Exploring How Financial Literacy and Peer Influence Impact Financial Behavior: Understanding the Role of Locus of Control in Higher Education

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ARTICLE INFO

Article history:
Received March 9, 2026
Revised April 6, 2026
Accepted Aprol 24, 2026

JEL Classification:
D14, D91, I23

Key words:
Financial Literacy, Peer Influence, Locus of Control, Financial Behavior

DOI:
10.14414/tiar.v16i1.5596

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ABSTRACT

This study examines whether the locus of control serves as a mediator in the relationship between peer interaction and financial literacy in students' financial behavior at Surabaya State University's Faculty of Economics and Business. This study responds to inconsistent prior evidence regarding the mediating role of the locus of control in the financial behavior of university students in developing countries such as Indonesia. Using an explanatory quantitative approach, data were collected from 177 students. Multiple-choice exams were used to gather financial literacy data, and Likert scale questionnaires were used to gather information on peer interaction, locus of control, and financial behavior. Data were analyzed using regression-based path analysis, and Sobel tests were performed using SPSS. The results demonstrate that financial literacy, peer interaction, and locus of control positively and significantly affect financial behavior. Financial literacy and peer interaction also positively affected locus of control. In addition, the locus of control mediates the relationship between financial literacy and financial behavior, and between peer interaction and financial behavior. These findings show that students' financial behavior is shaped by cognitive, social, and psychological factors simultaneously and clarify the mediating role of the locus of control in the context of higher education in Indonesia.

ABSTRAK

Penelitian ini mengkaji apakah locus of control (lokus kontrol) berperan sebagai mediator dalam hubungan antara interaksi teman sebaya serta literasi keuangan dalam kaitannya dengan perilaku keuangan mahasiswa di Fakultas Ekonomika dan Bisnis Universitas Negeri Surabaya. Penelitian ini dilakukan sebagai respons terhadap ketidakkonsistenan temuan sebelumnya mengenai peran mediasi lokus kontrol dalam perilaku keuangan mahasiswa, khususnya dalam konteks negara berkembang seperti Indonesia. Penelitian ini menggunakan desain kuantitatif eksplanatori dengan melibatkan 177 mahasiswa sebagai responden. Literasi keuangan diukur melalui tes pilihan ganda, sedangkan interaksi teman sebaya, lokus kontrol, dan perilaku keuangan diukur menggunakan kuesioner skala Likert. Data dianalisis menggunakan analisis jalur berbasis regresi dan uji Sobel dengan bantuan SPSS. Temuan penelitian menunjukkan bahwa literasi keuangan, interaksi teman sebaya, dan lokus kontrol berpengaruh positif dan signifikan terhadap perilaku keuangan. Selain itu, literasi keuangan dan interaksi teman sebaya juga berpengaruh positif terhadap lokus kontrol. Lokus kontrol terbukti memediasi hubungan antara literasi keuangan dan perilaku keuangan serta antara interaksi teman sebaya dan perilaku keuangan. Temuan ini menunjukkan bahwa perilaku keuangan mahasiswa dipengaruhi secara simultan oleh faktor kognitif, sosial, dan psikologis, serta memperjelas peran mediasi lokus kontrol dalam konteks pendidikan tinggi di Indonesia.

INTRODUCTION

As globalization continues to shape economic life, financial behavior has become increasingly important, as individuals face more complex financial products, services, and choices in their daily lives. While globalization can expand access to financial services, it can also create new risks when individuals make decisions without sufficient knowledge and self-control (A. Setiawan et al., 2025). Financial behavior encompasses the actions and decisions that people make when managing

their personal finances, such as budgeting, saving, spending, and managing debt (Kinaya & Kosadi, 2024). Responsible financial behavior is essential for financial well-being and sustainable inclusion. However, as a developing country, Indonesia faces challenges related to financial behavior. The Financial Services Authority (OJK) and the Central Statistics Agency (BPS) conducted the 2025 National Survey of Financial Literacy and Inclusion (SNLIK), which showed that the financial literacy score had reached 66.46 percent and the financial inclusion index had risen to 80.51 percent (OJK & BPS, 2025). However, high financial inclusion without strong financial literacy can make people less mindful of their financial capabilities, encouraging consumption behavior (Kholqiyah et al., 2025).

This concern is reinforced by data from the OCBC Financial Fitness Index (FFI) 2025, which shows a decline in scores for the first time in four years. This year's FFI score is 40.60, lower than in 2024. There are several reasons for this phenomenon. The percentage of people who regularly save money has fallen from 92 percent to 89 percent, while the percentage of those who are ready for emergencies has fallen from 25 percent to 19 percent. The capability to manage unsecured debt has also weakened from 97.28 percent to 93.97 percent (OCBC, 2025). These indicators suggest that improvements in access to financial services do not automatically translate into healthier financial habits for women. This phenomenon is also relevant to the population of university students. Many students struggle to manage their finances effectively. Limited financial literacy can lead students to make suboptimal financial decisions that may cause future financial difficulties (Ratnasari et al., 2025). Low levels of financial literacy also make students more prone to consumptive behavior, suboptimal debt management, and low awareness of saving and investing (Nabila & Nugraheni, 2025). Panjaitan and Listiadi (2021) state that understanding financial literacy is important because individuals are frequently confronted with financial decisions in their everyday lives.

Compared to earlier generations, students are expected to experience higher financial risk because financial services, markets, and products have become more complicated (Paradita et al., 2021). At the same time, students also live in a complex environment that can influence their financial behavior, where the consumption of items that are not truly needed is often done to follow trends and gain recognition from peers (Gozalie et al., 2025). In this context, peer interaction plays an important role in shaping individual behavior patterns because individuals tend to imitate or adopt the behavior of their peer groups (Natalia & Hakim, 2025). In addition to cognitive and social factors, students' financial behavior is also influenced by psychological factors, particularly the locus of control. According to Resti and Rohayati (2025), the locus of control is a psychological term that describes the extent to which people believe they have control over their life's occurrences. In financial matters, the locus of control influences how individuals think, act, and take responsibility for outcomes (Trianna & Rayyani, 2025). Susanti et al. (2025) state that financial planning requires discipline and control so that individuals can achieve long term financial goals and avoid financial chaos. Therefore, the locus of control is considered to play a role as a mechanism that explains how financial literacy and peer interaction can influence students' financial behavior.

Existing research has examined the contributions of financial literacy and peer interaction to students' financial behavior; however, the findings remain inconsistent. Financial literacy is commonly associated with better financial decision-making, but in practice, knowledge does not always lead to responsible behavior. This indicates that understanding financial concepts alone may not be sufficient, as their application can be limited by factors such as control, situational influences, and confidence in managing finances. Similarly, peer interactions have mixed effects. Peer groups can encourage positive financial habits through information sharing and by providing mutual support. However, they can also drive consumptive behavior, especially when spending is influenced by social acceptance and lifestyle trends. This suggests that the direction of peer influence depends on group norms. Furthermore, studies involving the locus of control also report varied results. Individuals with strong internal control tend to translate knowledge into action and resist negative peer pressure. In contrast, those with weaker control may find it difficult to manage their behavior, despite having adequate knowledge.

The mixed findings above indicate that the relationships among financial literacy, peer interaction, locus of control, and financial behavior are not fully explained. Existing studies have shown that financial literacy and peer interaction may influence financial behavior; however, the mechanism through which these factors are translated into actual behavior remains unclear. In particular, the locus of control may function as a psychological pathway that helps explain why the effects of financial literacy and peer interaction on financial behavior are not always consistent across studies. This suggests the need to integrate

cognitive, social, and psychological perspectives to better explain students' financial behavior.

Based on the empirical and theoretical gaps above, this study addresses the following research questions: (1) Do financial literacy, peer interaction, and locus of control directly affect students' financial behaviors? (2) Do financial literacy and peer interactions significantly affect the locus of control? (3) Does the locus of control mediate the relationship between financial literacy and financial behavior and between peer interaction and financial behavior? To answer these questions, this study investigates the effects of financial literacy and peer interaction on the financial behavior of students enrolled in the Faculty of Economics and Business, Surabaya State University, by positioning the locus of control as a mediating variable. Theoretically, this study contributes to the literature by confirming and extending the Theory of Planned Behavior through the integration of the locus of control as a psychological mechanism. This highlights the involvement of the locus of control in strengthening the translation of financial knowledge and social influence into actual behavior, thereby offering a more comprehensive explanation that incorporates cognitive, social, and internal control factors. Practically, the results are expected to generate useful input for universities and related stakeholders in designing financial literacy programs that aim not only to improve financial knowledge but at the same time also to strengthen students' discipline, responsibility, and ability to manage financial outcomes. In addition, understanding peer influence may support the development of student-based financial campaigns or peer-led programs that promote healthier financial norms and more responsible financial behaviors among students.

THEORETICAL FRAMEWORK AND HYPOTHESIS

Financial Behavior

Financial behavior represents the manner in which individuals manage, allocate, and use the financial resources available to them (Gitayuda, 2023). For university students, financial behavior is especially important because higher education often marks the first stage in which individuals begin making financial decisions more independently, such as managing monthly allowances, balancing daily expenses, and deciding whether to save or spend (Anggraeni et al., 2025). During this transition toward financial independence, students' financial habits may shape not only their short-term financial stability but also the routines that continue into adulthood (H. Setiawan & Laulita, 2024). Therefore, financial behavior among students can be understood as a practical reflection of how they respond to financial responsibilities, opportunities, and constraints in everyday life.

Ajzen's (1991) Theory of Planned Behavior (TPB) provides a useful framework for explaining what drives individuals to engage in certain financial behaviors. TPB proposes that behavior is driven by intention, which is influenced by three major determinants: attitude toward the behavior, subjective norms, and the last one is perceived behavioral control (Ajzen, 1991). In general, when these three factors are more favorable, individuals tend to show stronger motivation and are more likely to perform the behavior consistently. In the context of financial behavior, attitude reflects how students evaluate responsible financial actions, whether they are perceived as beneficial or burdensome. When these practices are perceived to provide clear benefits, individuals are more likely to form stronger intentions to act responsibly. Within the TPB framework, financial knowledge plays an important role because it can strengthen both attitudes and perceived control.

Financial literacy can help students understand the consequences of financial decisions and increase their confidence in managing money. Subjective norms represent perceived social expectations from significant others. For students, peers often become a highly influential reference group, shaping what is considered normal in terms of spending styles, lifestyle choices, and financial priorities. Consequently, students may adjust their behavior to align with peer expectations, either adopting responsible habits or following consumptive patterns driven by trends and social recognition. Perceived behavioral control highlights how strongly individuals believe they can carry out a behavior and manage obstacles that arise. When individuals believe that financial outcomes depend largely on their own efforts and discipline, they are more likely to translate their intentions into consistent practices. Conversely, when outcomes are perceived as being determined mainly by external circumstances, the consistency of responsible behavior may weaken, even when adequate knowledge exists.

Financial Literacy on Financial Behavior

The Organization for Economic Cooperation and Development (OECD) defines financial literacy as a combination of financial knowledge, skills, attitudes, and behaviors that enable individuals to make financial decisions and achieve long-term financial well-being (OECD, 2023). This concept

goes beyond simply knowing financial terms; it also involves the capacity to apply that knowledge appropriately when dealing with real-life financial situations. In practice, financial literacy is often associated with a solid understanding of core personal finance principles that support effective financial decision-making (Nogueira et al., 2025). In the student context, financial literacy holds particular importance because students are increasingly required to manage finances independently, often with limited income and under strong lifestyle pressures. Ratnasari et al. (2025) reported that limited financial literacy is concidered one of the important factors contributing to students' difficulties in managing their personal finances. Financially illiterate students usually struggle with budgeting, spending management, and preparing for future financial requirements.

According to the TPB perspective, financial literacy represents a fundamental informational resource factor that affects a person's capacity to comprehend and apply financial knowledge, which subsequently shapes financial behavior and decision-making (Sukanto, 2025). However, prior empirical studies have reported inconsistent results regarding the link between financial literacy and financial behavior. Several studies have reported positive and significant effects, suggesting that financial literacy contributes to healthier financial practices. Sari et al. (2025) found that financial literacy significantly improves financial behavior. Similar findings were reported by Setiawati and Primadineska (2025) and Abdurrahman and Oktapiani (2019), reinforcing the idea that financial knowledge or financial literacy supports better decision-making and more responsible financial habits. However, other studies suggest that financial literacy has a limited direct impact. Purwidianti and Tubastuvi (2019) and Maliyah et al. (2025), for example, reported that financial literacy has no significant impact on financial behavior or only a weak direct relationship.

These mixed findings indicate that financial literacy may not always operate as a stand-alone determinant of financial behavior. In some cases, students may possess sufficient knowledge but still fail to apply it consistently due to psychological and social factors. This suggests that additional mechanisms, such as internal control orientation, discipline, and the surrounding social environment, may strengthen or weaken the translation of financial literacy into actual financial behavior. Therefore, examining psychological pathways (such as locus of control) is important to better explain when and how financial literacy contributes to responsible financial behavior among students. Accordingly, financial literacy in this study is expected to directly influence financial behavior. Therefore, the following hypotheses are proposed:

H1: Financial literacy has a positive and significant effect on financial behavior.

Peer Interaction on Financial Behavior

Peers are individuals who are generally in the same age group and share similar social contexts, making their interactions highly influential in shaping attitudes and behaviors, including financial behavior (Putri & Wahjudi, 2022). The Fundamental Interpersonal Relations Orientation (FIRO) theory explains that behavior within groups is influenced by three basic interpersonal needs: inclusion (the need to be accepted and belong), control (the need to influence or be influenced within the group), and affection (the need for closeness and positive relationships) (Schutz, 1958). These needs encourage individuals to adapt to the norms and behavioral patterns that develop within their social groups. In financial contexts, the desire for inclusion may motivate students to follow group spending habits to avoid being perceived as different. The control dimension may appear when some members become trendsetters, whose preferences shape group spending decisions. Meanwhile, affection can strengthen conformity because students may adjust their behavior to maintain harmonious relationships and avoid social friction.

Peer social interaction can be understood as communication and exchange of ideas between two or more individuals, either in small circles or broader groups, in which individuals influence each other (Fajrah et al., 2025). Through discussions, shared activities, and observations, peers can transmit information and shape habits. Therefore, peer interactions function as a social mechanism that can influence students' financial tendencies. Empirical studies generally support the idea that peer interactions are associated with students' financial behavior. Sari et al. (2025) found that peer interaction has a positive and statistically significant effect on financial behavior, suggesting that students' financial choices tend to align with the patterns and norms that develop in their peer environment. Gozalie et al. (2025) reported similar results, showing that interactions within peer groups significantly influence students' financial behavior, particularly regarding consumption patterns and expense management.

However, the impact of peer interactions on financial behavior has not been consistently confirmed in all studies. Fatihah (2025) also reported a positive and significant relationship, but Pangesti & Safitri (2025) found that peer interaction does not

significantly influence financial behavior. These mixed findings indicate that peer interaction may occur because peer influence depends on the quality and direction of the group norms. In addition, individual psychological factors and personal characteristics may affect whether students simply follow peer patterns or can regulate their behavior despite social pressure. This suggests that variables such as locus of control or other self-regulation-related factors may strengthen or weaken the extent to which peer interaction translates into actual financial behavior, which helps explain why empirical findings remain mixed. Thus, peer interaction in this study is expected to directly influence financial behavior. Therefore, the following hypotheses are proposed:

H2: Peer interactions have a positive and significant effect on financial behavior.

Locus of Control on Financial Behavior

Rotter (1966) defines locus of control as a concept in psychology that describes the extent to which people view life events as consequences of their own actions and efforts, referred to as internal locus of control, or as the result of external influences such as fate, luck, or other people, known as external locus of control. Within the TPB, the locus of control is closely related to perceived behavioral control, which shapes both intention and the likelihood that intention is translated into actual behavior (Anggraeni et al., 2025). People's locus of control affects how they respond to financial situations and make financial decisions. Individuals with an internal locus of control are typically more involved and proactive in making financial decisions because they feel that their actions and choices determine the results they attain. Conversely, people with an external locus of control are probably more passive in handling their finances and more dependent on others in making financial decisions, as they perceive that outcomes and events are primarily determined by factors outside their control (Setiawan & Laulita, 2024).

This distinction is relevant for students because they often face competing pressures, limited allowance, lifestyle expectations, and frequent exposure to consumption opportunities, where consistent self-regulation becomes essential. Empirical research generally supports the importance of the locus of control in shaping financial behavior. Surbakti and Muslih (2024) found that the locus of control significantly influences financial behavior, suggesting that stronger internal control beliefs are associated with more responsible financial practices. In addition, Widiyanto et al. (2022) reported that peer interaction and financial literacy positively influence the locus of control, indicating that both social and cognitive factors may strengthen individuals' beliefs in their skills and capabilities to manage their financial outcomes. However, the findings on how the locus of control relates to financial behavior remain inconsistent. Bajung and Paramitalaksmi (2025) reported a strong positive effect of the locus of control on students' financial behavior, while Setiawan and Laulita (2024) found no significant effect.

These differences may occur because the locus of control can be more influential under certain conditions than others. For example, if students have greater financial autonomy and actively manage their own allowance, their internal control beliefs may strongly predict their behavior. In contrast, when external constraints are dominant, such as limited resources, dependence on family decisions, or strong peer and lifestyle pressure. The effect of the locus of control on observable behavior may appear weaker. Differences in measurement instruments, indicators, and sample characteristics may also contribute to the varied results across studies. Overall, the mixed evidence suggests a gap in understanding the locus of control not only as a direct factor but also as a psychological pathway that may explain how financial literacy and peer interaction influence students' financial behavior. This supports the need for subsequent research that incorporates cognitive, social, and psychological perspectives to clarify the positioned locus of control as an important predictor of how students manage financial decisions. Accordingly, this study proposes a direct association between the locus of control and financial behavior. Therefore, the following hypotheses are proposed:

H3: Locus of control has a positive and significant effect on financial behavior.

Financial Literacy on Locus of Control

Empirical research examining how financial literacy relates to the locus of control has produced mixed evidence. Several studies argue that financial literacy can strengthen individuals' belief that they can influence financial outcomes through their actions. Widiyanto et al. (2022) highlight the locus of control as an important mechanism in shaping financial behavior (particularly in the context of consumptive behavior) and report that financial literacy positively and significantly affects the locus of control. This finding suggests that individuals with a stronger financial understanding may develop greater confidence in managing financial choices. In practical terms, financial literacy can reduce uncertainty in decision-making and

encourage individuals to take responsibility for the results of their choices. Similar conclusions were reported by Khoirunnisa and Rochmawati (2021), who found that financial literacy significantly influences the locus of control. Their findings reinforce the argument that individuals with stronger financial knowledge or financial literacy are more capable of handling financial challenges and are less inclined to attribute outcomes purely to chance or other external forces.

However, not all studies have arrived at the same conclusion. Prasetyo et al. (2023) reported that financial literacy does not significantly affect the locus of control and that the indirect pathway through the locus of control is also not significant. In line with these findings, Wardani and Fitrayati (2022) found that financial literacy was not significantly related to locus of control, and locus of control did not mediate the association between financial literacy and financial management behavior. These inconsistencies may reflect differences in sample characteristics, contextual conditions and measurement approaches. For instance, in settings where individuals have limited autonomy in managing finances, such as strong dependence on parents, limited income, or restricted decision-making power, financial knowledge may not easily translate into a stronger perceived sense of control.

Likewise, strong external constraints (economic pressure, debt exposure, or highly consumptive social environments) may reduce the extent to which knowledge changes the control beliefs. Differences in how financial literacy and locus of control are operationalized (indicators, scales, and context-specific items) may also contribute to variations across studies. Overall, the mixed evidence indicates that the connection between financial literacy and locus of control is influenced by contextual conditions. This supports the need for further research that examines not only whether financial literacy influences the locus of control but also under what conditions this effect becomes stronger or weaker, particularly among students transitioning toward financial independence. Thus, financial literacy in this study is expected to influence the locus of control. Therefore, the following hypotheses are proposed:

H4: Financial literacy has a positive and significant effect on locus of control

Peer Interaction on Locus of Control

Prior research examining the influence of peer interactions on the locus of control has produced inconsistent findings. Several studies suggest that peer relationships can strengthen individuals' control beliefs by providing encouragement, role modeling, and continuous social feedback. Bado et al. (2023) found that peer interaction has a positive and significant effect on locus of control, indicating that supportive peer engagement may help individuals develop a stronger belief that outcomes are shaped by their actions rather than external forces. This view is consistent with Lindiyatmi (2022), who reported that peer groups contribute to a higher locus of control. From a theoretical perspective, a person's belief about the outcome of an individual's expectation develops through experience and behavioral feedback; therefore, the social environment plays an important role in shaping it. Peer interaction provides opportunities to learn from others and evaluate decisions.

Over time, these interactions can strengthen a sense of personal control, especially when peers encourage responsibility and persistence among each other. However, other studies have reported different conclusions. Agustina (2025) found that peers do not significantly influence the locus of control, suggesting that control beliefs may be more strongly shaped by stable individual characteristics or earlier socialization, such as family background, than by peer relationships. In contrast, Maris and Listiadi (2021) reported a negative relationship between the peer environment and locus of control. This negative direction may occur when peer groups foster dependency, conformity, or avoidance of responsibility, which can weaken internal control beliefs by encouraging individuals to rely more on external validation or group direction rather than personal initiative.

Overall, these contrasting results indicate that the direction and strength of peer influence may depend on the quality and nature of peer relationships and the dominant norms within the group. Peer interaction may strengthen the locus of control when it is supportive and promotes autonomy, persistence, and accountability. However, it may have a limited influence or even reduce internal control when peer norms encourage dependence, passive coping, or excessive conformity. Thus, peer interactions in this study are expected to influence the locus of control. Therefore, the following hypotheses are proposed:

H5: Peer interactions have a positive and significant effect on locus of control

The Relationship between Financial Literacy and Financial Behavior through Locus of Control

Empirical findings regarding the mediating role of LOC in explaining the connection between financial literacy and financial behavior remain

mixed. Widiyanto et al. (2022), for instance, previous research have found that locus of control have the functions as a intermediary variable between financial literacy and financial behavior., particularly in the context of consumptive behavior. This suggests that individuals with stronger financial literacy might be better able to interpret cause-and-effect relationships in financial outcomes, develop stronger beliefs that their choices matter, and ultimately regulate their spending more effectively. Similar support for this mediation mechanism has been reported in studies focusing on personal financial management behavior. Arraniri and Lutpiyah (2024) and Novitasari et al. (2025) reported that the locus of control acts as a mediating variable in the relationship between financial literacy and financial management outcomes.

These findings imply that financial literacy not only increases knowledge of financial concepts but also strengthens internal control orientation. Conceptually, this pathway is plausible because knowledge alone does not always guarantee consistent behavior. Students may understand budgeting and saving but still struggle to implement these behaviors when they face temptations, lifestyle pressure, or uncertainty. The locus of control can help bridge this gap by supporting personal agency and commitment; students who perceive stronger control over outcomes may be more willing to delay gratification, adhere to spending limits, and maintain financial routines over time. However, this mediation pattern has not been consistently observed across studies.

Khoirunnisa and Rochmawati (2021) reported that locus of control does not function as a mediator between financial literacy and personal financial management behavior, suggesting that financial knowledge may affect behavior through other mechanisms. In addition, Wardani and Fitrayati (2022) concluded that the locus of control cannot mediate the connection between financial literacy and financial behavior and that financial literacy does not significantly influence the locus of control. These contrasting findings suggest that the mediating role of the locus of control may depend on contextual factors, such as differences in respondent characteristics, the degree of financial autonomy, and differences in measurement indicators used to capture financial literacy, locus of control, and financial behavior. Thus, locus of control in this study is expected to be a mediator between financial literacy and financial behavior. Therefore, the following hypotheses are proposed:

H6: Locus of control significantly mediates financial literacy on financial behavior

The Relationship between Peer Interaction and Financial Behavior through Locus of Control

Research investigating the indirect effect of peer interaction on financial behavior through locus of control has also reported mixed evidence. Several studies support the argument that the locus of control serves as a psychological pathway through which peer influence is translated into actual financial practices. Bado et al. (2023) reported that the locus of control mediates the association between peer groups and financial behavior., particularly in the context of consumptive behavior. Similarly, Maris and Listiadi (2021) indicated that the locus of control can moderate the influence of peer groups on the context of consumption behavior, implying that peer effects may vary depending on individuals' perceived ability to control their actions and consequences. In addition, Fatihah (2025) found that locus of control reinforces the link between peer interaction and financial behavior, showing that peer influence may operate through both social pressure and internal psychological processes.

Conceptually, peer interactions can shape the locus of control by influencing how students interpret financial choices and evaluate their responsibility for outcomes. Through frequent interaction, students are exposed to behavioral examples, feedback, and shared experiences that may gradually affect their confidence, discipline, and sense of accountability in managing their money. A supportive environment may strengthen the internal locus of control because students learn to associate outcomes with effort, decision quality, and consistency. As locus of control becomes stronger, students are more likely to apply self-regulation in their daily financial behavior. Therefore, the locus of control can be viewed as a bridge connecting social influence (peer interaction) to sustained financial practices. When peer interaction supports autonomy and discipline, the locus of control may become a key mechanism that helps explain why peer influence results in more responsible financial behavior rather than merely short-term conformity.

However, not all studies have confirmed this mediation mechanism. Agustina (2025) reported that peers do not significantly influence the locus of control and do not mediate the effect of peer interaction on financial management behavior. This suggests that in some contexts, peer influence may be weak or inconsistent, or its impact may be overridden by other determinants such as personality, family financial socialization, or structural constraints (limited allowance and low financial autonomy). In addition, differences in how

peer interaction is measured, whether it captures supportive peer learning versus lifestyle-based social pressure, may help explain why outcomes differ across studies. These divergent findings indicate that the role of the locus of control in the peer financial behavior relationship is likely context-dependent and shaped by the quality of peer relationships and the norms dominant within the peer environment. Thus, locus of control in this study is expected to mediate the relationship between peer influence and financial behavior. Therefore, the following hypotheses are proposed:

H7: The locus of control significantly mediates peer interactions in financial behavior.

Conceptual Framework

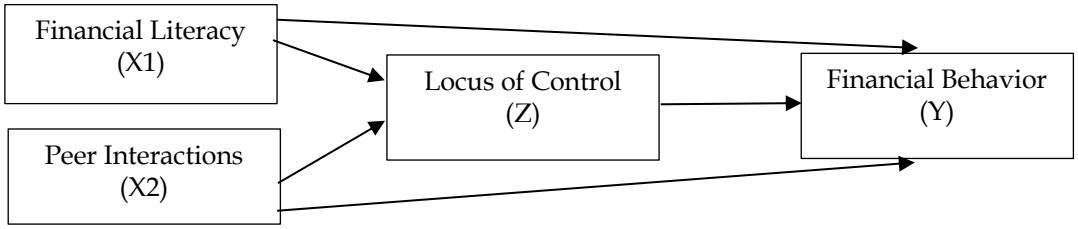


Figure 1. Conceptual Framework

Figure 1 illustrates the proposed conceptual model. Financial literacy and peer interaction were specified as exogenous variables, locus of control as the mediator, and financial behavior as the endogenous variable. The model illustrates both the direct effects of financial literacy, peer interaction, and locus of control on financial behavior, as well as the indirect effects of financial literacy and peer interaction on financial behavior through locus of control.

RESEARCH METHOD

To examine how financial literacy, peer interaction, and locus of control characteristics affect students' financial behavior, this study adopts a quantitative approach and an explanatory research design to examine the proposed hypotheses. The quantitative method is appropriate because the hypotheses are grounded in theory and previous empirical evidence and tested through numerical data and statistical procedures (Creswell, 2023).

Research Population and Sample

A total of 318 students enrolled in Advanced Financial Accounting and Financial Management courses at Surabaya State University's Faculty of Economics and Business, class of 2022, served as the subjects of this study. This restriction was made so that the respondents would have the same basic understanding of financial management concepts. This study employed a simple random sampling technique, in which participants were randomly selected from the population without considering specific strata within it (Sugiyono, 2023). To determine the number of respondents, the Slovin formula was utilized with a margin of error of 5%, yielding a total sample of 177 students.

Data Collection Methods

Research data were collected through questionnaires designed considering indicators for each variable. Financial literacy (X1) was measured using an objective multiple-choice test instrument. A correct response received a score of 1, and an incorrect response received a score of 0. The total score was obtained from the number of correct answers, which was then used to represent respondents' levels of financial literacy. Peer interaction (X2), locus of control (Z), and financial behavior (Y) were measured using a five-point Likert scale questionnaire. The answer options were as follows: strongly disagree (1), disagree (2), quite agree (3), agree (4), and strongly agree (5).

Measurement and Variable Operationalization

To provide greater clarity regarding the constructs examined in this study, the measurement and operationalization of each variable are summarized in Table 1, including the main indicators, measurement scales, and sources adopted from the prior literature.

Table 1. Variable operationalization

Variable	Main indicators	Scale	Main sources
Financial literacy (X1)	General financial knowledge, Knowledge of income, Knowledge of money management, Knowledge of savings, Knowledge of loans, Knowledge of investment	0-1 objective test	Susanti, et al. (2023)
Peer interaction (X2)	Inclusion, Control, Affection	Likert 1-5	Schutz (1958) in Fajrah et al. (2025)
Locus of control (Z)	Personal problems solving ability, Self control, Self confidence, Powerful others, Chance	Likert 1-5	Natan & Mahastanti (2022) and Putri & Widyastuti (2025)
Financial behavior (Y)	Consumption, Management of cash flow, Management of credit, Saving and investment	Likert 1-5	Dew & Xiao (2011) in Setiawati & Primadineska (2025)

Source: Developed by the author from prior literature

Data Analysis Method

The data for this study were analyzed using the Statistical Package for the Social Sciences (SPSS). To verify the sufficiency and consistency of the research instruments, the initial step of data analysis involved testing them using validity and reliability assessments. The validity and reliability testing procedure involved 30 respondents (Sugiyono, 2023). The Pearson product-moment correlation was used to assess construct validity, with a significance level of less than 0.05. Cronbach's alpha was used to assess the reliability test, with a minimum acceptable value of 0.70. Next, classical assumption tests were conducted as a prerequisites for regression analysis, including test of normality, multicollinearity, and heteroscedasticity tests, as prerequisites for regression analysis (Ghozali, 2018).

An additional diagnostic procedure using Harman's single-factor test was conducted to assess the potential presence of common method bias among self-reported constructs. This study employed path analysis based on multiple linear regression using SPSS because the variables were analyzed as observed scores. Financial literacy was measured using an objective test score, whereas peer interaction, locus of control, and financial behavior were represented by composite scores derived from questionnaire responses. Given this measurement structure and the study's objective of estimating direct and indirect effects, SPSS-based path analysis was considered appropriate for the proposed model.

According to the path analysis model employed in this study, regression analysis was performed in two phases. Model I examined how locus of control (Z) was affected by financial literacy (X1) and peer interaction (X2). Model II examines how financial literacy (X1), peer interaction (X2), and locus of control (Z) affect financial behavior (Y). Both t-tests and F-tests were used for hypothesis testing. T-tests (partial tests) were used to evaluate the unique impact of each independent variable on the dependent variable. According to the decision criterion, if the significance score is less than 0.05, the hypothesis is accepted; if it is greater than 0.05, it is rejected. To determine whether the independent variables had a substantial impact on the dependent variable, an F-test (simultaneous test) was used. If the significance score is less than 0.05, the regression model is considered statistically adequate.

The coefficient of determination (R^2) was used to assess the extent to which the independent variables were used to explain the changes in the dependent variable. Specifically, R^2 shows the percentage of the dependent variable's variance accounted for by the model. The indirect effect was

computed to evaluate the locus of control's mediating function. The significance of the indirect effect can be reinforced by utilizing the Sobel test. Mediation occurs if the indirect effect is statistically significant.

DATA ANALYSIS AND DISCUSSION

The results of the instrument testing, including validity and reliability tests, are displayed in Table 2. The data were deemed valid if the computed r was higher than the table r. Based on Ghozali (2021), the product moment table r yields table r. For this investigation, the table r-value was 0.361. If a construct or variable has a Cronbach Alpha score greater than 0.70, it is deemed dependable (Nunnally in Ghozali, 2021). These results establish the validity and reliability of this instrument. However, several alpha coefficients were very high, particularly for locus of control and financial behavior. While this supports internal consistency, very high Cronbach's alpha values may also indicate item redundancy or a relatively narrow construct domain. Therefore, the reliability results should be interpreted cautiously, and future studies should consider reviewing overlapping items or conducting item reduction procedures to improve measurement efficiency.

Table 2. Instrument Test

Variable	Validity	Cronbach's Alpha
X1 (FL)	r count > 0.361	0,887
X2 (PI)	r count > 0.361	0,954
Z (LOC)	r count > 0.361	0,991
Y (FB)	r count > 0.361	0,976

Source: Own research data (2026)

Table 3. Classical Assumption Test

Test	Indicator	Summary Result	Decision
Normality	Asymp. Sig	0.200 > 0.05	Normal
Multicolinearity (Model I)	FL, PI – LOC	Tolerance = 0.891 > 0.10 VIF = 1.123 < 10.0	No Multicolinearity
Multicolinearity (Model II)	FL, PI, LOC – FB	Min Tolerance = 0.525 > 0.10 Max VIF = 1.903 < 10.0	No Multicolinearity
Heteroscedasticity (Model I)	FL, PI - LOC	Sig FL = 0.114 > 0.05 Sig PI = 0.528 > 0.05	No Heteroscedasticity
Heteroscedasticity (Model II)	FL, PI, LOC - FB	Sig FL = 0.767 > 0.05 Sig PI = 0.896 > 0.05 Sig LOC = 0.464 > 0.05	No Heteroscedasticity

Source: Own research data (2026)

Table 3 reveals the outcomes of the classical assumption tests, which include tests of normality, multicollinearity, and heteroscedasticity. According to Ghozali (2021), data normality testing can be performed with non-parametric statistics using the Kolmogorov Smirnov test. The outcomes demonstrate that the Asymptotic Significance (Asymp. Sig.) exceeds the 0.05 threshold, thereby confirming normality of the data distribution. A multicollinearity check was performed to ensure that the predictors did not exhibit excessive correlation, which could distort the regression estimates. The results confirm that the independent variables are not excessively correlated, as reflected in tolerance values exceeding 0.10 and VIF values lower than 10.0. A heteroscedasticity test was utilized to ascertain whether there was variance inequality in the residuals across observations. In this study, the Glejser test was employed to detect heteroscedasticity. The outcome revealed significance scores greater than 0.05, implying that the model was free from heteroscedasticity.

As an additional diagnostic, Harman's single factor test was conducted on the self-reported variables as a preliminary step to examine the potential presence of common method bias on the reported variables, namely, peer interaction, locus of control, and financial behavior. The first extracted factor accounted for 36.422% of the total variance, which remained below the widely accepted 50% cut-off. This result indicates that common method bias

is unlikely to pose a substantial problem in the dataset. However, these findings should still be treated as initial diagnostic results rather than definitive proof that common method bias was entirely absent. Financial literacy was not included in Harman's single-factor test because it was measured using an objective test, whereas the test was intended to assess potential bias among the self-reported constructs collected using similar questionnaire formats.

Table 4. Hypothesis Testing in Multiple Linear Regression using Path Analysis

Hypothesis	Beta	Test Statistic	p	Decision
FL – FB (H1)	0.195	t = 3.252 > 1.973	0.001 < 0.05	Accepted
PI – FB (H2)	0.234	t = 3.398 > 1.973	< 0.001 < 0.05	Accepted
LOC – FB (H3)	0.428	t = 5.834 > 1.973	< 0.001 < 0.05	Accepted
FL – LOC (H4)	0.281	t = 4.832 > 1.973	< 0.001 < 0.05	Accepted
PI – LOC (H5)	0.543	t = 9.323 > 1.973	< 0.001 < 0.05	Accepted
Simultaneous Test Model II (FL, PI, LOC – FB)		f = 60.238 > 2.660	< 0.001 < 0.05	Model is significant
Coefficient Determination Model II (FL, PI, LOC – FB)		R Square = 0.502		50.2% of Y is explained by the model

Source: Own research data (2026)

Table 5. Sobel Test

Mediation Pathway	Direct	Indirect	Total	Sobel Test
FL – FB (through LOC)	0.195	0.120	0.315	z = 3.723 > 1.96 p = 0.0001 < 0.05
PI – FB (through LOC)	0.234	0.232	0.466	z = 4.941 > 1.96 p = 0.000 < 0.05

Source: Own research data (2026)

Tables 4 and 5 provide a comprehensive summary of the results of the hypothesis tests derived from the data analysis. The regression results in Table 4 show that all direct relationships proposed in the model are statistically significant, indicating that financial literacy, peer interaction, and locus of control each contribute meaningfully to explaining the financial behavior of students. Importantly, the coefficient of determination (R^2 = 0.502) shows that the model has moderate explanatory power, accounting for approximately 50.2% of the observed variation in financial behavior. The unexplained proportion may reflect the contribution of other relevant determinants that were not examined in this study. This level of explanatory power can be considered relatively substantial for behavioral research, where outcomes are typically influenced by multiple external and internal factors. This suggests that the combination of cognitive (financial literacy), social (peer interaction), and psychological (locus of control) variables provides a strong framework for understanding students' financial behaviors.

Furthermore, the results of the Sobel test presented in Table 5 confirm that locus of control plays a significant mediating role in the model. Both indirect effects, the association of financial literacy with financial behavior through locus of control and the effect of peer interaction on financial behavior through locus of control, examined in this study are statistically significant. This indicates that the influence of financial literacy and peer interaction is not only direct but also operates through internal psychological mechanisms. This finding is particularly important for addressing inconsistencies in prior research. Previous studies have reported mixed results regarding the direct effects of financial literacy and peer interactions on financial behavior. The present study provides evidence that these inconsistencies may be explained by the presence of an intervening variable, namely, the locus of control. By incorporating this mediating variable, this study demonstrates that knowledge and social influence are more likely to translate into actual financial behavior when individuals possess a strong sense of personal control over financial outcomes. Overall, the results highlight that financial behavior is not solely determined by what individuals know or by their social environment, but also by how they internalize and act upon these influences. Therefore, the

inclusion of the locus of control offers a more comprehensive explanation of the mechanisms underlying students' financial decision-making.

The Effect of Financial Literacy on Financial Behavior

Main Findings

The results show that financial literacy has a positive and statistically significant effect on financial behavior. This is evidenced by a significance value below 0.05 and a t-value of 3.252, which exceeds the critical t-value (t-table) of 1.973. This indicates that students with higher financial literacy levels are more likely to engage in responsible financial behavior. In practical terms, this means that better financial understanding is associated with stronger budgeting habits, more careful spending decisions, and greater awareness of saving and financial planning skills. Although the effect size is moderate, it remains meaningful because financial behavior is shaped by multiple factors, not just knowledge.

Comparison with Prior Studies

These results are similar to those of a study conducted by Sari et al. (2025), which indicated that financial literacy plays a positive and significant role in shaping financial behavior. These outcomes correspond with the investigations completed by Setiawati and Primadineska (2025) and Abdurrahman and Oktapiani (2019). These results contradict those reported by Maliyah et al. (2025), who found that financial literacy does not exert a direct influence on financial behavior. The strength of the association between variables may be impacted by variations in research instruments or respondent characteristics, which could account for discrepancies in the results.

Theoretical Implications

This finding supports the cognitive dimension of the TPB by showing that financial understanding is relevant to actual financial behavior. However, the effect appears to be limited, as the moderate effect size suggests that knowledge is necessary but insufficient to fully explain behavioral outcomes. This implies that the relationship between knowledge and behavior may depend on other factors. This may explain the inconsistent findings of prior studies.

Practical Implications

This finding suggests that financial education is essential. Therefore, financial literacy programs should extend beyond simply providing knowledge and place greater emphasis on practical applications, such as budgeting exercises and decision-making simulations, to strengthen responsible financial behavior among students. Therefore, the first hypothesis, that financial literacy significantly improves financial behavior, is accepted.

The Influence of Peer Interaction on Financial Behavior

Main Findings

The results show a significance value below 0.05 and a t-score of 3.398, which is higher than the essential t-value (t-table) of 1.973. This indicates that students' financial behavior is shaped not only by individual factors but also by their social environments. In practical terms, frequent interaction with peers may influence how students manage their spending, set financial priorities, and respond to consumption-related trends. Although the effect size is moderate, it remains meaningful because peer interaction can serve as a behavioral reference point that influences how individuals set priorities, make consumption decisions, and regulate their financial habits.

Comparison with Prior Studies

These results are consistent with those of Sari et al. (2025) and Gozalie et al. (2025), who found that peer interactions have a positive and significant effect on financial behavior. Similar findings were reported by Fatihah (2025). However, this result contradicts that of Pangesti and Safitri (2025), who found that peer interactions do not significantly influence financial behavior. This discrepancy may be explained by differences in the quality of peer relationships, dominant norms within peer groups, or the social context in which financial behavior is formed.

Theoretical Implications

According to the TPB, people tend to modify their behavior in response to perceived expectations and social pressure from others. This conclusion is consistent with the role of the subjective norms. This aligns with the FIRO perspective, which suggests that the need for inclusion and social acceptance may encourage students to adjust their financial choices to group norms. This may help explain why prior studies have reported inconsistent findings, as the effect of peer interaction may depend on the dominant norms and relational dynamics within a peer environment.

Practical Implications

From a practical perspective, this finding suggests that peer influence can be utilized as a strategic approach to improve students' financial behavior. Financial education programs may be more effective when combined with peer-based approaches, such as group discussions, peer mentoring, or student-led financial campaigns, to

promote healthier financial norms and more responsible financial behavior among students. Therefore, the second hypothesis, which asserts that peer interaction significantly improves financial behavior, is accepted in light of the findings of this study.

The Influence of Locus of Control on Financial Behavior

Main Findings

As demonstrated by the significance score below 0.05 and the t score of 5.834, which is greater than the key t-value (t-table) of 1.973, the results show that the locus of control has a positive and statistically significant influence on financial behavior. This indicates that students with stronger control beliefs tend to demonstrate more responsible financial behavior. In practical terms, students who believe that financial outcomes depend on their actions are more likely to maintain financial discipline. Although the direct coefficient is smaller than those of financial literacy and peer interaction, the effect remains meaningful because the locus of control reflects an internal psychological factor that supports consistent financial behavior.

Comparison with Prior Studies

These results are in line with the studies conducted by Surbakti and Muslih (2024) and Bajung and Paramitalaksmi (2025), both of which found that the locus of control has a major impact on financial behavior. The results, however, are different from those of Setiawan and Laulita's (2024) study, which concluded that locus of control does not have a discernible impact on financial behavior. This discrepancy may be explained by differences in respondent characteristics, levels of financial autonomy, or the extent to which students are personally involved in managing their finances.

Theoretical Implications

In the TPB framework, the locus of control is closely linked to perceived control, as it reflects individuals' perceptions of their capability to regulate their actions and the resulting outcomes. This sense of control can strengthen the consistency and discipline of financial behaviors. This finding supports the psychological dimension of financial behavior by showing that control beliefs are relevant to actual financial behavior. This may help explain why prior studies have reported inconsistent findings, as the effect of the locus of control may vary depending on the degree to which individuals can exercise personal control in their financial lives.

Practical Implications

From a practical perspective, this finding suggests that improving financial behavior is not only about increasing knowledge but also about strengthening individuals' sense of control and responsibility. Programs that encourage budgeting discipline, spending reflection, and personal financial goal setting may help students develop stronger internal control beliefs and, in turn, more responsible financial behaviors. However, the third hypothesis, which asserts that the locus of control significantly improves financial behavior, is accepted in light of the investigation's findings.

The Effect of Financial Literacy on Locus of Control

Main Findings

The findings reveal that financial literacy has a positive and statistically significant effect on the locus of control, as indicated by a significance score of 0.001, which is less than 0.05, and a t-score of 4.832, exceeding the critical t-value (t-table) of 1.973. This indicates that students with higher financial literacy levels tend to develop stronger beliefs that financial outcomes can be influenced by their actions. In practical terms, a better financial understanding may increase students' confidence in evaluating their financial decisions. The coefficient also shows that financial literacy contributes not only to financial behavior directly but also to the psychological readiness that underlies responsible financial action.

Comparison with Prior Studies

These results are consistent with those of Widiyanto et al. (2022), who showed that the locus of control is influenced by financial literacy. Similar conclusions were reported by Khoirunnisa and Rochmawati (2021), who found that financial literacy significantly influences the locus of control. However, these results differ from those of Prasetyo et al. (2023) and Wardani and Fitrayati (2022), who reported that financial literacy does not significantly affect the locus of control. This discrepancy may be explained by differences in sample characteristics, levels of financial autonomy, or contextual factors that affect whether financial knowledge is translated into stronger personal-control beliefs.

Theoretical Implications

This finding suggests that financial knowledge contributes to behavioral outcomes and the development of internal control beliefs. This indicates that cognitive factors may strengthen control, which in turn supports more consistent behavior. These findings help explain why financial literacy does not consistently translate into financial behavior, as its effects may operate through internal psychological mechanisms.

Practical Implications

A practical implication of this finding is that programs on the context of financial education

should be designed not only to improve knowledge but also to strengthen students' confidence in managing financial matters. Learning activities that connect financial concepts and encourage personal accountability may help students develop a stronger locus of control. Therefore, the fourth hypothesis, that financial literacy significantly improves the locus of control, is accepted.

The Influence of Peer Interaction on Locus of Control

Main Findings

A significance score of 0.006, which is less than 0.05, and a t-score of 9.323, which surpasses the key t-value (t-table) of 1.973, indicate that peer interaction has a positive and statistically significant impact on the locus of control. This indicates that students who are more actively engaged in their peer environment tend to develop stronger beliefs that outcomes can be influenced by their actions. The coefficient for this relationship was also the largest among the predictors of locus of control, suggesting that peer interaction plays a particularly strong role in shaping students' control beliefs. Peers often provide social support in the form of encouragement, feedback, and reassurance, which can strengthen confidence in managing challenges.

Comparison with Prior Studies

These results are consistent with those of Bado et al. (2023) and Fatihah (2025), who showed that locus of control is positively and significantly influenced by peer influence. However, the results are different from those of Agustina (2025), who discovered that peers have no effect on the locus of control, and Maris and Listiadi (2021), who concluded that the locus of control is negatively impacted by the peer environment. This discrepancy may be explained by differences in the quality of peer relationships and the norms that dominate within the group. In some contexts, peer interactions may promote responsibility and autonomy, whereas in others, they may encourage conformity or dependence.

Theoretical Implications

This finding indicates that peer interaction is relevant not only to students' external behavior but also to the formation of their control beliefs. More specifically, this suggests that subjective norms may influence individuals' sense of control by reinforcing beliefs about personal responsibility, capability, and the extent to which outcomes can be shaped through effort. Peer interactions may gradually strengthen confidence in managing financial decisions and addressing financial challenges. This helps explain why prior studies have reported inconsistent findings, as the effect of peer interaction may depend on whether the social environment reinforces accountability and regulation or weakens them through excessive conformity.

Practical Implications

Practically, this finding suggests that the peer environment should be considered an important resource for strengthening students' LOC. Programs such as peer-based learning activities, collaborative learning, peer discussions, and supportive communities that promote constructive feedback and healthy financial norms may help students develop stronger confidence in managing financial outcomes. However, the fifth hypothesis, that peer engagement significantly improves the locus of control, was accepted in light of the investigation's findings.

Locus of Control Mediates Financial Literacy on Financial Behavior

Main Findings

The path analysis results demonstrate that locus of control contributes both directly and indirectly to the degree to which financial literacy influences financial behavior. In particular, the analysis showed an indirect effect of 0.120 and a direct effect of 0.195. According to this pattern, the locus of control partially mediates the association between financial literacy and financial behavior. A Sobel test was used to verify whether the mediating pathway was statistically significant. The estimated z-value of 3.723, which is higher than the essential z-value of 1.96, and the findings show a significance value of less than 0.05. These findings demonstrate that the locus of control has a positive mediating role in this connection. In other words, students with greater financial literacy tend to develop stronger internal control beliefs, which in turn leads to more responsible financial behavior.

Comparison with Prior Studies

These results align with those of a study that found that financial literacy influences the locus of control, which subsequently affects financial behavior. Khoirunnisa and Rochmawati (2021) also observed similar data in the context of the mediating role of the locus of control. However, these results are different from those of Wardani and Fitrayati (2022), who concluded that the locus of control does not mediate the association between financial management behavior and financial literacy. These inconsistencies may be explained by differences in research design, measurement approaches, or the role of psychological factors in different samples.

Theoretical Implications

This finding provides a more comprehensive explanation of the role of the locus

of control as a mediator in financial literacy and behavior. This suggests that knowledge alone does not automatically lead to behavior unless individuals have sufficient control to act on that knowledge. Thus, the locus of control functions as an important mechanism that translates financial understanding into actual behavior. This helps explain why prior studies have produced inconsistent results, as the effect of financial literacy may depend on whether individuals possess strong internal-control beliefs.

Practical Implications

From a practical perspective, these findings suggest that improving financial behavior requires more than simply increasing financial knowledge. Educational institutions should design learning environments that actively reinforce students' sense of personal control over their financial outcomes. This can be achieved through reflective activities such as evaluating past financial decisions, setting personal financial goals, and monitoring progress over time. The sixth hypothesis, which holds that locus of control mediates the influence of financial literacy on financial behavior, is accepted in light of the investigation's findings.

Locus of Control Mediates Peer Interaction on Financial Behavior

Main Findings

Path analysis showed that the locus of control plays a role in understanding the connection between financial behavior and peer contact through both direct and indirect pathways. According to the analysis, there was a 0.234 direct influence and a 0.232 indirect effect. This shows that the locus of control partially mediates the effect of peer interaction on financial behavior. Notably, the indirect effect was nearly as large as the direct effect, implying that the mediating pathway was substantively important in this model. The Sobel test was used to confirm whether the indirect pathway was statistically significant. The computed z-value of 4.941 is higher than the critical z-value of 1.96, and the significance value is less than 0.05. These findings demonstrate that the locus of control plays a positive mediating role in this relationship. In other words, students who experience stronger peer interactions are more likely to develop stronger internal control beliefs, which, in turn, lead to more responsible financial behavior.

Comparison with Prior Studies

These results are consistent with those of Bado et al. (2023) and Fatihah (2025), indicating that the locus of control serves as a mediating variable in the relationship between peer interaction and financial behavior. Maris and Listiadi (2021) importance of locus of control in shaping the relationship between peer environment and consumption behavior. However, the results contradict Agustina's (2025) study, which found that locus of control does not mediate the impact of peer interaction on financial management behavior and that peers do not alter locus of control. These inconsistencies may be explained by differences in research design, measurement approaches, or the quality of peer relationships across samples.

Theoretical Implications

This finding provides a more comprehensive explanation of how the locus of control mediates the relationship between peer interaction and financial behavior. This suggests that subjective norms do not automatically translate into behavior unless individuals develop sufficient control beliefs to regulate their actions. Thus, the locus of control functions as an important mechanism that translates social influence into actual behavior. This helps explain why prior studies have produced inconsistent results, as the effect of peer interaction may depend on whether the peer environment strengthens or weakens individuals' internal-control beliefs.

Practical Implications

From a practical perspective, these findings suggest that peer influence can be more effective when it supports the development of personal responsibility and self-control. Therefore, educational institutions should create structured peer environments that encourage reflection, accountability, and shared learning. Activities such as group-based financial planning, peer discussions on financial decisions, and collaborative goal setting may help students internalize the consequences of their actions. The seventh hypothesis, which states that locus of control mediates the impact of peer interaction on financial behavior, is accepted based on the findings of this study.

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATION

Conclusion

This study concludes that all the proposed hypotheses are supported. First, financial literacy, peer interaction, and locus of control each had a positive and significant effect on students' financial behavior, supporting H1, H2, and H3. Second, financial literacy and peer interaction also have positive and significant effects on the locus of control, supporting H4 and H5. Third, locus of control was found to significantly mediate both the association it has between financial literacy and financial behavior and the relationship between peer interaction and financial behavior, thereby

supporting H6 and H7.

These findings show that students' financial behavior is explained not only by cognitive factors, such as financial literacy, but also by social influences, such as peers, and psychological control beliefs, such as locus of control. In particular, the locus of control plays an important role both as a direct predictor of financial behavior and as a mechanism through which financial literacy and peer interaction are translated into more responsible financial practices.

Theoretical Implications

This research advances understanding by clarifying how financial literacy and peer interaction are linked to students' financial behavior through the locus of control. Rather than treating cognitive, social, and psychological factors as separate predictors, the findings show that these factors operate in an interconnected manner. In particular, this study helps explain why prior findings on student financial behavior have often been inconsistent by showing that the effects of financial literacy and peer interaction are partly transmitted through students' control beliefs. Thus, this study offers a more integrated explanation of financial behavior in the higher education context and reinforces the importance of including psychological mechanisms in models of student financial decision-making.

Practical Implications

Practically, the results imply that financial literacy initiatives in higher education should go beyond delivering conceptual knowledge and technical skill. Programs may be more effective when they also encourage students to build a stronger sense of personal accountability and perceived control in managing money, for example, through goal-setting exercises, budgeting practice, reflective spending tracking, and discussions that emphasize the link between choices and consequences. Additionally, universities can leverage the peer environment by promoting a supportive financial culture among students. Peer-based activities, such as financial discussion groups, mentoring, student communities focused on budgeting and saving, or campus campaigns that normalize responsible spending, can help create healthier financial norms. By strengthening both financial literacy and the social environment while simultaneously supporting students' locus of control, stakeholders may be better able to foster sustainable improvements in students' financial behaviors.

Policy Recommendations

Universities are encouraged to develop financial education programs that integrate financial skills training with activities aimed at strengthening students' locus of control (LOC). Such activities may include setting personal financial goals, reflecting on financial decisions, monitoring spending and saving patterns, and conducting periodic evaluations to improve discipline and consistency in financial management.

In addition, universities should facilitate positive peer interactions by supporting peer-based communities and group activities, such as peer mentoring, financial discussion groups, and budgeting or saving challenges. These initiatives may help students develop healthier financial habits and reinforce responsible financial behavior through supportive social norms within the university environment.

Agenda for Future Research

Future research is recommended to extend the scope of the study by involving students from different universities, faculties, or demographic backgrounds to strengthen the broader applicability of the results. Subsequent studies may also incorporate other variables that are relevant to contemporary student financial behavior, such as financial technology usage, family financial socialization, allowance or income level, lifestyle pressure, and other self-regulation-related factors.
In addition, future research may use broader methodological approaches to further validate the role of control and examine whether the relationships identified in this study remain stable across different educational, social, and financial contexts.

Limitation

Notwithstanding its contributions, this study has several limitations. First, the respondent scope is limited to students from a single faculty at one university, and the participants have taken finance-related courses (Advanced Financial Accounting and Financial Management). Therefore, the findings should be generalized to a broader student population with caution, particularly to students with different academic backgrounds and levels of financial exposure. Several variables in this study were measured using self-reported questionnaires. In particular, peer interaction, locus of control, and financial behavior were assessed based on respondents' perceptions, which may introduce perceptual bias, including social desirability bias, and differences in item interpretation.

This study is also subject to the risk of common method bias because most variables were collected from the same respondents at the same time and through similar questionnaire formats. Although Harman's single-factor test indicated that common method bias was unlikely to be a serious issue. This test should be interpreted as a preliminary diagnosis. However, the objectivity of these indicators remains limited. Although financial literacy was captured through an objective knowledge-based measure, peer interactions, financial behavior, and locus of control were still assessed perceptually rather than through objective behavioral indicators such as transaction records, actual spending logs, or other documented financial data. The findings reflect students' reported tendencies and perceptions rather than fully objective financial practices.

The explanatory power of this model is limited. Although the model explains a meaningful proportion of the variance in financial behavior, other factors outside the variables examined in this study may influence students' financial behavior. Future research is therefore encouraged to include additional determinants, such as financial technology usage, family financial socialization, allowance or income level, lifestyle pressure, and other psychological factors related to control and belief, to provide a broader explanation of students' financial behavior

ACKNOWLEDGMENT

The author gratefully acknowledges the academic supervisor for invaluable guidance, detailed suggestions, and consistent support from the early stage of topic development to the final completion of this research. The author would like to thank all the respondents for their time and willingness to participate, as their contributions made this research possible.

Conflict of Interest

The authors declare no conflicts of interest regarding the publication of this paper. The author has no financial interests (such as funding arrangements, employment, or consultancy) or personal or professional relationships that could be construed to influence the study. All stages of the research and manuscript preparation were conducted objectively, and the conclusions presented are based solely on the data and analyses performed in this study.

Use of Artificial Intelligence Technology

The author used ChatGPT to assist with language refinement, paraphrasing, and improving the clarity of the academic writing. All conceptualizations, data analyses, interpretations of results, and final decisions are the sole responsibility of the author.

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