spending habits, and insufficient financial preparedness. Utilizing the Theory of Planned Behavior and the Capability Approach as its theoretical foundation, this research employs a quantitative method with a purposive sample of 384 respondents aged 18–24. The findings indicate that financial behavior and financial literacy positively and significantly affect financial well-being, whereas financial stress has a negative and significant impact. Financial behavior emerged as the most robust predictor, underscoring the importance of converting financial knowledge into consistent, positive habits. The results highlight the necessity for integrated financial education that fosters not only literacy but also practical behavior and emotional regulation. This study adds to the expanding literature on youth financial resilience in emerging economies and offers valuable insights for policymakers, educators, and financial institutions aiming to improve the financial well-being of Indonesian youth. It emphasizes the urgency of addressing the cognitive, behavioral, and emotional aspects of financial decision-making in the digital age.

KEYWORDS: - Financial well-being, financial behaviour, financial literacy, financial stress, gen z.

1.0 INTRODUCTION

The emergence of Generation Z (Gen Z), individuals born from 1997 to 2012, as a key demographic in Indonesia's labor force and consumer market presents both prospects and hurdles for financial sustainability. Known as digital natives, Gen Z exhibits high levels of digital interaction, a robust entrepreneurial mindset, and a familiarity with financial technology platforms. Nevertheless, their financial stability is fragile due to increasing economic pressures, inflation, and a lack of personal financial management skills [1]. In Indonesia, studies show that young adults often struggle with impulsive spending, a lack of budgeting discipline, and growing financial anxiety [2]. With the digitalization of financial services, inflationary pressures, and the growth of the gig economy, Gen Z is taking on financial responsibilities at a younger age than previous generations [3]. Although this generation is more connected, tech-savvy, and entrepreneurial, it is also more financially vulnerable. Recent surveys in Indonesia indicate that over 60% of Gen Z respondents are worried about their financial future, with many exhibiting poor saving habits and impulsive spending behavior [4]. This trend raises concerns about their long-term financial well-being.

As the importance of financial well-being as a key component of individual quality of life becomes more widely acknowledged, there is still a lack of academic attention on how different financial elements collectively affect the financial well-being of Gen Z in Indonesia. Previous studies have primarily focused on financial literacy or behavior in isolation, neglecting the possible moderating or compounding effects of financial stress [5], [6]. Moreover, research conducted in developed nations may not fully reflect the cultural, economic, and regulatory complexities of Indonesia, a country with distinct consumer behaviors and relatively low financial inclusion among its youth [7]. This creates a research gap in understanding the overall financial experience of Gen Z in the Indonesian context. Financial well-being (FWB), which is defined as the ability to meet current and ongoing financial obligations, feel secure about one's financial future, and make choices that enhance life enjoyment [8], is increasingly recognized as a crucial aspect of young adults' quality of life. However, in Indonesia, research on financial well-being is still limited and fragmented. Much of the existing literature has separately examined financial literacy (the understanding of financial concepts) or financial behavior (such as budgeting or saving), while ignoring financial stress, which can significantly affect how knowledge and behavior translate into outcomes [9], [10]. Additionally, studies often concentrate on university students, overlooking the broader Gen Z group, including those entering the workforce or engaging in informal entrepreneurship.

This research aims to fill the current gap by developing a comprehensive framework that examines the simultaneous impacts of financial behavior, financial literacy, and financial stress on financial well-being. This multifaceted approach is essential because financial literacy alone may not lead to better financial outcomes without changes in behavior or emotional management. By including financial stress as a psychological factor, the study adds a novel aspect, recognizing the mental strain associated with financial decision-making among young adults. The research intends to address this gap by exploring three primary predictors of financial well-being—financial literacy, financial behavior, and financial stress—within a unified model specifically tailored for the Indonesian Gen Z demographic. The integration of cognitive (literacy), behavioral (habits), and emotional (stress) elements provides a thorough understanding of the financial challenges faced by young people in a developing economy. Although similar models have been proposed in studies from developed countries [5], [11], cultural, institutional, and technological differences require localized research to uncover how these factors interact within Indonesia's distinct socio-economic environment.

This research stands out due to its focus on the simultaneous impact of knowledge, behavior, and emotions on the financial outcomes of Generation Z, using data collected after the pandemic. This method goes beyond examining individual factors, capturing the complex nature of financial decision-making among young people. Additionally, the study explores the changing financial landscape faced by Gen Z, including digital banking, buy-now-pay-later (BNPL) services, and social media-driven consumption, areas that have not been extensively covered in previous studies. From a practical standpoint, understanding what influences financial well-being is crucial for developing effective policies, educational initiatives, and financial products. Stakeholders such as educational institutions, fintech companies, and government bodies can use this research to help Gen Z become financially responsible adults. As Indonesia seeks to benefit from its demographic advantage, equipping its youth with financial resilience is essential for achieving economic sustainability and social fairness.

Exploring the elements that influence financial well-being is crucial for both academic research and policy development. As Generation Z becomes a significant influence on Indonesia's economic landscape, providing them with the essential resources for financial well-being can improve their life satisfaction, reduce dependence on long-term debt, and strengthen the country's economic stability. The findings from this study can assist educational institutions, financial service providers, and government bodies in designing more effective financial strategies targeted at the youth.

2.0 THEORETICAL BACKGROUND

This study is based on the Capability Approach by Sen in 1999 and the Theory of Planned Behavior (TPB) [12]. The Capability Approach interprets financial well-being as an individual's ability to lead a life they value, shaped by resources, knowledge, and personal capabilities. In contrast, TPB posits that behavior is driven by intention, which is shaped by attitudes, perceived control, and norms. Financial literacy provides individuals with knowledge, financial behavior demonstrates the application of that knowledge, and financial stress indicates perceived control over financial situations—all of which impact financial well-being.

2.1. Financial Behavior and Financial Well-Being

Engaging in positive financial practices, such as creating budgets, saving money, and managing debts, is strongly associated with increased financial satisfaction and decreased financial stress [13]. Financial behavior significantly influences financial well-being in a positive way. This aligns with Dew and Xiao [14], who emphasized that routine financial task—such as budgeting, controlling debt, and saving regularly—is vital indicators of financial health. Rahayu's research [15] also highlighted that for individuals with low incomes, financial behavior is the most crucial predictor of financial well-being, even more so than financial literacy. These findings suggest that promoting positive financial habits, especially through early education and hands-on learning, can significantly boost the financial resilience of Gen Z individuals.

H1: Financial behavior has a positive and significant effect on financial well-being.

2.2. Financial Literacy and Financial Well-Being

Financial literacy enhances individuals' ability to manage money, budget, invest, and make informed financial decisions, thereby contributing to better financial outcomes [16]. The positive and significant relationship between financial literacy and financial well-being aligns with previous research, which shows that financially literate individuals are better equipped to make informed decisions, manage resources wisely, and avoid harmful financial behaviors [17]. Financial literacy fosters long-term planning, savings behavior, and resistance to impulsive spending, all of which contribute to greater financial satisfaction and stability. Other research further confirmed through a meta-analytical review that financial literacy interventions consistently enhance individuals' financial well-being across various contexts [18] These findings suggest that improving financial literacy among Gen Z is essential to prepare them for increasingly complex financial challenges in adulthood.

H2: Financial literacy has a positive and significant effect on financial well-being.

2.3. Financial Stress and Financial Well-Being

Experiencing high levels of financial stress can negatively affect decision-making abilities, lessen the sense of financial control, and reduce overall well-being [19]. Research indicates that financial stress significantly undermines financial well-being. This is consistent with earlier studies showing that financial stress—often caused by unmet financial obligations, insufficient savings, or unstable income—can result in emotional fatigue, poor judgment, and decreased life satisfaction [20]. Furthermore, other scholars have differentiated financial stress from financial well-being, noting that increased stress levels correlate with a lower perception of financial control and diminished quality of life, especially among young adults [21]. This highlights the importance of prioritizing financial counseling, mental health support, and accessible financial services in programs aimed at developing financial skills in youth.

H3: Financial stress has a negative and significant effect on financial well-being.

2.4. Financial Well-Being

Financial well-being is defined by an individual's feeling of security and control over their present and future financial situations [22]. It goes beyond just income, encompassing the emotional and cognitive aspects of financial security and independence [23]. This idea has developed into a complex concept that extends beyond simple income or wealth accumulation, representing a person's sense of financial security and freedom of choice both now and in the future [22]. It includes both objective financial stability and subjective perceptions of financial control, resilience, and satisfaction. Financial well-being exists at the crossroads of financial capability and happiness, indicating that even those with modest incomes can achieve high financial well-being if they feel in control of their finances and aligned with their goals [24]. Additional scholars emphasize the psychological dimension of financial well-being, proposing that it is better perceived as a state of satisfaction and minimal financial stress, rather than a static measure of financial resources [25]. This viewpoint is reinforced by a comprehensive literature review that synthesizes years of research, concluding that financial well-being is influenced by a combination of behavioral habits, financial knowledge, socio-economic status, and psychological elements [26], [27]. Particularly, financial well-being among young people involves balancing immediate financial needs with planning for future objectives, such as education and housing, while maintaining emotional confidence and autonomy [28]. These insights highlight the distinct financial challenges and expectations faced by Gen Z in both advanced and emerging economies. Overall, the literature supports the notion that financial well-being is not just an economic indicator but a comprehensive concept shaped by financial behavior, literacy, and emotional strength. It significantly impacts life satisfaction, mental health, and overall well-being, especially for younger individuals navigating increasingly intricate financial environments.

2.5. Financial Behavior

Financial behavior encompasses activities like saving, budgeting, investing, and debt management. Studies indicate that financial literacy alone does not result in improved outcomes unless paired with responsible financial behavior [29]. Financial behavior refers to the decisions and actions individuals take in handling their finances, such as saving, spending, investing, and budgeting, which directly affect their financial well-being. Engaging in positive financial practices—such as monitoring expenses, maintaining savings, and planning for the future—is associated with greater financial stability and reduced financial stress. Financial behavior significantly influences financial vulnerability [30]. Similarly, other researchers have highlighted the importance of financial socialization and self-efficacy in shaping young adults' financial behavior [31], and responsible financial behavior is linked to higher financial satisfaction and decreased financial anxiety [32]. It was also found that millennials' financial decisions, like credit card use and saving habits, are influenced by both literacy and behavioral traits [33]. Meanwhile, individuals who actively manage debt and plan for retirement demonstrate stronger financial resilience [34]. Collectively, these studies underscore the necessity of fostering sound financial behaviors to improve personal financial outcomes.

2.6. Financial Literacy

Some scholars define financial literacy as "the capacity to apply knowledge and skills to manage financial resources efficiently" [16]. Even with the prevalent use of smart phones and access to online financial services, research in Southeast Asia reveals that young people still have low levels of financial literacy [1]. Financial literacy involves the understanding, skills, and behaviors necessary for individuals to make informed and effective choices regarding their financial resources. It plays a vital role in budgeting, saving, managing debt, and planning for the future [33]. According to research by the OECD/INFE [1], a significant number of adults globally lack fundamental financial knowledge, which hinders their ability to handle financial risks and make prudent economic choices. Similarly, the European Commission [35] emphasizes that improving financial literacy is essential for enhancing consumer financial behavior and fostering financial inclusion. The U.S. Department of the Treasury [36] notes that financial literacy supports national economic stability by preparing individuals to navigate increasingly complex financial systems. Additionally, empirical studies indicate that higher financial literacy is associated with improved financial behavior and decreased susceptibility to financial shocks [37]. Financial education programs designed for diverse groups have also been shown to significantly improve financial decision-making outcomes [38].

2.7. Financial Stress

Financial stress refers to the emotional strain associated with handling finances, often caused by unstable income, debt, or unforeseen expenses [39]. Young adults are particularly vulnerable to this type of stress, which can negatively impact both their financial outcomes and mental health. It is the psychological and emotional burden that arises from financial difficulties, such as trouble paying bills, managing debt, or maintaining financial stability. This stress often presents itself as anxiety, depression, or a feeling of helplessness regarding financial matters. Financial stress is a personal perception of being unable to fulfill financial obligations, which can adversely affect mental health and decision-making [40]. It is a chronic issue that occurs when financial demands consistently surpass available resources [39]. Some researchers have found that financial stress among young adults is significantly affected by inadequate financial literacy and impulsive financial behaviors [41]. Others have highlighted that financial stress is not solely about income but also involves financial control and coping strategies [42]. This stress can lead to prolonged psychological distress and decreased life satisfaction [43]. Additionally, other researchers have differentiated financial stress from general stress, identifying it as a distinct construct that predicts specific consumer outcomes, such as diminished work performance and increased health issues [44]. These findings highlight financial stress as a crucial factor influencing individual well-being and economic decision-making.

3.0 RESEARCH METHODOLOGY

Research employs quantitative methods, which involve the use of objective data calculations characterized by numbers and facts. This approach is favored in quantitative model research because its results can be generalized to large populations, thereby enhancing research objectivity. The study explores theories related to financial behavior, literacy, and stress to explain financial well-being. The term "population" refers to a group with similar characteristics [45], and in this context, it pertains to Generation Z in Surabaya, comprising 741,285 individuals. A sample represents a subset of the population, and this study employs purposive sampling to select specific individuals, requiring 384 respondents for a 5% confidence interval. The sampling criteria include Surabaya residents aged 18-24 years. Primary data is gathered directly from respondents through a questionnaire survey. The study utilizes a Likert Scale (1-5) to gauge responses. Questionnaires will be distributed online via Google Form through Messenger Chats, social media, and Group Chats. Validity testing employs Pearson Correlation, with data deemed valid if the t-count is smaller than the t-table and the significance value is below 0.05. Reliability testing involves comparing Cronbach Alpha values, with data considered reliable if the value exceeds 0.7 [46]. Classical assumption tests include normality, heteroscedasticity, multicollinearity, and linearity assessments. Multiple linear regression testing evaluates the impact of independent variables on the dependent variable through a regression equation.

$Y : \alpha + \beta 1.X1 + \beta 2.\ X2 + \beta 3.\ X3 + e$

Y: Financial Well-being

X1: Financial Behavior	$\beta 1$: coefficient of Financial Behavior (X1)
X2 : Financial Literacy	$\beta 2$: coefficient of Financial Literacy (X1)
X3 : Financial Stress	$\beta 3$: coefficient of Financial Stress (X2)
α: alpha	e : error

The F test evaluates the combined effect of independent variables on the dependent variable, while the t test examines the partial effect of each independent variable on the dependent variable. The coefficient of determination measures the magnitude of the effect and influence of all independent variables on the dependent variable, with test results ranging from 0 to 1. A higher coefficient of determination indicates a stronger relationship between the independent variables and the dependent variable.

4.0 RESULT AND DISCUSSION

Validity is a crucial element in research because if a measurement lacks validity, the conclusions drawn from it are not meaningful. In this study, validity testing will be conducted using Pearson Correlation. Research data is deemed valid if the significance value of each variable indicator item is less than 0.05. A reliability test is an index that indicates how well the reliability of a measuring instrument and its results align when the same symptom is measured multiple times using the same method. The reliability of a variable can be assessed using the Cronbach's alpha coefficient. A variable is considered reliable if the Cronbach's alpha coefficient exceeds 0.60 [47]. Based on these two tests, all variables are valid and reliable. The classical assumption test is employed to determine whether the variables deviate from classical assumptions. The classical assumption tests used in this research include normality, multicollinearity, linearity, and heteroscedasticity tests. According to the results, all variables passed the classical assumption tests.

The F-statistic test aims to assess the collective impact of independent variables on the dependent variable [48]. A significance value of ≤0.05 indicates a significant simultaneous influence between the independent and dependent variables. In Table 1, the F test indicates a significance value (sig) of 0.000, which is less than α (0.05). This result supports the conclusion that the multiple linear regression models are suitable for explaining the influence of independent variables on financial well-being.

Table 1. F-test

Model		F	Sig.
1	Regression	245.133	.000[b]
	Residual		
	Total		

Source: Data Processed (2025)

The t-test is conducted to evaluate the hypothesis proposed in this research, illustrating how independent variables individually affect dependent variables. According to Alita et al. (2021), if the significance of a variable is ≤ 0.05, it indicates a significant partial influence of each independent variable on the dependent variable. The significance values (sig) for financial behavior, financial literacy, and financial stress are smaller than α (0.05), leading to the conclusion that the variables of financial behavior, financial literacy, and financial stress significantly impact financial well-being.

Table 2. t-Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.263	.881		17.330	.000
	X1 (Financial Behavior)	0.393	.029	.400	13.365	.000
	X2 (Financial Literacy)	0.383	.048	.323	8.008	.000
	X3 (Financial Stress)	-0.112	.048	.092	2.309	.021
a. Dependent Variable: Financial Well-Being						

Source: Data Processed (2025)

Table 3. Coefficient Determination Test

Model	R	R Square
1	.849[a]	.721

Source: Data Processed (2025)

In Table 3, the coefficient of determination indicates an R-Square value of 0.721. This R-Square value represents the proportion of influence the independent variable has on the dependent variable [49]. Consequently, it can be concluded that the independent variable accounts for 72.1% of the variation in the financial well-being variable, while the remaining 17.9% is influenced by other variables not included in this research.

The following is the result of multiple linear regression:

$$\text{Financial Well-Being} = 15{,}263 + 0{,}393 \text{ Financial Behavior} + 0{,}383 \text{ Financial Literacy} - 0{,}112 \text{ Financial Stress}$$

4.1 The Effect of Financial Behavior on Financial Well-Being

As shown in Table 2, the significance value for financial behavior is 0.000, indicating a positive and significant effect on financial well-being, given that the significance test is below 0.05. The multiple regression analysis reveals a coefficient of 0.393 for financial behavior, which implies a positive correlation with financial well-being. For Gen Z in Surabaya, financial behavior plays a crucial role in influencing financial well-being by acting as the main channel through which individuals apply financial knowledge to practical activities such as saving, budgeting, and managing expenses effectively. It has been observed that Indonesian Gen Z with robust financial habits report higher financial well-being [50]. Additional research highlighted that digital finance improves financial well-being only when it results in positive behavioral changes, emphasizing behavior as the direct link to financial outcomes in both traditional and digital settings [51].

The results of this research demonstrate that financial behavior has a positive and significant impact on the financial well-being of Gen Z individuals in Surabaya, Indonesia. This finding is consistent with recent empirical studies that emphasize the importance of financial behavior—such as budgeting, saving, and responsible spending—as a key factor in determining financial well-being. For example, Gen Z participants in Indonesia who regularly practiced positive financial behaviors reported greater financial satisfaction and security [50]. This indicates that well-being is shaped not only by financial knowledge but also by the practical application of that knowledge through consistent and disciplined actions. Additional evidence comes from studies that identify financial behavior as a mediating factor between financial literacy and financial well-being. Research conducted in the Jabodetabek area revealed that financial literacy primarily enhances financial well-being through its impact on behavior, confirming that the behavioral pathway is a crucial mechanism in influencing financial outcomes [52].

These insights highlight that transforming financial knowledge into practical actions ultimately boosts one's perceived financial well-being. This behavioral viewpoint is becoming increasingly significant in the current financial environment, where the availability of digital financial tools necessitates individuals to consistently make prudent financial choices. Additionally, the rising impact of digital finance has heightened the role of behavior in managing financial well-being. A recent study indicated that digital financial literacy indirectly influences financial well-being through financial behavior. As Gen Z becomes more involved in the digital economy, their financial choices—from electronic payments to online investments—are influenced by their habits and self-discipline [53]. Consequently, these findings collectively affirm that promoting positive financial behavior is crucial for enhancing the financial well-being of Gen Z, especially in emerging markets like Indonesia. Based on the Theory of Planned Behavior [12], these findings imply that financial behavior—guided by intention and self-control—plays a more pivotal role than knowledge alone in achieving financial security and satisfaction, making it an essential focus for educational and policy initiatives aimed at Gen Z populations.

4.2.The Effect of Financial Literacy on Financial Well-Being

As shown in Table 2, the significance value for financial literacy is 0.000, indicating a positive and significant impact on financial well-being, given that the significance test is below 0.05. The multiple regression analysis reveals a financial literacy coefficient of 0.383, which points to a positive correlation with financial behavior. Financial literacy significantly enhances the financial well-being of Gen Z in Surabaya by providing young people with the essential knowledge and skills to manage their finances effectively, avoid financial mistakes, and make informed financial choices. This capability allows them to approach budgeting, saving, and debt management with increased confidence, leading to a stronger sense of financial security and satisfaction. A recent study highlighted that financial literacy, together with financial planning, explained about 62% of the variation in financial well-being among Gen Z employees in West Java, emphasizing the crucial role of literacy in determining long-term financial outcomes [54].

Furthermore, financial literacy enhances financial self-efficacy, empowering individuals to utilize their financial knowledge through consistent and responsible actions. It not only has a direct effect on financial well-being but also indirectly improves it by encouraging better financial behavior and self-efficacy among Gen Z in Indonesia [52]. This suggests that those with financial literacy are more likely to establish clear financial objectives, make informed purchasing choices, and develop proactive financial habits—factors that directly contribute to their sense of well-being. Additionally, financial literacy serves as a defence against financial vulnerability by promoting resilience and preparedness. Gen Z individuals who understand financial risks and strategies are better equipped to create emergency funds, steer clear of predatory lending, and manage economic uncertainties. Research involving Indonesian university students showed that higher financial literacy levels were significantly associated with reduced financial fragility and improved financial well-being. Overall, these findings highlight that enhancing financial literacy among Gen Z in Surabaya is a vital step toward strengthening their financial stability, confidence, and overall life satisfaction [55].

The Theory of Planned Behavior (TPB) [12] helps explain the positive and significant influence of financial literacy on the financial well-being of Surabaya's Gen Z. According to TPB, three primary factors shape individual behavior: attitude toward the behavior, subjective norms, and perceived behavioral control. Financial literacy enhances Gen Z's attitude by cultivating a favourable perspective on financial management, strengthens norms by aligning financial responsibility with societal and peer expectations, and boosts perceived control by equipping individuals with the necessary knowledge and skills for effective money management. This sense of control increases the likelihood of engaging in responsible financial practices such as budgeting, saving, and avoiding debt, which directly contribute to financial well-being. In Surabaya, where Gen Z faces increasingly complex financial environments and digital financial services, financial literacy empowers them to develop positive attitudes, feel more in control, and adopt deliberate behaviors that enhance financial well-being. This application of TPB not only clarifies the behavioral mechanism through which literacy impacts well-being but also provides a theoretical basis for creating interventions and educational programs aimed at improving financial capability and behavioral change among Indonesian youth.

4.3.The Effect of Financial Stress on Financial Well-Being

According to the information in Table 2, the significance value for financial literacy is 0.000, indicating a negative and significant effect on financial well-being, as it falls below the 0.05 threshold. The multiple regression analysis results show that the coefficient for financial literacy is 0.112, suggesting a positive correlation with financial behavior. Financial stress has a detrimental and significant impact on the financial well-being of Gen Z in Surabaya, as it hinders their money management skills, reduces psychological well-being, and affects financial decision-making. Financial stress arises when individuals struggle to meet financial commitments or feel uncertain about their financial future, resulting in a loss of control and decreased financial self-efficacy. High financial stress levels are associated with poor financial behaviors, such as avoidance, impulsive spending, and delayed bill payments, all of which negatively affect financial well-being. These effects are particularly evident among Surabaya's Gen Z due to unstable income, increasing living expenses, and limited access to financial resources [56].

Furthermore, financial stress results in cognitive and emotional overload, impeding long-term planning and responsible financial conduct. The constant mental pressure from financial troubles disrupts concentration, increases anxiety, and reduces the ability to make prudent financial choices. As noted by Investopedia, financial stress is linked to sleep problems, depression, and decreased life satisfaction, all of which further weaken individuals' capacity to maintain financial stability and build economic resilience. Gen Z individuals facing persistent financial stress are more likely to engage in short-term decision-making cycles, exacerbating their financial difficulties. Additionally, financial stress diminishes individuals' resilience to future financial shocks, making it challenging for them to save, invest, or create safety nets. Young adults under stress often prioritize immediate needs over long-term financial planning, leading to depleted savings and increased reliance on credit or loans. Recent studies indicate that unpredictable incomes and economic instability, particularly prevalent among young workers, significantly contribute to declining financial well-being [57]. For Gen Z in Surabaya—many of whom juggle education, freelance work, and digital lifestyle expenses—financial stress not only undermines their current financial health but also limits their ability to secure a stable financial future.

The detrimental and significant effects of financial stress on the financial well-being of Gen Z in Surabaya can be understood through the Theory of Planned Behavior (TPB). This theory posits that individual actions are shaped by three elements: attitudes, subjective norms, and perceived behavioral control [12]. Financial stress negatively impacts all these components. Firstly, it harms attitudes toward financial management, as stressed individuals may link financial activities with anxiety and potential failure. Secondly, subjective norms, or the perceived social expectations, can intensify stress, especially among Gen Z in urban settings like Surabaya, where there is pressure to uphold a certain lifestyle despite limited financial means. Lastly, and most critically, financial stress reduces perceived behavioral control, making young people feel helpless in managing their finances, which directly impairs their ability to engage in positive financial behaviors and, in turn, diminishes their financial well-being. Therefore, within the TPB framework, financial stress serves as a psychological and behavioral obstacle. It not only weakens the intention to engage in positive financial behaviors but also diminishes the ability to act, particularly in high-pressure urban settings. For Surabaya's Gen Z, who are navigating education, early career changes, and the digital economy, reducing financial stress is essential to

5.0 CONCLUSION AND LIMITATION

This research finds that the financial well-being of Generation Z in Surabaya is greatly influenced by financial literacy, financial behavior, and financial stress. Of these factors, financial behavior is the most impactful, underscoring the significance of practical habits such as budgeting, saving, and responsible spending in achieving financial stability. Financial literacy also plays a crucial role, suggesting that providing Gen Z with financial knowledge enhances their confidence and decision-making abilities. Conversely, financial stress has a notable negative effect, highlighting the importance of emotional regulation and financial control for maintaining financial health. These results emphasize the need for a comprehensive approach to financial education—one that not only improves knowledge but also encourages positive behavior and addresses the psychological aspects of financial management. The findings are especially relevant for policymakers, educators, and financial service providers who aim to assist Gen Z in managing the complex financial challenges of the digital economy.

Although this study provides important insights, it does have certain limitations. Firstly, the research is limited to Surabaya, which might affect the applicability of the results to other parts of Indonesia with different socio-economic conditions. Secondly, the use of self-reported survey data could lead to bias due to social desirability or inaccurate self-evaluation. Thirdly, the cross-sectional design only captures financial behavior, literacy, and stress at one point in time, limiting the ability to determine causality or observe changes over time. Future studies should consider conducting longitudinal research across various regions and include qualitative elements to better understand the motivations and challenges Gen Z faces in achieving financial well-being.

While this study offers valuable insights, it is not without limitations. Firstly, the research is geographically confined to Surabaya, which may impact the generalizability of the findings to other regions in Indonesia with varying socio-economic characteristics. Secondly, the reliance on self-reported survey data could introduce bias due to social desirability or inaccurate self-assessment. Thirdly, the cross-sectional design captures financial behavior, literacy, and stress at a single point in time, restricting the ability to assess causality or changes over time. Future research should consider longitudinal studies across diverse regions and incorporate qualitative components to gain deeper insights into the underlying motivations and challenges faced by Gen Z in achieving financial well-being.

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