

Research Article

The Influence of Lifestyle and Financial Literacy on Financial Behavior: The Mediating Role of Financial Knowledge among Employees of the Bali Regional Police

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Abstract: This study aims to analyze the effects of lifestyle and financial literacy on financial behavior, with financial knowledge serving as a mediating variable among employees of the Bali Regional Police (Polda Bali). The study is motivated by the importance of effective financial management among employees, as lifestyle patterns and levels of financial literacy may significantly influence financial behavior. Financial knowledge is considered a crucial factor that enhances individuals' ability to make informed, responsible, and sustainable financial decisions. The population consisted of all employees of Polda Bali, with a sample of 99 respondents determined using the Slovin formula. This study employed a quantitative research approach using primary and secondary data sources. Data were collected through questionnaires, interviews, and documentation. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine both direct and indirect relationships among the variables. The findings indicate that lifestyle has a negative and significant effect on both financial behavior and financial knowledge, whereas financial literacy has a positive and significant effect on financial behavior and financial knowledge. In addition, financial knowledge positively and significantly influences financial behavior. The mediation analysis reveals that financial knowledge partially mediates the relationship between lifestyle and financial behavior, as well as the relationship between financial literacy and financial behavior among employees of the Bali Regional Police. These results highlight the importance of improving financial literacy and financial knowledge to foster better financial behavior.

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1. Introduction

The increasing uncertainty of the global and national economy has made financial behavior an important issue for both individuals and organizations. Economic challenges such as inflation, rising living costs, exchange rate fluctuations, and recession threats require individuals to manage their financial resources more carefully and effectively. Financial behavior reflects how individuals plan, manage, and utilize their financial resources in making financial decisions related to budgeting, saving, investing, debt management, and expenditure control (Nababan & Sadalia, 2022). Individuals who demonstrate sound financial behavior tend to be more resilient in facing economic pressures because they are capable of prioritizing essential needs, controlling unnecessary expenditures, and preparing financial reserves for future uncertainties. Consequently, understanding the factors that influence financial behavior has become increasingly relevant in contemporary financial management research. One of the important contexts for examining financial behavior is among employees who receive regular and relatively stable incomes. Employees of the Bali Regional Police (Polda Bali) represent an interesting research object because they receive fixed salaries and allowances through a structured compensation system. Theoretically, stable income conditions



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should support prudent financial management practices and encourage responsible financial behavior. However, preliminary observations indicate that many employees still experience difficulties in budgeting, recording financial transactions, preparing emergency funds, and planning long-term financial goals. This discrepancy between income stability and actual financial behavior suggests the existence of underlying factors that influence how employees manage their finances.

Previous studies have identified lifestyle as one of the major determinants of financial behavior. Lifestyle refers to an individual's pattern of living reflected through activities, interests, and opinions that influence consumption behavior and spending decisions (Laksono & Iskandar, 2021). Individuals with highly consumptive lifestyles often prioritize wants over needs, resulting in excessive spending and reduced savings. Empirical evidence provided by (Handraini et al., 2024; Widiyanti et al., 2022) demonstrates that lifestyle negatively and significantly affects financial behavior, indicating that higher levels of consumptive lifestyle tend to reduce responsible financial management practices. In addition to lifestyle, financial literacy has been widely recognized as a significant predictor of financial behavior. Financial literacy refers to an individual's ability to understand and utilize financial knowledge and skills effectively to achieve long-term financial well-being (Kurniawan, 2023). Individuals with high levels of financial literacy are generally more capable of preparing budgets, managing debt, selecting financial products, building emergency funds, and making informed investment decisions. Studies conducted by (Indriaswari et al., 2022; Tehran et al., 2025) found that financial literacy positively influences financial behavior, suggesting that greater financial literacy contributes to better financial decision-making and financial management practices.

Although previous studies have provided valuable insights into the determinants of financial behavior, their findings remain inconsistent. While several studies report a significant negative effect of lifestyle on financial behavior, (Feralda et al., 2023) found no significant relationship between the two variables. Similarly, while most studies support the positive effect of financial literacy on financial behavior, (Lusardi & Mitchell, 2014) reported insignificant findings. These inconsistencies indicate that the relationship between lifestyle, financial literacy, and financial behavior may be influenced by additional variables that have not been adequately considered in previous research. The strengths of previous studies lie in their ability to establish direct relationships between lifestyle, financial literacy, and financial behavior using various empirical settings. These studies have contributed substantially to the development of behavioral finance literature and provided evidence regarding the importance of personal and psychological factors in financial decision-making. However, a major weakness of these studies is their tendency to focus primarily on direct effects while paying limited attention to the underlying mechanisms through which lifestyle and financial literacy influence financial behavior. As a result, the explanatory power of existing models remains limited, leaving a gap in understanding the process by which these relationships occur.

To address this limitation, financial knowledge is introduced as a mediating variable in the present study. Financial knowledge refers to an individual's understanding of financial concepts, products, and management strategies that support effective financial decision-making. Financial knowledge is theoretically positioned between financial literacy and financial behavior because literacy provides the foundation for acquiring knowledge, while knowledge influences how individuals apply financial concepts in real-life situations. Likewise, lifestyle may shape the extent to which individuals seek and utilize financial knowledge. Therefore, financial knowledge is expected to serve as an important mechanism linking lifestyle and financial literacy to financial behavior. Several previous studies support the mediating role of financial knowledge. Hayati and (Mahendra & Pristiana, 2023; Nazah et al., 2022) found that financial knowledge mediates the relationship between lifestyle and financial behavior. Likewise, Mutlu & Ozer (2022), Putriwibowo et al. (2024), and Mahmood et al. (2024) reported that financial knowledge significantly mediates the effect of financial literacy on financial behavior. These findings suggest that individuals with greater financial literacy are more likely to acquire financial knowledge, which subsequently improves their financial behavior. Nevertheless, empirical evidence regarding this mediating mechanism remains limited, particularly among public sector employees in Indonesia. Another important issue concerns the determinants of financial knowledge itself. Previous studies indicate that lifestyle may negatively affect financial knowledge because individuals with highly consumptive lifestyles tend to focus more on immediate gratification than on learning financial management

principles (Syalih et al., 2022; Apriani et al., 2023; Widyakto et al., 2022). In contrast, financial literacy is generally found to enhance financial knowledge by increasing individuals' understanding of financial concepts and financial products (Bathia & Dey, 2022; Fatmawati & Fahriani, 2023). However, inconsistent findings reported by (Lin, 2007; Wahyuni & Prasetyo, 2024), indicate that further investigation is needed to clarify these relationships.

Based on the theoretical and empirical gaps identified above, the research problem addressed in this study concerns whether lifestyle and financial literacy influence financial behavior directly and indirectly through financial knowledge among employees of Polda Bali. Specifically, this study seeks to examine the direct effects of lifestyle and financial literacy on financial behavior, the effects of lifestyle and financial literacy on financial knowledge, the effect of financial knowledge on financial behavior, and the mediating role of financial knowledge in explaining the relationships among these variables. To solve these research problems, this study proposes an integrated mediation model that incorporates lifestyle, financial literacy, financial knowledge, and financial behavior into a single conceptual framework. By employing financial knowledge as a mediating variable, the study aims to provide a more comprehensive explanation of the mechanisms underlying financial behavior. This approach is expected to improve the explanatory power of previous models and generate deeper insights into how personal characteristics and financial competencies influence financial decision-making among employees with relatively stable income conditions.

This study offers several contributions to the literature and practice. First, it extends behavioral finance literature by integrating lifestyle and financial literacy with financial knowledge as a mediating construct. Second, it addresses inconsistencies in previous empirical findings by testing a comprehensive mediation model. Third, it provides empirical evidence from the context of public-sector employees, particularly employees of Polda Bali, which remains underexplored in existing studies. Fourth, the findings may provide practical recommendations for policymakers and organizational leaders in designing financial education programs aimed at improving employees' financial well-being. The remainder of this paper is organized as follows. The next section reviews the relevant literature and develops the research hypotheses. The subsequent section explains the research methodology, followed by the presentation and discussion of empirical findings. Finally, the paper concludes with implications, limitations, and recommendations for future research.

2. Literature Review

Theory of Planned Behavior (TPB)

The Theory of Planned Behavior (TPB), developed by Ajzen (1991), explains that an individual's behavior, including financial behavior, is influenced by three main factors: attitude toward the behavior, subjective norms, and perceived behavioral control (Chishti & Barberis, 2021). These three factors shape an individual's intention, which subsequently influences their actual behavior. According to TPB, individuals are more likely to engage in a particular behavior when they have a strong intention to do so, and this intention is formed by their attitudes toward the behavior, the social pressures they perceive (subjective norms), and their perceived ability to perform the behavior (perceived behavioral control).

Lifestyle

Lifestyle refers to an individual's pattern of living, which is reflected in their activities, interests, opinions, and the way they allocate time and financial resources in everyday life. Lifestyle not only describes how individuals interact with their environment but also reflects consumption preferences that represent their identity and social status. Individuals with different lifestyles tend to exhibit distinct consumption behaviors in terms of income utilization, product selection, and economic decision-making. Therefore, lifestyle is considered one of the factors that can influence various aspects of individual behavior, including personal financial management. According to (Laksono & Iskandar, 2021), lifestyle represents an individual's attitude that reflects psychological conditions, interests, and perceptions toward particular objects, whereas (Kotler, 2021) defines lifestyle as a pattern of living expressed through a person's activities, interests, and opinions in interacting with their environment.

Financial Literacy

Financial literacy refers to an individual's ability to understand financial concepts, manage financial resources, and make appropriate financial decisions to achieve financial well-being. Financial literacy encompasses not only knowledge but also skills, confidence, and the

ability to apply financial information in everyday life. Individuals with a high level of financial literacy are generally more capable of managing income, controlling expenditures, conducting financial planning, and selecting financial products and services that suit their needs. Consequently, financial literacy plays a crucial role in improving the quality of financial decision-making and reducing the risk of financial problems. According to (Safitri & Wahyudi, 2022), financial literacy consists of knowledge, skills, and confidence that influence attitudes and behaviors in financial management, while (Kurniawan, 2023) defines financial literacy as the ability to utilize financial knowledge and skills effectively to manage financial resources and achieve lifelong financial well-being.

Financial Knowledge

Huston (2022) defines financial knowledge as an individual's ability to understand financial terms and concepts and subsequently translate that knowledge into behavior. Financial knowledge reflects a person's understanding of financial matters and their ability to manage finances effectively, enabling them to make both short-term and long-term decisions in response to various economic challenges. The importance of financial knowledge stems from the fact that individuals who make sound financial decisions are better equipped to cope with market competition and adapt to changing economic conditions.

Financial Behavior

Financial behavior refers to the pattern of actions undertaken by individuals in managing their financial resources through activities such as financial planning, budgeting, expenditure control, saving, investing, and fulfilling financial obligations in a timely manner. Financial behavior reflects how individuals treat and utilize their financial resources to achieve both short-term and long-term financial goals. Sound financial behavior is characterized by the ability to manage income effectively, make rational financial decisions, and consider potential risks in financial activities. Conversely, poor financial behavior may lead to financial difficulties, including inadequate savings, excessive debt utilization, and an inability to meet future financial needs. Kholiah & Iramani (2022) state that financial behavior refers to an individual's ability to organize, manage, and control daily financial activities.

3. Research Methods

Research Design

This study employed a quantitative explanatory research design to examine the relationships among lifestyle, financial literacy, financial knowledge, and financial behavior among employees of the Bali Regional Police (Polda Bali). The explanatory approach was selected because the study aimed to test the causal relationships among variables and evaluate the mediating role of financial knowledge in the relationship between lifestyle, financial literacy, and financial behavior. The research adopted a cross-sectional survey design, where data were collected from respondents at a single point in time through a structured questionnaire. The conceptual framework consisted of two exogenous variables, namely lifestyle and financial literacy, one mediating variable, namely financial knowledge, and one endogenous variable, namely financial behavior. The collected data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), which is appropriate for testing complex relationships involving mediation effects and latent constructs measured through multiple indicators (Hair et al., 2021).

Population and Sample

The population of this study comprised all employees of Polda Bali, totaling 11,785 personnel. Given the large population size, a sample was selected to represent the target population. The sample size was determined using the Slovin formula with a margin of error of 10%, resulting in a minimum sample requirement of 99 respondents. The study employed proportional stratified random sampling to ensure adequate representation of employees from different departments and work units within Polda Bali. This sampling technique was considered appropriate because the population was distributed across multiple organizational units with different workforce sizes. Respondents were selected proportionally from each unit according to its population size, ensuring that the sample accurately reflected the characteristics of the overall population. The inclusion criteria required respondents to be active employees of Polda Bali and willing to participate voluntarily in the study.

Data Collection Procedure

Data collection was conducted between January and April 2026 at Polda Bali, located in Denpasar, Bali. The research process began with the development of questionnaire items based on established theories and previous empirical studies regarding lifestyle, financial literacy, financial knowledge, and financial behavior. Prior to full-scale distribution, the questionnaire was reviewed to ensure content validity and clarity of wording. Data were collected primarily through self-administered questionnaires using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). In addition, interviews, observations, and documentation were used to support the understanding of the research context and validate the observed phenomena. After collection, all questionnaires were checked for completeness, consistency, and eligibility before proceeding to statistical analysis.

Measurement of Variables

All variables were operationalized based on established literature and measured using reflective indicators. Lifestyle was measured using three indicators: time-oriented lifestyle, network-oriented lifestyle, and price-oriented lifestyle adapted from (Jeni, 2021). Financial literacy was measured through four indicators, namely basic financial management, investment, savings and credit management, and insurance, following Yanti (2023). Financial knowledge was measured using four indicators adapted from (Lusardi & Mitchell, 2014), including general financial knowledge, inflation understanding, risk diversification, and financial product selection. Financial behavior was measured using five indicators proposed by (Nababan & Sadalia, 2022), including paying bills on time, budgeting, recording expenditures, preparing emergency funds, and saving behavior. All questionnaire items were measured using a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5).

Table 1. Operationalization of Variables.

Variable	Operational Definition	Indicators	Scale
Lifestyle (X1)	An individual's pattern of living reflected in activities, interests, opinions, and the allocation of time and financial resources in daily life.	Time-oriented lifestyle; Network-oriented lifestyle; Price-oriented lifestyle.	5-point Likert
Financial Literacy (X2)	An individual's ability to understand financial concepts, manage financial resources, and make appropriate financial decisions to achieve financial well-being.	Basic financial management; Investment; Savings and credit management; Insurance.	5-point Likert
Financial Knowledge (M)	An individual's cognitive understanding of financial concepts and principles used as a basis for making financial decisions.	General financial knowledge; Understanding of inflation; Risk diversification; Financial product selection.	5-point Likert
Financial Behavior (Y)	The pattern of actions and habits in managing personal finances through budgeting, expenditure control, saving, and fulfilling financial obligations.	Paying bills on time; Budgeting expenditures; Recording expenses; Emergency fund preparation; Saving behavior.	5-point Likert

Data Analysis

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software. This technique was selected because it is suitable for predictive and explanatory research involving latent variables and mediation relationships. The analysis was conducted in two stages: measurement model evaluation (outer model) and structural model evaluation (inner model). The measurement model was assessed through convergent validity using outer loadings and Average Variance Extracted (AVE), discriminant validity using the Fornell-Larcker criterion and cross-loadings, and reliability using Composite Reliability and Cronbach's Alpha. The structural model was evaluated using path coefficients, coefficient of determination (R^2), predictive relevance (Q^2), and effect size (f^2). Hypothesis testing was performed through the bootstrapping procedure, with a significance level of 5%. The mediating role of financial knowledge was examined by analyzing the indirect effects between lifestyle and financial behavior as well as between financial literacy and financial behavior. Mediation was considered significant when the indirect effect produced a p-value below 0.05.

4. Results and Discussion

In this section, the author needs to explain the hardware and software used, dataset sources, initial data analysis, results, and results analysis/discussion. Presenting the results with pictures, graphs and tables is highly recommended. Formulas or evaluation measuring tools also need to be included here. There must be discussion/analysis, and you can't just rewrite the results in sentence form, but you need to provide an explanation of their relationship to the initial hypothesis. In addition, this section needs to discuss and elaborate on important findings.

Result

Instrument Testing

Before conducting hypothesis testing, the measurement instruments were evaluated to ensure their validity and reliability. Validity testing was performed using item-total correlation coefficients, while reliability testing was conducted using Cronbach's Alpha. The results are presented below.

Validity Test

Table 2. Validity Test Results.

Variable	Item	Correlation Coefficient	> 0.30	Remark
Lifestyle (X1)	X1.1	0.938	0.30	Valid
	X1.2	0.927	0.30	Valid
	X1.3	0.927	0.30	Valid
Financial Literacy (X2)	X2.1	0.844	0.30	Valid
	X2.2	0.834	0.30	Valid
	X2.3	0.865	0.30	Valid
	X2.4	0.887	0.30	Valid
Financial Knowledge (M)	M1	0.880	0.30	Valid
	M2	0.897	0.30	Valid
	M3	0.893	0.30	Valid
	M4	0.888	0.30	Valid
Financial Behavior (Y)	Y1	0.957	0.30	Valid
	Y2	0.937	0.30	Valid
	Y3	0.899	0.30	Valid
	Y4	0.942	0.30	Valid
	Y5	0.941	0.30	Valid

Table 2 presents the results of the validity test. All measurement items exhibit correlation coefficients above the minimum threshold of 0.30, indicating that all indicators used to measure lifestyle, financial literacy, financial knowledge, and financial behavior are valid and suitable for subsequent analyses.

Reliability Test

Table 3. Reliability Test Results.

Variable	Cronbach's Alpha	Remark
Lifestyle (X1)	0.856	Reliable
Financial Literacy (X2)	0.925	Reliable
Financial Knowledge (M)	0.881	Reliable
Financial Behavior (Y)	0.936	Reliable

As shown in Table 3, all variables have Cronbach's Alpha values exceeding the recommended threshold of 0.60. Therefore, all constructs demonstrate satisfactory reliability and internal consistency.

Descriptive Analysis

Descriptive analysis was conducted to provide an overview of respondents' perceptions regarding the study variables. The interpretation of mean scores was based on the criteria presented below.

Response Classification Criteria

Table 4. Response Classification Criteria.

Criteria	Assessment Category
1.00–1.80	Very Poor, Very Low
1.81–2.60	Poor, Low
2.61–3.40	Fair, Moderate
3.41–4.20	Good, High
4.21–5.00	Very Good, Very High

The classification criteria were used to interpret respondents' perceptions of each construct based on the mean values obtained from the questionnaire responses.

Lifestyle

The descriptive statistics for the lifestyle variable are presented in Table 5.

Table 5. Descriptive Analysis of Lifestyle (X1)

Indicator	Respondents' Responses	Mean	Category
Time-oriented (X1.1)	16 9 29 24 21	3.25	Moderate
Network-oriented (X1.2)	13 7 37 16 26	3.35	Moderate
Price-oriented (X1.3)	0 22 24 13 40	3.72	High
Lifestyle (X1)		3.44	High

As shown in Table 5, the lifestyle variable achieved an overall mean score of 3.44, indicating a high level of lifestyle orientation among respondents. The highest mean score was observed for the price-oriented indicator (3.72), while the time-oriented and network-oriented indicators recorded moderate levels. These findings suggest that employees of Polda Bali tend to exhibit a relatively high lifestyle orientation, particularly in terms of price and value considerations.

Financial Literacy

The descriptive results for financial literacy are presented in Table 6.

Table 6. Descriptive Analysis of Financial Literacy (X2).

Indicator	Respondents' Responses	Mean	Category
Basic Financial Management (X2.1)	0 0 49 25 25	3.76	Good
Investment (X2.2)	1 16 37 36 9	3.36	Fair
Savings and Credit Management (X2.3)	0 21 26 28 24	3.56	Good
Insurance (X2.4)	0 16 31 41 11	3.47	Good
Financial Literacy (X2)		3.54	Good

Table 6 indicates that financial literacy achieved an overall mean score of 3.54, which falls within the good category. The highest score was recorded for the basic financial management indicator, suggesting that respondents possess relatively strong capabilities in managing personal financial resources.

Financial Knowledge

The descriptive statistics for financial knowledge are presented in Table 7.

Table 7. Descriptive Analysis of Financial Knowledge (M).

Indicator	Respondents' Responses	Mean	Category
General Financial Knowledge (M1)	0 25 24 32 18	3.42	Good
Understanding Inflation (M2)	1 25 26 32 15	3.35	Fair
Risk Diversification (M3)	0 15 37 32 15	3.47	Good
Financial Product Selection (M4)	0 18 31 37 13	3.45	Good
Financial Knowledge (M)		3.43	Good

As presented in Table 7, the financial knowledge variable obtained an average score of 3.43, indicating a good level of financial understanding among respondents. The highest mean score was found for the risk diversification indicator, suggesting that respondents have a relatively strong understanding of risk management in financial decision-making.

Financial Behavior

The descriptive results for financial behavior are shown in Table 8.

Table 8. Descriptive Analysis of Financial Behavior (Y).

Indicator	Respondents' Responses	Mean	Category
Paying Bills on Time (Y1)	0 21 29 25 24	3.53	Good
Preparing Expenditure and Shopping Budgets (Y2)	0 21 25 28 25	3.58	Good
Recording Expenditures and Purchases (Y3)	0 27 28 28 16	3.33	Fair
Preparing Funds for Unexpected Expenses (Y4)	0 19 27 22 31	3.66	Good
Saving (Y5)	0 27 24 22 26	3.47	Good
Financial Behavior (Y)		3.51	Good

Table 8 shows that financial behavior achieved an overall mean score of 3.51, which is categorized as good. Among the indicators, emergency fund preparation recorded the highest mean score, indicating that respondents generally recognize the importance of preparing for unexpected financial circumstances.

Measurement Model Evaluation

The measurement model was evaluated through convergent validity, discriminant validity, and reliability assessments to ensure the adequacy of the latent constructs.

Convergent Validity

The convergent validity results are presented in Table 9.

Table 9. Outer Loading Results.

Indicator	Original Sample	T Statistics	P Values
Time-oriented (X1.1)	0.935	95.069	0.000
Network-oriented (X1.2)	0.917	47.643	0.000
Price-oriented (X1.3)	0.939	84.171	0.000
Basic Financial Management (X2.1)	0.846	37.729	0.000
Investment (X2.2)	0.839	21.606	0.000
Savings and Credit Management (X2.3)	0.852	28.936	0.000
Insurance (X2.4)	0.895	35.854	0.000
General Financial Knowledge (M1)	0.888	41.554	0.000
Understanding Inflation (M2)	0.887	29.898	0.000
Risk Diversification (M3)	0.885	26.660	0.000
Financial Product Selection (M4)	0.897	39.339	0.000
Paying Bills on Time (Y1)	0.958	110.164	0.000
Preparing Expenditure and Shopping Budgets (Y2)	0.936	89.268	0.000
Recording Expenditures and Purchases (Y3)	0.899	34.985	0.000
Preparing Funds for Unexpected Expenses (Y4)	0.942	95.212	0.000
Saving (Y5)	0.941	79.593	0.000

As shown in Table 9, all indicators exhibit outer loading values greater than 0.70 and are statistically significant ($p < 0.05$). These findings confirm that all indicators possess satisfactory convergent validity and adequately represent their respective latent constructs.

Discriminant Validity

The discriminant validity assessment is presented in Table 10.

Table 10. Discriminant Validity Results.

	Lifestyle	Financial Literacy	Financial Knowledge	Financial Behavior
M1	-0.744	0.672	0.888	0.752
M2	-0.648	0.592	0.887	0.664
M3	-0.611	0.589	0.885	0.652
M4	-0.642	0.630	0.897	0.709
X1.1	0.935	-0.685	-0.688	-0.725
X1.2	0.917	-0.594	-0.610	-0.673
X1.3	0.939	-0.714	-0.772	-0.816
X2.1	-0.680	0.846	0.574	0.703
X2.2	-0.514	0.839	0.606	0.555
X2.3	-0.642	0.852	0.570	0.621
X2.4	-0.621	0.895	0.653	0.646
Y1	-0.802	0.712	0.752	0.958
Y2	-0.712	0.683	0.743	0.936
Y3	-0.692	0.673	0.696	0.899
Y4	-0.737	0.689	0.746	0.942
Y5	-0.784	0.694	0.727	0.941

The results indicate that each indicator has the highest loading on its intended construct compared with other constructs. Therefore, all constructs satisfy the discriminant validity criterion and demonstrate adequate construct distinctiveness.

Reliability Assessment

The reliability evaluation was conducted using Cronbach's Alpha and Composite Reliability.

Table 11. Reliability Assessment Results.

Variable	Cronbach's Alpha	Composite Reliability	Remark
Lifestyle (X1)	0.923	0.933	Reliable
Financial Literacy (X2)	0.881	0.883	Reliable
Financial Knowledge (M)	0.912	0.915	Reliable
Financial Behavior (Y)	0.964	0.965	Reliable

As presented in Table 11, all constructs achieved Cronbach's Alpha and Composite Reliability values above the recommended threshold of 0.70. Accordingly, the measurement model demonstrates strong internal consistency and reliability.

Structural Model Evaluation

The structural model was evaluated using the coefficient of determination (R^2) and predictive relevance (Q^2) to assess the explanatory and predictive capabilities of the proposed model.

Coefficient of Determination (R^2)

The coefficient of determination results are presented in Table 12.

Table 12. R-Square Results.

Variable	R Square	Adjusted R Square
Financial Knowledge	0.613	0.605
Financial Behavior	0.738	0.729

The R^2 value for financial knowledge is 0.613, indicating that lifestyle and financial literacy explain 61.3% of the variance in financial knowledge. Meanwhile, the R^2 value for financial behavior is 0.738, indicating that lifestyle, financial literacy, and financial knowledge collectively explain 73.8% of the variance in financial behavior. These results demonstrate moderate to strong explanatory power.

Predictive Relevance (Q^2)

The predictive relevance results are presented in Table 5.16.

Table 13. Q-Square Results.

Variable	R Square	Adjusted R Square
Financial Knowledge	0.613	0.605
Financial Behavior	0.738	0.729

The Q^2 value of 0.899 indicates a high level of predictive relevance. This finding suggests that approximately 89.9% of the observed information can be explained by the proposed research model, while the remaining 10.1% is attributable to factors outside the model. Therefore, the structural model demonstrates strong predictive capability and overall goodness of fit.

Hypothesis Testing

Hypothesis testing in this study was conducted to examine both the direct and indirect effects among lifestyle, financial literacy, financial knowledge, and financial behavior. The analysis was performed using the bootstrapping procedure in SmartPLS 3.0. The structural model and the relationships among variables are illustrated in Figure 1.

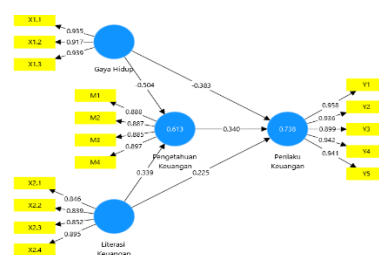


Figure 1. Path Diagram of Relationships Among Variables.

Based on the SmartPLS 3.0 estimation results presented in Figure 5.2, the direct effects among the study variables were evaluated using path coefficients, t-statistics, and p-values. The results of the direct effect analysis are summarized in Table 14.

Table 14. Direct Effects of Lifestyle, Financial Literacy, and Financial Knowledge on Financial Behavior.

Relationship	Original Sample (O)	T Statistics	P Values	Remark
Lifestyle → Financial Behavior	-0.383	4.260	0.000	Hypothesis Supported
Financial Literacy → Financial Behavior	0.225	3.149	0.002	Hypothesis Supported
Lifestyle → Financial Knowledge	-0.504	4.667	0.000	Hypothesis Supported
Financial Literacy → Financial Knowledge	0.339	3.049	0.003	Hypothesis Supported

Financial Knowledge → Financial Behavior	0.340	3.839	0.000	Hypothesis Supported
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Based on the results presented in Table 5.17, all proposed hypotheses were supported. Lifestyle was found to have a negative and significant effect on financial behavior ($\beta = -0.383$, $t = 4.260$, $p = 0.000 < 0.05$), indicating that a more consumptive lifestyle tends to reduce positive financial behavior. Financial literacy, on the other hand, had a positive and significant effect on financial behavior ($\beta = 0.225$, $t = 3.149$, $p = 0.002 < 0.05$), suggesting that individuals with higher financial literacy demonstrate better financial behavior. Lifestyle also negatively and significantly influenced financial knowledge ($\beta = -0.504$, $t = 4.667$, $p = 0.000 < 0.05$), whereas financial literacy positively and significantly affected financial knowledge ($\beta = 0.339$, $t = 3.049$, $p = 0.003 < 0.05$). Furthermore, financial knowledge was found to have a positive and significant effect on financial behavior ($\beta = 0.340$, $t = 3.839$, $p = 0.000 < 0.05$), indicating that individuals with greater financial knowledge are more likely to exhibit responsible financial behavior. Overall, these findings confirm that lifestyle and financial literacy directly influence financial behavior, both independently and through their effects on financial knowledge. The indirect effects were further examined using the total indirect effect analysis, as presented in Table 15.

Table 15. Total Indirect Effects Results.

Relationship	Original Sample (O)	T Statistics	P Values	Remark
Lifestyle → Financial Knowledge → Financial Behavior	-0.171	2.620	0.010	Partial Mediation
Financial Literacy → Financial Knowledge → Financial Behavior	0.115	2.800	0.006	Partial Mediation

The indirect effect results presented in Table 5.18 can be summarized as follows: Lifestyle → Financial Knowledge → Financial Behavior; Lifestyle has a negative and significant indirect effect on financial behavior through financial knowledge ($\beta = -0.171$, $t = 2.620$, $p = 0.010 < 0.05$). Therefore, H6 is supported, indicating that financial knowledge partially mediates the relationship between lifestyle and financial behavior. Financial Literacy → Financial Knowledge → Financial Behavior. Financial literacy has a positive and significant indirect effect on financial behavior through financial knowledge ($\beta = 0.115$, $t = 2.800$, $p = 0.006 < 0.05$). Thus, H7 is supported, indicating that financial knowledge partially mediates the relationship between financial literacy and financial behavior.

Discussion

The Effect of Lifestyle on Financial Behavior

The results indicate that lifestyle has a negative and significant effect on the financial behavior of Poldabali employees. This finding suggests that employees with a higher lifestyle orientation tend to demonstrate lower levels of financial responsibility. According to Laksono and Iskandar (2021), lifestyle reflects an individual's attitudes, interests, and opinions, which influence consumption patterns and spending behavior. Employees who prioritize prestige, trends, and non-essential expenditures are more likely to allocate resources toward immediate satisfaction rather than long-term financial goals, thereby weakening prudent financial behavior. This finding supports the Theory of Planned Behavior (TPB), which explains that individual preferences and attitudes influence behavioral outcomes. A highly consumptive lifestyle may reduce an individual's ability to budget, save, and control expenditures effectively. The result is consistent with previous studies by (Bado et al., 2023; Widiyanti et al., 2022), which found that lifestyle negatively and significantly affects financial behavior.

The Effect of Financial Literacy on Financial Behavior

The findings reveal that financial literacy has a positive and significant effect on the financial behavior of Poldabali employees. This indicates that employees with higher financial literacy tend to exhibit better financial management practices. (Kurniawan, 2023) defines financial literacy as the ability to utilize financial knowledge and skills effectively to achieve lifelong financial well-being. Individuals with strong financial literacy are generally

more capable of budgeting, controlling expenditures, saving regularly, and making informed financial decisions. From the perspective of TPB, financial literacy enhances individuals' confidence and capability to manage financial matters effectively, leading to more rational and responsible financial behavior. The findings support previous studies conducted by (Indriaswari et al., 2022; Tehran et al., 2025; Wann, 2016), which demonstrated that financial literacy positively and significantly influences financial behavior.

The Effect of Lifestyle on Financial Knowledge

The results show that lifestyle has a negative and significant effect on financial knowledge among Polda Bali employees. This finding implies that a higher consumptive lifestyle tends to reduce individuals' willingness to acquire and improve financial knowledge. According to (Kotler, 2021), lifestyle reflects a person's activities, interests, and opinions. Individuals who focus excessively on consumption and short-term satisfaction may devote less attention to learning about budgeting, saving, investment, and other financial concepts.

TPB suggests that behavioral orientations influence the motivation to seek and process information. Employees with a highly consumptive lifestyle are less likely to prioritize financial learning, resulting in lower levels of financial knowledge. This finding is in line with studies conducted by (Apriani et al., 2023; Widyakto et al., 2022), which reported a negative and significant relationship between lifestyle and financial knowledge.

The Effect of Financial Literacy on Financial Knowledge

The study found that financial literacy positively and significantly affects financial knowledge among Polda Bali employees. This result indicates that employees with higher levels of financial literacy possess broader and deeper financial understanding. According to (Yunita, 2023), financial literacy represents an individual's intelligence and ability to manage financial resources. Individuals with strong financial literacy are more likely to understand budgeting, debt management, savings, investment, and financial risk management.

According to TPB, individuals with greater financial literacy are more capable of understanding and processing financial information, which contributes to enhanced financial knowledge. The findings are consistent with those of (Bathia & Dey, 2022; Fatmawati & Fahriani, 2023; Indriaswari et al., 2022; Xu & Jiang, 2024), who found that financial literacy positively and significantly influences financial knowledge.

The Effect of Financial Knowledge on Financial Behavior

The results demonstrate that financial knowledge has a positive and significant effect on the financial behavior of Polda Bali employees. This finding suggests that individuals with greater financial knowledge tend to manage their finances more effectively. According to Lusardi and Mitchell (2023), financial knowledge refers to an individual's understanding of financial concepts and principles that support sound financial decision-making. Employees with adequate financial knowledge are more capable of budgeting, saving, managing debt, and planning for future financial needs. TPB explains that knowledge influences attitudes and behavioral intentions, which subsequently shape actual behavior. Individuals who understand financial concepts are more likely to make rational and responsible financial decisions. This result supports the findings of (Frees et al., 2024; Prayuda & Purwanto, 2024; Yeo et al., 2024), who reported that financial knowledge positively affects financial behavior.

The Effect of Lifestyle on Financial Behavior Through Financial Knowledge

The findings indicate that lifestyle has a negative and significant indirect effect on financial behavior through financial knowledge. This result suggests that financial knowledge partially mediates the relationship between lifestyle and financial behavior. Employees with highly consumptive lifestyles tend to possess lower financial knowledge, which subsequently reduces their ability to manage financial resources effectively. According to (Sunarto, 2022), lifestyle reflects how individuals allocate their time and financial resources in daily life.

From the TPB perspective, a consumptive lifestyle may reduce the motivation to acquire financial knowledge, thereby indirectly influencing financial behavior. However, adequate financial knowledge can mitigate the adverse effects of an excessive lifestyle by improving individuals' ability to make informed financial decisions. This finding is consistent with studies conducted by (Mahendra & Pristiana, 2023; Nazah et al., 2022), which confirmed the mediating role of financial knowledge in the relationship between lifestyle and financial behavior.

The Effect of Financial Literacy on Financial Behavior Through Financial Knowledge

The results reveal that financial literacy has a positive and significant indirect effect on financial behavior through financial knowledge. This finding indicates that financial knowledge partially mediates the relationship between financial literacy and financial behavior. Employees with higher levels of financial literacy tend to acquire greater financial knowledge, which subsequently improves their financial management practices. According to (Fauziah, 2020), financial literacy encompasses both financial knowledge and the skills required to manage personal finances effectively.

TPB suggests that financial literacy strengthens individuals' ability to understand financial information and develop positive financial attitudes, while financial knowledge translates this understanding into actual behavior. Consequently, employees with strong financial literacy and financial knowledge are more likely to demonstrate responsible financial behavior. This result supports previous findings by (Mahmood et al., 2024; Mutlu & Ozer, 2022), which confirmed that financial knowledge mediates the effect of financial literacy on financial behavior.

5. Conclusion

This study examined the effects of lifestyle and financial literacy on financial behavior, with financial knowledge serving as a mediating variable among employees of the Bali Regional Police (Polda Bali). The findings revealed that lifestyle has a negative and significant effect on both financial behavior and financial knowledge, whereas financial literacy has a positive and significant effect on financial behavior and financial knowledge. Furthermore, financial knowledge was found to positively and significantly influence financial behavior. The mediation analysis also confirmed that financial knowledge partially mediates the relationship between lifestyle and financial behavior, as well as the relationship between financial literacy and financial behavior. These findings support all proposed hypotheses and demonstrate that financial behavior is shaped not only by individual lifestyle and financial literacy but also by the level of financial knowledge possessed by employees.

The results contribute to the financial behavior literature by providing empirical evidence regarding the direct and indirect relationships among lifestyle, financial literacy, financial knowledge, and financial behavior in the context of public-sector employees. Practically, the findings suggest the importance of improving financial literacy and financial knowledge through financial education programs to encourage more responsible financial behavior. Nevertheless, this study has several limitations. First, the cross-sectional design limits the ability to capture changes in financial behavior over time. Second, the study was conducted only among employees of Polda Bali, which may limit the generalizability of the findings to broader populations. Third, although the model explained 73.8% of the variance in financial behavior, the remaining 26.2% may be influenced by other factors not included in this study, such as income, self-control, financial attitudes, social environment, and psychological characteristics. Therefore, future studies are encouraged to incorporate additional variables and examine more diverse populations to provide a more comprehensive understanding of financial behavior.

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