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From Frugality to Investment: The Role of Financial Self-Efficacy in Shaping Investment Decisions

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Abstract

This study investigates the role of financial self-efficacy as a moderating variable in the link between frugal living and students' investment decisions. This focus is relevant because students typically face budget constraints, while their financial choices are shaped by both behavioral habits and psychological factors. A quantitative survey design was used with 117 student respondents in Yogyakarta. Data were collected through structured questionnaires and processed using SPSS version 25, including validity, reliability, and normality tests, as well as descriptive analysis and multiple regression. The findings show that a frugal lifestyle exerts a significant positive impact on investment decision-making. In contrast, financial self-efficacy does not significantly alter (strengthen or weaken) this relationship, indicating that consistent financial discipline has a greater influence than mere confidence in one's financial abilities. The research has several limitations, such as a relatively limited sample and the omission of other possible drivers of investment behavior. The cross-sectional nature of the data also prevents observation of behavioral changes over time. In summary, the results underscore the importance of cultivating disciplined financial practices to improve students' investment decisions. The lack of a moderating effect implies that concrete financial habits may be more decisive than perceived financial confidence. By combining the concepts of frugal living and financial self-efficacy, this study provides additional understanding of how students behave in making investment decisions.

Keywords: Frugal living; Financial Self-Efficacy; Investment Decision; Yogyakarta; Student

INTRODUCTION

Yogyakarta truly lives up to its title as the "City of Students", serving as a temporary home for over 600,000 migrant youth working towards a brighter future (Regional Development Planning Agency (BAPPEDA) of the Special Region of Yogyakarta, 2024). Because they mostly depend on money from their parents or part-time jobs, living in the city requires strong financial survival skills. As a result, these students quickly learn the art of frugal living—becoming experts at budgeting, saving, and making the most out of every penny they spend. College students cannot avoid a fact of financial reliance upon allowances or part-time income. Students primarily rely on pocket money as a key indicator of their financial management (Rozaini & Harahap, 2019). Financial constraints highlight the critical need for students to develop financial management skills to budget their everyday expenses. For instance, when parental allowances are delayed, students experience financial strain, forcing them to spend their remaining money exclusively on basic necessities. Ultimately, these tight budgets hinder effective financial planning, leaving many students unable to save money since their entire income is absorbed by daily living costs (Rikayanti & Listiadi, 2020).

Boasting a strong academic atmosphere, Yogyakarta serves as an ideal environment for students to cultivate both intellectual abilities and financial management skills. Within this academic landscape—particularly in the fields of business and economics—the rapid emergence of financial technology (fintech) has become a prominent subject of study. This academic focus aligns closely with the steady increase in online spending behaviours among Indonesian consumers, a trend previously documented by Harahap (2018) in his research on e-commerce habits. The trend of fintech has grown rapidly due to the availability of accessible financial tools such as digital wallets (e.g., GoPay, OVO, DANA), peer-to-peer (P2P) lending platforms, online investment apps (e.g., Ajaib, Bibit, Bareksa), automated budgeting applications, and real-time mobile banking services that help users manage, save, and invest their money more efficiently. Those will help students simplify the financial management activity, such as budgeting, saving, and, in the best case, investing. When students feel that managing money is easy, they can save more, which means they have extra money for other uses. Linking with the ongoing trends of fintech – followed by financial self-efficacy – and the willingness to do frugal living, there is a tendency among students to follow the trend of investing across Gen Z. First, students are likely to capitalise investing since they apply frugal living (FL) and earn extra money. Second, the academic environment equips students with financial self-efficacy, which serves as a tool for making investment decisions.

When discussing frugal living more thoroughly, many students have developed the mistaken belief, partly due to globalisation, that living frugally is synonymous with poverty or financial hardship. The tendency of Generation Z to adopt frugal living practices is closely linked to global pressures, including environmental challenges, resource scarcity, and the socio-economic impact of the COVID-19 pandemic, which collectively drive more conscious and efficient consumption

patterns (Dabić et al., 2022). Frugal living emphasises thoughtful spending, prioritising value, and reducing non-essential expenses. It goes beyond just a simple lifestyle; it also involves strategic saving and financial planning aimed at achieving long-term financial objectives, such as building savings (Sibuea, 2022). Living simply should not be automatically equated with being stingy or out of touch just because one chooses not to follow spending trends. On the contrary, individuals who practise frugal living tend to develop distinct traits shaped by their lifestyle. According to one study, Generation Z perceives frugal living as an essential aspect of effective financial management (Hasanah & Badria, 2024). Students who embrace frugal living tend to focus on saving rather than indulging in excessive or hedonistic spending. Through this approach, younger generations can present themselves as responsible and future-oriented individuals, which not only strengthens their social image and career prospects but also supports long-term financial stability (Awais et al., 2020; Dabić et al., 2022; Onsongo & Knorringa, 2025). In the context of investing, it indicates those types of individuals are more likely to be cautious when making financial decisions.

The academic environment cannot prevent the hedonism that results from globalisation. But knowledge and lessons, such as those gained from financial literacy education, can counter those negative impacts. According to Margaretha & Pambudhi (2015), financial literacy is an ability for a person to manage their finances effectively. A person possesses the ability to manage their finances effectively for both short and long-term use. A university was established to provide individuals with a broader perspective on how reality and the world function, which may differ from their previous idealistic expectations. Individuals have a tendency to be more confident when they have knowledge and basics about specific stuff. Therefore the theory and lessons provided by the university have a positive impact on students' confidence. This situation aligns with the need for confidence in the process of investing, which later will be useful for the decision-making process. The confidence needed for investing is called 'self-efficacy'; it creates belief inside individuals and the ability to manage the investment as well. Self-efficacy is an important internal component, as it increases confidence and gradually enables individuals to assess risk as well as opportunities in investment.

The research on financial behaviour and investment by Generation Z in Indonesia indicates that financial self-efficacy (FSE) plays a significant role in shaping financial behaviours and investment decisions (ID). However, its focus has not been specifically on frugal living or the context of Yogyakarta (Hidayat et al., 2023; Jordan & Nuringsih, 2023; Syarif & Octavianus Byre, 2025). Several studies have found that the younger generation faces challenges in managing money amidst digital lifestyles and the YOLO mentality, while also being expected to build habits of saving and investing (Anwar, 2025; Jordan & Nuringsih, 2023). Financial self-efficacy has been shown to enhance students' ability to manage money, save, and invest, even allocating funds to portfolios, including investments and insurance (Anggono et al., 2024; Kurniasari et al., 2023). However, the results are not always consistent, as some studies show that financial self-efficacy strongly influences financial behaviour (Anwar, 2025; Hidayat et al., 2023; Kurniasari et al., 2023), while others indicate a weak or insignificant effect (Mu'afi et al., 2024; Jannatun et al., 2023).

A review of the existing literature reveals that previous studies have primarily investigated the direct impacts of self-efficacy and financial literacy on financial behaviours and investment decisions, neglecting their potential roles as moderating variables (Anwar, 2025; Hidayat et al., 2023; Ardani & Satyawan, 2025; Utari, 2025). Furthermore, there is a distinct lack of research explicitly positioning frugal living as a predictor of investment decisions. Instead, prior literature has largely concentrated on broader concepts like general financial behaviour, overall lifestyle, and self-control, rather than intentional frugal living (Anjani et al., 2023; Viacenza, 2025). Furthermore, studies that position self-efficacy as a mediator/moderator typically link it to financial literacy, lifestyle, digital financial literacy, and saving behaviour rather than to the relationship between frugal living and investment decisions (Anwar, 2025; Munir & Putri, 2024). In the local context, students in Yogyakarta, known as the "student city", with exposure to fintech and campus investment galleries, have rarely been studied, as most of the samples come from other cities (Jakarta, Pontianak, Surabaya, Medan, Lampung, etc.) (Mu'afi et al., 2024; Syarif & Byre, 2025; Utari, 2025).

In light of these research gaps, the current study is driven by two primary objectives. First, it seeks to determine the impact of frugal living on students' investment decisions. Second, it aims to analyse the potential of Financial Self-Efficacy (FSE) to moderate the relationship between Financial Literacy (FL) and investment decisions (ID). This approach addresses a notable limitation in the literature, as previous research has largely concentrated on isolated, direct effects between these variables, typically treating FSE solely as an independent predictor rather than exploring its moderating capacity. Unlike previous research that predominantly examines the isolated, direct impacts of financial literacy (FL) and self-efficacy on financial decisions, this study introduces financial self-efficacy (FSE) as a critical moderating variable. Operating on the hypothesis that FSE strengthens the relationship between these variables, this research goes beyond statistical analysis. It highlights how FSE actively equips students with essential decision-making tools, such as budgeting proficiency, risk management comprehension, and the ability to make informed investments. Ultimately, the insights generated advocates for enhanced financial literacy and better investment behaviours among young adults, emphasising that investing is fundamentally about securing long-term financial stability.

This research offers key contributions by addressing a notable gap in the literature: evaluating the influence of frugal living on the investment decisions of students in Yogyakarta. Despite being an academically vibrant city with a growing fintech presence, this specific demographic context remains largely underexplored (Gale & Wafa, 2025; Jordan & Nuringsih, 2023). Furthermore, this study advances existing theoretical frameworks by introducing financial self-efficacy as a moderating variable between frugality and investment choices. This approach moves beyond prior research, which has predominantly restricted its focus to the direct impacts of self-efficacy on financial or investment behaviour (Muafi et al., 2024; Syarif & Byre, 2025; Utari, 2025). By examining whether self-efficacy moderates the impact of frugal financial habits on the investment decisions of Generation Z, this research aims to clarify the mixed findings in existing

literature. Furthermore, the findings are intended to offer empirical support for developing targeted campus interventions and financial literacy programmes. Ultimately, these educational initiatives should go beyond merely imparting knowledge, focusing instead on fostering self-efficacy, encouraging a frugal lifestyle, and guiding students towards long-term investing. Based on this background, the research aims to answer the following questions: (1) Does frugal living influence students' investment decisions? and (2) Does FSE moderate the relationship between frugal living and investment decisions?

Significance of Study

This study provides a more in-depth understanding of the mechanisms through which frugal living influences investment decisions, particularly among students who face financial constraints and limited income resources. By integrating both behavioural and financial perspectives, this research explains how disciplined consumption patterns can facilitate long-term financial decisions. Furthermore, the study emphasises the role of financial self-efficacy as a moderating variable, offering additional insight into how individuals' confidence in managing their financial resources may strengthen or weaken the relationship between frugal living and investment behaviour. This perspective extends prior research, which primarily examines financial self-efficacy as an independent variable, rather than as a conditional factor. Additionally, the study serves as a valuable reference for future research that seeks to explore the interaction between lifestyle factors, financial psychology, and investment behaviours in specific demographic contexts. From a practical standpoint, the findings offer valuable insights for students, emphasising that "frugal living" is not merely a strategy for managing limited financial resources but also a foundation for fostering sustainable investment behaviours and achieving long-term financial goals. This research also has implications for educational institutions, particularly universities, suggesting the need to design more effective financial literacy programmes that enhance knowledge and build students' confidence in applying financial decision-making to real-world situations. Moreover, the findings may be beneficial for fintech developers when designing user-centred features that simplify financial management processes and strengthen users' confidence when making investment decisions.

LITERATURE REVIEW

Behavioral Finance Theory

Behavioural finance theory emerged as a response to the limitations of traditional financial theories, which assume that investors act rationally and base their decisions solely on available information. In practice, investment decisions are often influenced by psychological tendencies, cognitive limitations, and emotional responses, leading individuals to deviate from purely rational behaviour (Kanapickienė et al., 2024). This perspective emphasises that financial decision-making is

not only an analytical process but also a behavioural one that is shaped by how individuals interpret information and respond to uncertainty. From this standpoint, investors frequently rely on intuitive judgements rather than systematic evaluation, especially in complex or uncertain situations. Various behavioural biases, such as overconfidence, herding behaviour, and loss aversion, can influence how individuals assess risks and choose investment alternatives. These biases may result in decisions that are not fully aligned with objective financial principles, potentially affecting investment outcomes and market dynamics (Kanapickienė et al., 2024). In addition, behavioural finance emphasises the importance of risk perception as a key mechanism linking psychological factors to investment decisions. Individuals do not perceive risk in a purely objective manner. Instead, their perceptions are mainly shaped by personal experiences, emotions, and biases. As a result, the same investment opportunity may be interrupted by different individuals, influencing their willingness to invest and the strategies they adopt (Almansour et al., 2023). Recent research indicates that investment decisions are more strongly shaped by behavioural and attitudinal factors than traditional demographic characteristics. In particular, aspects such as individuals' attitudes towards investing, their level of financial understanding, and their decision-making habits appear to play a central role in how they respond to financial opportunities (Rad et al., 2025). These findings collectively reinforce the view that conventional economic assumptions alone cannot fully explain investment behaviour. Instead, a behavioural finance perspective offers a broader explanation by incorporating psychological elements into the analysis of financial decision-making.

Frugal living

Frugal living can be understood as a way of life characterised by the deliberate and efficient use of money, prioritising basic needs over wants, and taking future consequences into account when making financial decisions. The development of this mindset is shaped by several underlying factors, particularly individuals' awareness of the consequences of their consumption, their value orientation, and their consideration of future outcomes, all of which influence how they regulate and adjust their consumption behaviour (Suárez et al., 2020). Frugal living is simply using resources economically (Taylor-Hough, 2003). The development of this mindset is shaped by several underlying factors, particularly individuals' awareness of the consequences of their consumption, their value orientation, and their consideration of future outcomes, all of which influence how they regulate and adjust their consumption behaviours. Thus, frugal living is not limited to reducing spending on non-essential items; more broadly, it concerns how people choose to lead a modest, uncomplicated life voluntarily, without pressure from society.

Financial self-efficacy

According to Asebedo & Payne (2019), financial self-efficacy is distinct from related constructs such as general self-confidence, subjective financial knowledge, and financial literacy. While terms like 'confidence', 'perceived behavioural control', and 'locus of control' are sometimes

used interchangeably (Furrebøe & Nyhus, 2022), it is crucial to differentiate FSE from these overlapping ideas. In financial contexts, financial self-efficacy (FSE) represents an individual's confidence in managing financial responsibilities, which in turn shapes behaviours like saving, investing, and managing debt (Fan, 2022; Farrell et al., 2016). Without a strong sense of self-efficacy, individuals may have a difficult time translating their knowledge, skills, and prior experiences into effective outcomes, as self-efficacy plays a critical role in predicting motivation and performance across various domains. This concept has been widely applied in social psychology and related fields, including personal finance (Abdolrezaipoor et al., 2023; Fan, 2022). Importantly, FSE, or Financial Self-Efficacy, focuses on perceived control over financial situations, which has a greater impact on behaviour than actual control. Gamst-Klaussen et al. (2019) argued that financial knowledge is important, but confidence in applying it is just as crucial.

According to Asebedo & Payne (2019), FSE is the key driver that transforms financial literacy into actionable behaviour by combining an internal sense of control over outcomes with a proactive approach to decision-making. Moreover, while general self-efficacy reflects confidence in managing tasks across various domains, FSE is domain-specific and directly linked to financial decision-making processes (Furrebøe & Nyhus, 2022). It can be concluded that self-efficacy in financial terms does not only stand for the amount of confidence brought by someone to make a perfect decision. But it reflects a more specific definition of self-reliance in observing the economic world, where vulnerability cannot be declined, indicating that individuals with higher financial self-efficacy are better equipped to navigate financial challenges and uncertainties.

Recent studies have positioned financial self-efficacy (FSE) not merely as "self-confidence" but as a key psychological mechanism that connects cognitive factors (literacy, experience, and socialisation) with actual financial behaviours (saving, investing, and managing debt). Its role can be either as a mediator or a moderator, depending on the research model and variables under investigation. In this study, FSE functions as a moderating variable, intended to strengthen or weaken the influence of other variables on individual behaviour. Research by Hassan et al. (2024) explains that self-efficacy strengthens the relationship between attitudes and investment intentions in fintech/Islamic unit trust products, showing that positive attitudes are much more effective when there is a high belief in using financial technology. In another study by Barek et al. (2025), it is explained that self-efficacy moderates the influence of mental accounting and heuristics on financial behaviour; a high FSE amplifies the positive impact of mental accounting and weakens the negative effects of emotional or impulsive heuristics.

Investment

According to FitzGerald et al. (1981), investment can be understood as an activity involving the allocation of financial resources for acquiring capital goods in the present, with the expectation that these assets will generate future output. This perspective highlights two key elements, namely the use of funds for capital acquisition and the anticipated production of goods in the future. From

another viewpoint, Kamaruddin (2004) explains investment as the act of allocating funds with the expectation of obtaining returns or additional value. This definition emphasises capital placement as a means of generating profit, which is closely associated with activities in the capital market. Similarly, Salim & Sutrisno (2008) describe investment as the commitment of funds by both domestic and foreign investors across various business sectors with the primary objective of earning profit. In line with this definition, the Indonesian Encyclopaedia defines investment as the use of financial resources within the production process, including the acquisition of assets such as buildings, machinery, and materials, as well as the management and development of capital. Furthermore, Kamaruddin (2004) categorises investment in several forms, including participation in financial instruments such as stocks and bonds, the purchase of capital goods, and the utilisation of funds for production activities aimed at generating future income.

Investment decision making

The decision to undertake an investment often depends on evaluating the appropriate timing and feasibility of allocating funds (Harcourt, 1967). To reach well-informed investment decisions, investors are required to carefully examine available opportunities and avoid making impulsive choices. A solid understanding of investment concepts is necessary to ensure that the evaluation process leads to effective outcomes. When assessing investment opportunities, decision-makers need to rely on indicators that align with the specific characteristics of the project while also considering the information available to them. Investment outcomes are not only shaped by internal project factors but are also highly dependent on broader economic and financial conditions, which introduce a significant level of uncertainty in predicting future returns. Such uncertainty may stem from market fluctuations as well as changes in economic policies that influence the overall investment climate.

Previous studies indicate that heightened uncertainty, particularly in relation to economic policy, can lead firms to postpone or reduce their investment activities due to increased caution (Guiso et al., 2018). In addition, uncertainty also affects individual investment behaviour, as changes in risk preferences influence how investors evaluate potential gains and respond to shifting economic conditions (Guiso et al., 2018). Consequently, investment decisions are generally made after a thorough evaluation that integrates both internal project considerations and external economic factors. Furthermore, evaluating the effectiveness of econometric models for explaining investment behaviour remains essential in empirical research. Compared to routine decision-making, investment decisions are more complex because they involve long-term commitments, higher levels of uncertainty, and often irreversible consequences. Therefore, both individuals and firms are required to adopt a strategic approach in identifying opportunities while carefully managing the risks associated with uncertain future outcomes (Guiso et al., 2018; Gulen et al., 2015).

Theoretical Framework

Frugal Living dan Investment Decision

The concept of frugal living has also been shown to influence financial-related decision-making processes, as individuals with frugal tendencies tend to be more disciplined in managing their spending and are oriented towards achieving long-term financial goals (Awais et al., 2020). The average value from previous research indicates a high category, where behaviours such as controlling overspending, purchasing based on needs, and prudent financial management are key factors influencing investment decisions (Suriyanti & Mandung, 2024). Previous findings further suggest that frugal individuals are more careful in allocating their financial resources and prioritising efficiency in consumption, which can support more thoughtful and rational decision-making, including in the context of investment (Awais et al., 2020). It means that the individuals who can implement frugal living have a tendency to take control over their expenses, either in needs or wants. With the firmness of a frugal living mindset, individuals succeed in setting aside some of their assets to collect capital for investment. This situation encourages people to jump into the world of investing, remembering they already got the capital in such a natural way through frugal living implementation. Based on the theoretical frame and previous research findings, the hypothesis can be formulated as follows:

H1: Frugal living affects the investment decisions of university students in Yogyakarta.

Frugal Living, Financial Self-Efficacy, dan Investment Decision

Self-efficacy is defined as a person's confidence in their capacity to execute specific tasks, a belief that ultimately influences their cognitive, emotional, and behavioural responses, including financial decision-making (Abdolrezapour et al., 2023). From this viewpoint, self-assurance plays a pivotal role in directing one's financial habits. Furthermore, empirical evidence suggests a positive correlation between robust financial literacy—characterised by theoretical knowledge, practical skills, and experience—and elevated financial self-efficacy, which in turn fosters enhanced financial well-being. Existing literature also highlights financial self-efficacy as a crucial mediator that converts financial knowledge into tangible financial wellness. Notably, this mechanism is universally applicable; it benefits individuals across diverse backgrounds, extending well beyond those with formal financial education.

Existing literature indicates that Financial Self-Efficacy (FSE) not only directly impacts financial and investment behaviours but also frequently acts as a modifying variable. For example, Suka et al. (2022) demonstrated that FSE moderates the relationship between financial attitudes and behaviours among boarding students in Medan; students with high financial confidence are more likely to translate positive financial attitudes into actual behaviours, whereas this connection weakens for those with low FSE. Furthermore, broader research indicates that FSE serves as a crucial psychological bridge—often acting as a mediator—that determines whether financial literacy,

socialization, and lifestyle successfully translate into sound financial management and decision-making (Ali et al., 2025; Rahmawati & Marcella, 2023; Rufaidah & Setiyono, 2023). This pattern strengthens the theoretical foundation that, in the relationship between frugal living and investment decisions, FSE is highly relevant and positioned as a moderating variable with an interactive nature. In this case, frugal living is more likely to lead to active, rational, and planned investment decisions when students have high levels of financial self-efficacy. However, for students with low FSE, the tendency to live frugally may not necessarily develop into tangible and quality investment behaviour (Anggono et al., 2024; Suka et al., 2022; Peter & Mathew, 2025a). Based on these explanations above, the second hypothesis is proposed:

H2: Frugal living affects the investment decisions of university students in Yogyakarta, with financial efficacy serving as a moderating factor.

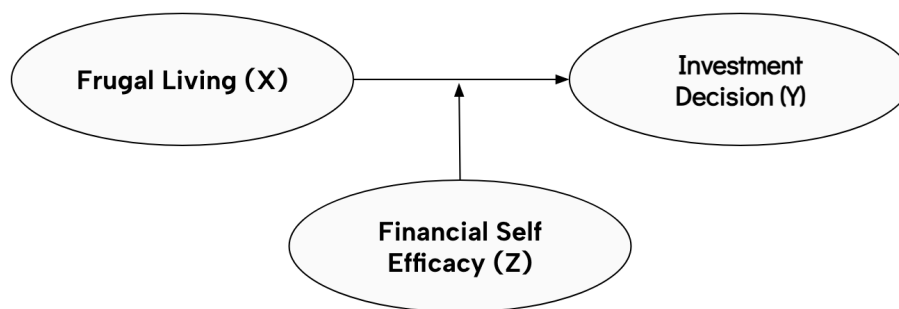


Figure 1. Research Model

METHODS

In this research, the conceptual framework illustrated in Figure 1 is designed to investigate how frugal living influences investment decisions, which is proposed as the first hypothesis (H1). In addition, the study seeks to assess whether FSE functions as a moderating factor in the link between independent and dependent variables, forming the second hypothesis (H2). Considering that this research model involves independent variables (frugal living), dependent variables (Generation Z investment decisions), and a moderating variable (financial self-efficacy), the selection of the analysis method must align with the nature of the relationships between the variables. Moderated Regression Analysis (MRA) is an appropriate technique to test whether the influence of frugal living on investment decisions changes (either strengthens or weakens) at different levels of financial self-efficacy, through the inclusion of interaction terms in the regression equation (Aguinis & Gottfredson, 2010). A similar approach has been used in other financial and Gen Z behaviour studies examining the role of moderating variables, such as lifestyle, consumption behaviour, income characteristics, or risk tolerance, in the relationship between literacy or economic variables and financial behaviour or investment decisions (Mahendra et al., 2023; Santoso & Danarsari, 2025).

In the moderation model framework, the analysis procedure, hypothesis formulation, and statistical testing focus on the significance of the interaction coefficient ($X1 \cdot X2$) as evidence of the

moderating effect. Therefore, before interpreting the main effects of frugal living (b1) and financial self-efficacy or related variables (b2), the primary test is directed at the coefficient b3 to determine whether financial self-efficacy truly changes the strength of the frugal living–investment decision relationship (Aguinis & Gottfredson, 2010; Hayes & Matthes, 2009). Best practices in MRA also include technical steps such as ensuring the fulfilment of classical assumptions, considering mean centring of predictor variables to reduce multicollinearity, and reporting changes in R² after adding the interaction term as an additional indicator of the moderating effect’s strength (Baranger et al., 2023; Lorah, 2020). Thus, the design of the analysis method, hypotheses H1–H2, and statistical testing procedures are all consistent with the model that explicitly positions financial self-efficacy as a moderating variable. Finally, this approach enables the examination of interaction effects between one or more independent variables and a dependent variable within a regression model while explicitly considering the presence of a moderator. The structural equation estimated in this study is specified as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_1X_2 + e \dots\dots\dots(1)$$

Where,

Y = Generation Z investment decision (Dependent Variable)

a = Constant

b1 = Regression coefficient of X1

X1 = Frugal Living (Independent Variable)

b2 = Regression coefficient of X2 (Moderator Variable)

X2 = Financial Self-Efficacy (Moderating Variable)

b3 = Regression coefficient of the interaction term (X1X2)

X1X2 = Interaction term (Frugal Living*Financial Self-Efficacy)

e = Residual (Error term)

Research Characteristic

Research characteristics refer to aspects that distinguish one study from another. These characteristics include the method used, the purpose of the study, the time period, and other aspects. This research employed quantitative methods that rely on numerical data and statistical analysis as described by Hamdi & Bahrudin (2014). Based on the method applied, this research falls into the category of quantitative research, which is an approach that relies on data in the form of numbers that are then analysed statistically to draw conclusions. Quantitative methods are usually used to examine measurable problems and have a wide population coverage. The quantitative approach can simply be said to be research whose data uses numbers, but if we want to look further, then the quantitative approach is a research methodology that uses a positivism approach (classical-objective approach), meaning that there is a “real” reality that is governed by certain rules that apply universally, although the truth of knowledge about it may only be obtained probabilistically; out

there (outside the subjective world of researchers), it can be measured by certain standards, generalised and free from context and time. In line with that, this research collects data by distributing questionnaires, which are then processed using statistical analysis techniques. This type of research can also be classified as causal because it aims to identify the cause-and-effect relationship of a phenomenon. A causal research proposal must clearly indicate which causes and which effects were predicted before the research was conducted. The causes that are predicted in advance are called independent variables, while the effects that are predicted are called dependent variables. Variables that are not the variables of interest but can influence dependent variables are called 'extraneous variables' (Wiersma & Jurs, 2009). In this context, the researcher seeks to explain the causal relationship between frugal living and financial investment decisions by considering the role of financial self-efficacy as a moderating variable.

This study employs a correlational research design to examine the relationship between variables. Correlational analysis focuses on identifying whether variations in one variable are systematically associated with variations in another, either in the same direction (positive relationship) or in the opposite direction (negative relationship). Correlational research aims to identify both the existence and the strength of relationships between two or more variables without manipulating them, meaning that the researcher does not intervene in the observed phenomena (Fraenkel & Wallen, 2008).

This study specifically investigates the relationship between frugal living and investment decisions, with financial self-efficacy acting as a moderating variable. The research process presents data objectively without any interference from the researcher, ensuring that the findings accurately represent actual conditions. Throughout the analysis, we maintain the integrity, accuracy, and credibility of the data. The subjects of this study consist of individual respondents, as each participant completes the questionnaire based on their own personal experience without being tied to a specific group affiliation.

This study applies a cross-sectional design, in which data are collected at a single point in time to capture the condition of the observed variables. According to Notoatmodjo (2010), cross-sectional research involves the simultaneous collection of data to examine the relationship between variables without observing changes over time. Similarly, Nurdini (2006) explains that this approach focuses on studying a particular population within a specific time frame rather than over an extended period. In this method, data are gathered directly from a portion of the population to represent their perspectives regarding the phenomenon being studied (Utama, 2016).

Sample and Population

In research, "population" refers to the group to which the findings are intended to be generalised, consisting of individuals or units that share specific characteristics relevant to the study (Sugiyono, 2018). In this study, the population comprises individuals from Generation Z residing in the Special Region of Yogyakarta. Based on projections from BPS D.I. Yogyakarta, the number

of Generation Z in the region is estimated to reach approximately 1.2 million people by 2024, indicating a large potential population for this study. Regarding sample size, Hair et al. (2019) suggest that a minimum of 100 respondents is generally acceptable in research. Additionally, Hair et al. (2019) suggest that sample size can be estimated based on the number of indicators used in the study, with a recommended ratio of five to ten respondents per indicator. However, these guidelines should not be applied rigidly, as sample size requirements may vary depending on the complexity of the model and the characteristics of the data (Wolf et al., 2013), such as the type of analysis being conducted and the expected effect sizes. Given that this study uses 20 questionnaire items, the minimum required sample size is calculated as 20×5 , resulting in at least 100 respondents.

This study employs a non-probability sampling approach, specifically purposive sampling. According to Surakhmad (2012), purposive sampling involves selecting respondents based on predetermined criteria that align with the objectives of the study. Through this approach, participants are intentionally chosen to ensure that they meet the relevant characteristics, thereby increasing the relevance of the data collected. Furthermore, within this sampling technique, the recommended sample size may reach up to ten times the number of questionnaire items. In determining the sample size, an ideal sample should consist of at least 100 respondents or more (Hair, Risher, et al., 2019). In general, the number of samples used should be at least five times the number of questionnaire items analysed, and it is preferable if the ratio of respondents to items reaches 10:1 (Hair et al., 2014).

The population of this study consists of active university students in the Special Region of Yogyakarta, representing Generation Z individuals who are currently developing financial awareness and decision-making behaviour. The sample was drawn using purposive sampling, where respondents were selected based on specific criteria aligned with the objectives of the study. The criteria include being an active student and having basic exposure to personal financial management. This technique was chosen because not all members of the population possess the relevant characteristics required for this research, making it necessary to focus on individuals who are considered most appropriate for analysis. By applying this approach, the study is able to obtain more focused and relevant data, thereby improving the quality of the findings (Sekaran & Bougie, 2016).

Measurement

Data from respondents were collected through an online questionnaire by Google Forms. The instrument applied a 5-point Likert scale, ranging from 1, meaning 'strongly disagree', to 5, meaning 'strongly agree'. This study also utilises secondary data derived from various sources, including scientific journals, books, reports, statistical publications, and other official documents. This study used three types of variables: dependent, independent, and moderating variables. The dependent variable in this study is investment decision. The measurement items for this variable were adapted from Utami & Sitanggang (2021), while instruments for frugal living were adapted from Hasanah & Badria (2024), and financial self-efficacy was adapted from Furrebøe & Nyhus

(2022), with adjustments made to suit the research context. The independent variable in this study is frugal living. 'Lifestyle' refers to the way individuals live their lives, which is reflected in their activities, interests, and perspectives. To measure this variable, several items were adapted from established frugality scales and slightly modified to align with the objectives of this study (Pires et al., 2019), ensuring that they accurately capture the nuances of frugal living as it relates to lifestyle choices and behaviours. Furthermore, FSE is treated as the moderating variable, which influences the strength and direction of the relationship between the independent and dependent variables (Sugiyono, 2018). It is used to assess whether the relationship between FL and ID becomes stronger or weaker depending on the respondent's level of FSE.

SPSS Statistics version 25 was conducted to analyse the data using the multiple linear regression technique based on moderated regression analysis (MRA). The MRA approach with Ordinary Least Squares (OLS) has been widely recommended as the standard procedure for moderation and conditional process analysis when researchers test only one or a few direct relationships and simple moderation, without complex structural models or many latent constructs (Rockwood & Hayes, 2020). In this context, regression analysis in SPSS is sufficient for estimating main effect coefficients and interaction coefficients, testing their significance, and interpreting changes in the strength of the X–Y relationship at various levels of the moderator; thus, the use of PLS-SEM becomes more relevant when the model involves complex latent structures, formative constructs, or a primary focus on complex structural modelling with high predictive power (Memon et al., 2019).

RESULT

Respondent Characteristics

Table 1 Respondent Characteristic

Characteristic	Status	Number	Percentage
Education Level	Diploma 3/4	1	1%
	Undergraduate	116	99%
Semester	Semester 2	41	35%
	Semester 4	41	35%
	Semester 6	21	18%
	Semester 8	11	9%
	Others	3	3%
Univesity	Universitas Atma Jaya Yogyakarta	112	95%
	Universitas Mercubuana	1	1%
	Universitas Negeri Yogyakarta	1	1%
	UPN "Veteran" Yogyakarta	3	3%
Gender	Male	55	47%

	Female	62	53%
Income	< 1.000.001	32	27%
	> 7.000.000	4	3%
	1.000.001 - 2.500.000	52	44%
	2.500.001 - 4.000.000	22	19%
	4.000.001- 5.500.000	4	3%
	5.500.001 - 7.000.000	3	3%
Do you have a regular source of income?	Yes	99	85%
	No	18	15%
	If YES, from where?		
	Part-time job	11	11%
	Just Allowance	88	89%
Have you started or regularly engage in investment activities?	Yes	64	55%
	No	53	45%
	If YES, how long is it?		
	6 month - 1 year	19	30%
	Less than 6 month	20	31%
More than 1 year until 3 year	25	39%	
Investments owned	Cryptocurrency	27	22%
	Time Deposit	8	6%
	Gold	24	19%
	Stock	29	23%
	Reksadana	21	17%
	Property	6	5%
	Bond	9	7%
What is the reason you invest?	Saving for the future	59	50%
	Get passive income	12	10%
	To increase wealth	8	7%
	To protect asset value	7	6%
	Other	27	23%
	Investing due to trends or recommendations from others	4	3%

(Source: data processed, 2025)

The respondents of this study are students from the Yogyakarta Province. The results from the online questionnaire distribution revealed a total of 117. Table 1 presents the demographic characteristics of the respondents. The majority of respondents in this study are undergraduates, accounting for 99% (116 individuals) of the total respondents. Only 1% (1 individual) is pursuing a diploma (D3/D4) education. Most respondents currently spread across various semesters. Students in the 2nd and 4th semesters each represent 35% (41 individuals) of the respondents, indicating that many respondents are in the early stages of their studies, which may make them more inclined to make short-term financial decisions. Students in the 6th semester account for 21% (25 individuals),

suggesting that some have already completed their second or third year of studies and may be more mature in making investment decisions. Only 3% (3 individuals) are in the 8th semester, indicating that only a small number of respondents are nearing the end of their studies. A small fraction (likely including students with inactive status) also accounts for 3% (three individuals).

In terms of university affiliation, the majority of respondents are from Universitas Atma Jaya Yogyakarta, accounting for 95% (112 individuals). This suggests a concentration of respondent data in a single university. Universitas Mercu Buana and Universitas Negeri Yogyakarta account for the remaining 1% (1 individual), while UPN "Veteran" Yogyakarta contributes 3% (3 individuals). Regarding gender distribution, the respondents are nearly balanced, with 47% (55 individuals) being male and 53% (62 individuals) being female. This slight difference may provide insights into potential variations in perspectives or behaviours between genders in making investment decisions. Regarding income, 44% of respondents (52 individuals) fall into the Rp1,000,001–Rp2,500,000 bracket, making it the largest group. Meanwhile, 27% (32 individuals) report earning less than Rp1,000,001, reflecting a segment with relatively low income. The income ranges of Rp2,500,001–Rp4,000,000 and Rp4,000,001–Rp5,000,000 each represent 3% (3 individuals), indicating that only a few respondents have higher earnings. A further 3% (3 individuals) receive more than Rp7,000,000, reinforcing the conclusion that most respondents have low to moderate income levels. Overall, the findings show that most participants are undergraduates in the early phases of their studies at Universitas Atma Jaya Yogyakarta, with the majority earning a moderate income between Rp1,000,001 and Rp2,500,000. Although women make up a larger share of the sample, the gender ratio remains fairly balanced. These demographic characteristics, particularly age, income, and educational stage, may shape their behaviour when making investment decisions, as younger individuals may be more risk-averse while those with higher incomes might be more willing to invest in diverse portfolios.

Descriptive Analysis

Frugal living, or a frugal lifestyle, refers to an individual's behaviour: managing their expenses and consumption wisely, tending to avoid wastefulness, and prioritising saving or investing to achieve long-term financial goals (Pusparini et al., 2024). This lifestyle is often characterised by financial decisions that focus on cost efficiency, controlling expenses, and prioritising essential needs over consumptive desires. On the other hand, FSE, or Financial Self-Efficacy, is the individual's belief in their ability to manage their personal finances effectively, including the ability to make sound financial decisions. Individuals with excellent FSE tend to be more confident where they plan and manage their finances, including making investment decisions (Ali et al., 2016). Investment decisions refer to the process of choosing investment instruments that are believed to provide financial returns in the future, considering both the risks and potential returns. In the context of students, investment decisions are often influenced by their understanding of finances, personal experiences, and relevant external factors such as income and lifestyle (Suriyanti & Mandung, 2024).

This study wants to explain deeply about the influence of frugal living on investment decisions, with FSE to moderate them. A frugal lifestyle is presumed to foster more prudent financial management, which may subsequently strengthen individuals' confidence in their ability to make appropriate investment choices. In this regard, financial self-efficacy is expected to play a moderating role, as stronger beliefs in one's financial capabilities may reinforce the relationship between frugal living and investment decision-making. Therefore, a comprehensive understanding of the interplay among these three variables is essential for identifying the determinants of students' investment decisions. Based on the questionnaire data obtained, a descriptive analysis was carried out by calculating the percentage distribution of each variable. The procedures used in the descriptive analysis are presented as follows:

$$\text{Percentage (\%)} = \frac{\text{Score of Cumulative Item}}{\text{Score of Frequency Value}} \times 100\%$$

Table 2 Score of Variables

Variable	Percentage (%)
Frugal Living	80.50%
Financial Self Efficacy	67.60%
Keputusan Investasi	69.23%

(Source: data processed, 2025)

Based on the results, the percentage values were then grouped into five categories as follows: very poor if the value is between 20% and 36%, poor if between 36% and 52%, fair if between 52% and 68%, good if between 68% and 84%, and very good if the value reaches between 84% and 100% (Arikunto, 2013). Table 2 presents the results of the respondent scores in this study. The results of the respondent scores in this study for frugal living recorded a score of 80.50%, which falls within the "good" category, as it is between 68% and 84%. This indicates that the majority of respondents exhibit a fairly good frugal lifestyle, with a tendency to manage their finances wisely. FSE stands at 67.60%, which also falls within the "good" category, suggesting that most respondents feel confident in their ability to manage personal finances. Meanwhile, investment decisions scored 69.23%, also in the "good" category. This result indicates that a majority of respondents make fairly sound investment decisions, though there may still be room for improvement. Overall, these results indicate that the majority of respondents exhibit positive characteristics related to frugal living, financial self-efficacy, and investment decisions, although there is potential for further development in these areas.

Classical Assumption Test

Table 3 Normality Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		117
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	3.34909344
Most Extreme Differences	Absolute	.045
	Positive	.031
	Negative	-.045
Test Statistic		.045
Asymp. Sig. (2-tailed)		.200 ^{c,d}

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

(Source: data processed, 2025)

Prior to performing the simple regression and MRA method to assess the moderation effect, the study initially conducted an evaluation of the classical assumptions underlying the regression model. The diagnostic procedures incorporated tests for normality, heteroscedasticity, and multicollinearity. The Kolmogorov-Smirnov test is used to test the normality of the data, a widely used statistical method for determining the distributional normality of the data. The results presented in Table 3, where the normality test yielded an Asymp. Sig. (2-tailed) of 0.200 > 0.05 (sig). This result shows that the residuals do not significantly diverge from a normal distribution, confirming that the data conforms to the assumption of normality required for subsequent analyses.

Table 4 Multicollinearity Test Result

Model	Unstandardized Coefficients		Coefficients ^a		t	Sig.	Collinearity Statistics	
	B	Std. Error	Standardized Beta	t			Tolerance	VIF
1 (Constant)	11.672	2.302			5.070	.000		
X2	-.472	.095	-.453		-4.957	.000	.781	1.280
Frugal_Living	.355	.062	.523		5.724	.000	.781	1.280

a. Dependent Variable: Investment_Decision

(Source: data processed, 2025)

After establishing that the normality assumption was satisfied, the next step involved testing for multicollinearity. The results are shown in Table 4, in which the frugal living variable (X_2) exhibited a tolerance value of $0.781 > 0.10$ and a variance inflation factor of $1.280 < 10$. This result is interpreted as a sign that multicollinearity is not a serious concern; it can be inferred that multicollinearity is not an issue in this regression model and does not compromise the reliability of the parameter estimates.

Table 5 Heteroscedasticity Test Result

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.392 ^a	.154	.131	13.62887

a. Predictors: (Constant), x1x2, x1_kuadrat, x2_kuadrat

(Source: data processed, 2025)

The next diagnostic concerned heteroscedasticity, which was evaluated using the White test, with outcomes summarised in Table 5. The calculated chi-square (χ^2) statistic is 18.018, derived by multiplying the R^2 value (0.154) by the sample size (117). In this research df is 116 because $df = n(117) - 1$; the critical chi-square value at the 5% significance level is 142.138160. Because the obtained chi-square (18.018) is well below this critical threshold (142.138160), the model shows no statistical evidence of heteroscedasticity. In other words, the error terms do not display non-constant variance, meaning that the homoscedasticity assumption is fulfilled.

Table 6 Simple Regression Result

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.808	2.446		3.601	.000
	Frugal_Living	.211	.060	.311	3.510	.001

a. Dependent Variable: Investment_Decision

(Source: data processed, 2025)

After confirming that the classical assumptions were satisfied, the study proceeded to test the hypotheses using simple linear regression and MRA, with the outcomes reported in Table 6. As shown in this table, the first hypothesis (H1) evaluates whether frugal living influences students' investment decisions in Yogyakarta. The unstandardised regression coefficient (B) for frugal living is 0.211, meaning that a one-unit increase in frugal living corresponds to a 0.211 increase in investment decisions, assuming other factors remain unchanged. The associated t-statistic is 3.510,

with a p-value of 0.001, which is below the 0.05 significance threshold, indicating a statistically significant relationship. The standardised beta coefficient, 0.311, represents the strength and direction of this association. Its positive sign suggests that higher frugality is related to higher levels of investment decision-making. Thus, the evidence supports H1, with a p-value < 0.05.

Table 7 MRA Result

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.510 ^a	.260	.240	3.38685

a. Predictors: (Constant), Frugal_Living, Financial_SE, X1M

(Source: data processed, 2025)

The second hypothesis investigates whether FS acts as a moderator between FL and ID among students in Yogyakarta. This was examined using MRA. The results summarised in Table 7 reveal an R² value of 0.260, implying that frugal living, financial self-efficacy, and their interaction together explain 26% of the variability in investment decisions. The adjusted R² of 0.240 provides a more conservative measure yet still indicates that the model has a reasonable ability to account for variation in the dependent variable. Furthermore, the correlation coefficient (R) of 0.510 points to a moderate overall relationship among the variables, and the standard error of the estimate of 3.38685 reflects the average prediction error in estimating investment decisions.

Table 8 Moderation – Coefficient Result

Model	Coefficients ^a				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.421	11.278		.392	.696
Financial_SE	-.047	.654	-.045	-.072	.942
FSE*FL	-.010	.015	-.571	-.657	.513
Frugal_Living	.524	.265	.772	1.977	.050

a. Dependent Variable: Investment_Decision

(Source: data processed, 2025)

While the model indicators suggest a certain level of explanatory power, it is insufficient to deduce the presence of a moderating effect of FSE solely based on the coefficient of determination. A more rigorous evaluation is necessary, which involves scrutinising the interaction term coefficients as outlined in Table 8, in order to assess whether FSE significantly enhances or diminishes the relationship between frugal living and investment decisions.

The results presented in Table 8 indicate that FSE does not significantly moderate the

relationship between FL and ID. Specifically, the interaction term, $FSE \times FL$, has a regression coefficient (B) of -0.010 , with a p-value of 0.513 , which surpasses the conventional significance threshold of 0.05 . This suggests that the interaction between these variables does not provide a statistically significant contribution to explaining investment decisions. Consequently, the second hypothesis (H2), which posits that FSE moderates the impact of FL on ID, is not supported by the findings.

In contrast, frugal living itself demonstrates a substantial direct effect on investment decisions. The regression coefficient for frugal living is 0.524 , with a p-value of 0.050 , indicating that a higher degree of frugal living is associated with more robust investment decisions among students. However, despite this direct relationship, the moderation analysis confirms that FSE does not act as a moderating variable that amplifies or attenuates the link between FL and ID within the context of this study.

DISCUSSION

Based on the descriptive analysis, most participants in this research are young undergraduate students, predominantly in the early semesters of their studies in Yogyakarta. A large proportion report a moderate monthly income between Rp1,000,001 and Rp2,500,000, and the sample is largely composed of female students.

The first hypothesis (H1) testing reveals that frugal living exerts a positive and statistically significant influence on ID (p-value of 0.050). This suggests that students who practise a frugal lifestyle are more likely to make favourable investment choices. In contrast, the second hypothesis (H2), which proposes that FSE moderates FL and ID, is not supported. The p-value for the interaction term $FSE*FL$ is 0.513 , indicating that financial self-efficacy does not significantly alter the strength or direction of this relationship.

Frugal Living, or a frugal lifestyle, influences the investment decisions of students in Yogyakarta because students tend to focus more on efficient financial management, given their limited resources. Based on these findings, students who adopt a frugal lifestyle are generally better at saving and managing their finances wisely, thus being able to make investments even with relatively low incomes. This frugal lifestyle helps shape a more proactive mindset in financial planning, including making investment decisions. Students who are accustomed to cutting unnecessary expenses and prioritising better money management are more likely to be open to investment opportunities that could yield returns in the future.

From these findings, we can learn that students in Yogyakarta, despite being in the early stages of their education and having financial limitations, have the potential to develop prudent financial habits and a future-oriented mindset. Therefore, these results provide important insights for the development of financial mindsets among students, encouraging them to be more proactive in financial planning and management from an early stage. As a follow-up, students need to improve

their understanding and knowledge of investments and expand their awareness of financial instruments that can support long-term financial goals. This also highlights the importance of universities and educational institutions providing more comprehensive financial literacy education, including understanding how to manage expenses, save, and invest, so that students are better prepared to make informed investment decisions in the future.

Based on the survey results regarding respondent characteristics and investment preferences, the majority of students in Yogyakarta have a regular source of income (85%), with most of them receiving income from allowances (89%). This indicates that while most students rely on a regular income source, they are still open to the idea of investing. As many as 55% of students have already started or routinely engage in investment activities, although most of them have been doing so for a relatively short period (less than 6 months, or about 31%).

In terms of investment products, the majority of students choose stocks (29%) and mutual funds (21%) as the investment instruments they own, indicating that they tend to choose more liquid products that are accessible with relatively low capital. Additionally, some students also invest in cryptocurrency (22%) and gold (19%), reflecting a growing interest in digital assets. Based on the finding that financial self-efficacy does not moderate (strengthen) FL to ID, students need to focus on several key areas to improve the effectiveness of their investment decisions, regardless of their belief in their personal financial abilities. Students should enhance their financial knowledge and literacy, particularly regarding various investments and commodity instruments perceived as safe. The main reason they invest is to save for the future (50%), which indicates that students in Yogyakarta have a long-term orientation in their financial management, even though many start investing with relatively small amounts. These findings suggest that, with the background of respondents who mostly have a regular allowance-based income, they are more likely to choose investment products that can provide returns in the long run, such as stocks and mutual funds, while focusing on more stable and planned financial goals.

The phenomenon observed among students in DIY indicates that factors such as age, income, and education level play an important role in their financial behaviour. Students in the early stages of their education may be more inclined to prioritise prudent financial management, such as adopting a frugal lifestyle, to cope with their limited income. This helps explain the results of the first hypothesis (H1), where frugal living has a positive influence on investment decisions.

The findings can be explained through a behavioural finance perspective, which suggests that individuals' financial decisions are not purely driven by rational calculations but are strongly influenced by habitual behaviour and psychological tendencies. Students who adopt a frugal lifestyle tend to develop stronger financial discipline, characterised by controlled spending, careful budgeting, and the ability to prioritise essential needs over impulsive consumption. This behavioural pattern enables them to accumulate surplus funds, which can later be allocated for investment purposes. In addition, frugal individuals are more likely to exhibit long-term orientation and a greater ability to delay immediate gratification, both of which are critical in investment decision-

making processes. These characteristics collectively create a behavioural mechanism in which frugality does not only reduce unnecessary expenses but also actively facilitates the transition from consumption to investment behaviour (Awais et al., 2020; Suarez et al., 2020).

In the context of this study, the majority of respondents are students with relatively limited and allowance-based income, which further strengthens the role of frugal living in shaping their financial decisions. As shown in the findings, most respondents earn between Rp1,000,001 and Rp2,500,000 and rely primarily on parental support. Under such financial constraints, students are more likely to adopt prudent spending habits as a necessity rather than a choice. This condition makes frugal living a practical strategy for maintaining financial stability while gradually setting aside funds for investment. Consequently, the positive relationship between frugal living and investment decisions observed in this study reflects not only theoretical expectations but also the real financial situation faced by students in Yogyakarta. This indicates that frugality serves as an adaptive behavioural response that enables students to participate in investment activities despite their limited financial capacity.

In this research, the researcher found H_2 is not supported. This finding shows that financial behaviours are likely influenced to a greater extent by established consumption patterns and the adoption of a frugal lifestyle, rather than by an individual's perceived competence in managing finances. While students may demonstrate high levels of FSE, such confidence does not appear to significantly alter the influence that frugal living has on their investment decision-making process.

This finding indicates that frugal living functions as a more immediate behavioural driver of investment decision-making compared to perceived financial capability. One possible explanation is that frugality is reflected in consistent daily financial practices, such as limiting unnecessary expenses, prioritising essential needs, and managing available funds more carefully. These repeated behaviours gradually shape a disciplined financial pattern, which directly affects individuals' ability to allocate resources towards saving and investment activities. In contrast, FSE represents a subjective perception of one's capability, which may not always be translated into actual financial actions.

From a behavioural perspective, individuals who practise frugality tend to develop stronger self-control and greater willingness to delay short-term consumption in favour of long-term financial benefits. This mechanism enables them to accumulate financial resources more effectively, even within limited income conditions. In the context of this study, where most respondents rely on allowance-based income, actual financial habits become more critical than perceived confidence. As a result, students who consistently apply frugal principles are more likely to engage in investment behaviour, regardless of whether they perceive themselves as highly capable in managing finances. This suggests that observable financial behaviour may play a more decisive role than self-perception in shaping investment decisions among students.

The phenomenon underpinning this finding is the fact that numerous students in Yogyakarta depend on allowances and restricted income sources. In this context, they often do not have significant resources or experience to invest large amounts, making them more likely to base their

investment decisions on their frugal habits and daily financial management rather than on their self-confidence in their financial abilities. In other words, students who are accustomed to managing their expenditures wisely are more inclined to choose products like stocks, mutual funds, or gold, which are considered relatively more accessible, even though their FSE may vary. This indicates that frugal living plays a more significant role as a driving factor in making investment decisions than the influence of belief in their financial capabilities. Ultimately, even though students may have confidence in their financial abilities, the phenomenon in DIY suggests that the impact of financial self-efficacy on investment decisions is more influenced by the frugal lifestyle itself rather than by the moderating role of FSE, which explains the lack of significant moderation in the second hypothesis (H2).

Based on the finding that H2 is not supported, students need to focus on several key areas to improve the effectiveness of their investment decisions, regardless of their belief in their personal financial abilities. Students should enhance their financial knowledge and literacy, particularly regarding various investment instruments such as stocks, bonds, gold, or other financial instruments. While frugal living can help students begin saving, a deeper understanding of different investment instruments will enable them to make good decisions in choosing the right investment products for long-term goals.

In this context, the finding that frugal living serves as a direct driver of investment decisions, while financial self-efficacy (FSE) does not moderate this relationship, aligns with evidence that actual financial behaviours and daily habits (such as budgeting, saving, and expenditure control) significantly determine the quality of financial decisions, particularly among students and young adults with limited resources (Bai, 2023; Rizky et al., 2025). A scoping review of students indicates that various aspects of money management behaviour (budgeting, saving, spending) are closely linked to habits and constraints, not merely subjective beliefs (Cappelli et al., 2024). Other studies have found that disciplined saving habits and expenditure management enhance awareness and the quality of decisions/investments, including among Indonesian students (Rizky et al., 2025; Setyowati Sabila & Aliyah, 2025). This aligns with the argument that students accustomed to managing expenses frugally and setting aside funds, even from limited pocket money, possess the liquidity to begin investing, thereby making frugal living a direct trigger for investment behaviour rather than something that must first be “activated” by FSE (Camenia Jamil et al., n.d.; Megawati & Djamaludin, 2023).

At the same time, FSE continues to function as a general psychological bridge that fosters the courage to act, rather than as a statistical moderator in every context. Several studies indicate that FSE plays a crucial role in enhancing self-confidence, measured risk-taking, and readiness to use investment instruments/technologies, thereby fostering more active and diversified investment intentions and behaviours (Lone & Bhat, 2024; Peter & Mathew, 2025b). Among youth and students, FSE is associated with the courage to try new instruments (e.g., cryptocurrency), utilise fintech platforms, participate in training, and engage in long-term planning, although the amount

of funding and investment duration remain limited (Alshebami & Aldhyani, 2022). Consequently, various studies emphasise the need to strengthen financial literacy, provide gradual experience, and foster daily financial habits, as the FSE acts as a bridge between knowledge, experience, and action, though it does not always moderate specific relationships, such as the link between frugal living and investment decisions (Nadeem et al., 2020; Renaldo et al., n.d.).

Students should also develop better financial management habits, such as tracking expenses, planning a budget, and setting clear financial goals. Although frugal living is already a beneficial habit for saving, without effective financial management and careful planning, their investment decisions may not be optimal. This indicates that everyday financial management behaviours remain more important than merely relying on personal confidence in their financial capabilities.

Students also need to build greater confidence in making investment decisions, regardless of their financial self-efficacy. Participating in investment training or seminars, engaging in discussions with mentors or financial experts, and taking small steps in investing can help students feel more confident in managing investment risks. Therefore, even though financial self-efficacy does not function as a moderator, enhancing investment skills and knowledge can still improve the quality of their investment decisions.

Considering the typical constraints on student income and financial experience, this study recommends initiating investments on a smaller scale before incrementally expanding their portfolios. This strategy allows students to familiarise themselves with market fluctuations while cultivating prudent investment habits. Furthermore, despite findings indicating that financial self-efficacy does not act as a moderating variable, students can still optimise their investment behaviour. By proactively expanding their financial knowledge, practicing sound money management, and fostering investor confidence, they can significantly elevate the quality of their long-term financial decisions.

CONCLUSION

To answer the research question, after the researcher processed the data, it's known that the first hypothesis (H1) is supported. Students who practice a frugal lifestyle tend to make more prudent and effective investment decisions. The empirical results did not support the second hypothesis (H2), which proposed the moderation effect. The interaction term between financial self-efficacy and frugal living was insignificant, so H2 must be rejected. Overall, these results suggest that although students in Yogyakarta generally feel confident in managing their finances, it is the frugal lifestyle itself that plays the more decisive role in shaping their investment decisions, rather than the moderating effect of financial self-efficacy.

These findings offer financial education implications, particularly in the context of university students. Since frugal living has been shown to play a more decisive role in shaping investment decisions, financial education programmes should focus on increasing knowledge or

confidence and emphasise the development of practical financial habits. Universities can design programmes that encourage students to implement budgeting, expense tracking, and saving routines in their daily lives, as these behaviours are more likely to translate into actual investment actions. In this regard, experiential learning approaches, such as financial simulations, saving challenges, or student investment communities, may be more effective than purely theoretical instruction in fostering sustainable financial behaviour.

From a broader perspective, these results also suggest implications for policymakers and individuals. For policymakers, financial literacy initiatives should go beyond raising awareness and instead promote disciplined financial behaviour, particularly among young adults with limited incomes. Programmes that encourage consistency in saving and gradual participation in investment activities may be more impactful than those focusing solely on financial knowledge, as they can help individuals develop sustainable financial habits that lead to long-term wealth accumulation. For individuals, especially students, adopting a frugal lifestyle should not be viewed as merely a short-term coping strategy but as a foundation for long-term financial planning. By consistently managing expenses and setting aside funds, students can gradually transition from basic financial management to active participation in investment, even within constrained financial conditions.

LIMITATION

This study has several limitations. First, the sample of 117 respondents, drawn predominantly from undergraduate students at a single university in Yogyakarta, constrains the extent to which the findings can be generalised to wider populations or more heterogeneous academic and regional settings. The dominance of participants from Universitas Atma Jaya Yogyakarta may reduce the relevance of the results for student groups with different socioeconomic conditions or levels of financial exposure. Second, this research adopts cross-sectional data that captures information at only one time. Such a design restricts its capacity to track changes in behaviour, infer causality, or assess the long-term effects of frugal living and financial self-efficacy on investment decisions. Future work using longitudinal data could provide more information about how these behaviours develop and shift over time.

Third, although the study investigates financial self-efficacy as a moderating variable, it does not account for other potentially important determinants—such as financial literacy, peer influences, access to financial education, or socioeconomic status—that may interfere with frugal living or investment behaviour. Moreover, the use of self-reported measures via an online questionnaire introduces the possibility of response bias, or social desirability bias, particularly for issues related to investment practices and confidence in financial abilities, where respondents may misrepresent their true behaviours or attitudes. Finally, while the quantitative approach offers valuable statistical evidence, it does not provide the qualitative richness that could illuminate students' lived experiences, motivations, and challenges regarding frugal living and investment

decision-making. Future research could overcome these shortcomings by implementing mixed-method designs, broadening the sample composition, and integrating more dynamic or contextual factors, thereby yielding a more comprehensive understanding of the complex processes shaping young adults' financial behaviour.

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