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Financial Well-Being among Culinary MSMEs: The Mediating Role of Personal Financial Management between Islamic Financial Literacy and Locus of Control

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Abstract

This study addresses a critical yet under-researched gap in understanding how Islamic values and psychological traits shape entrepreneurs' financial outcomes in the modern economic era. The distinct originality and novelty of this study lie in its theoretical integration of the Theory of Planned Behavior to concurrently examine Islamic financial literacy and locus of control, explicitly positioning personal financial management as an indispensable structural mediating mechanism. This study examines the mediating role of Personal Financial Management in the relationship between Islamic Financial Literacy and Locus of Control on Financial Well-Being. Using a quantitative approach, the study collected data through structured questionnaires from 120 entrepreneurs and analyzed them using Structural Equation Modeling. The findings show that both Islamic Financial Literacy and Locus of Control positively and significantly affect Personal Financial Management and Financial Well-Being. Notably, Personal Financial Management exerts the strongest direct influence on Financial Well-Being. Importantly, mediation analysis demonstrates that Personal Financial Management successfully mediates the pathways from both financial literacy and internal control toward higher financial well-being. It is concluded that financial knowledge and self-control alone are insufficient to ensure welfare unless they translate into practical financial management behavior. Theoretically, this study extends behavioral finance literature by confirming management behavior as a vital mechanism. Practically, it provides actionable insights for policymakers to design tailored financial education and personal financial management programs rooted in Islamic principles to bolster entrepreneurial resilience.

Keywords : Islamic financial literacy; locus of control; personal financial management; financial well-being; entrepreneurs; mediation effect

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INTRODUCTION

Financial well-being has become one of the most important issues in modern financial and economic studies because it is closely related to an individual's ability to meet daily needs, manage financial risks, and achieve long-term prosperity. Financial well-being reflects not only an individual's objective financial condition but also subjective perceptions of financial security, comfort, and satisfaction with one's financial circumstances (Brüggen et al., 2017). In the context of entrepreneurs, business sustainability is highly dependent on the entrepreneur's ability to manage both personal and business finances effectively. Poor financial management often leads to financial vulnerability, whereas sound financial decisions significantly drive financial well-being, particularly for micro, small, and medium enterprises (MSMEs) operating in highly dynamic industries such as the food and beverage sector (Bai, 2023; Choowan et al., 2025). The rationale for specifically selecting culinary MSMEs is grounded in their massive contribution to the national economy; according to data from the Indonesian Central Bureau of Statistics (BPS) and the Ministry of Tourism and Creative Economy, the culinary subsector contributes the largest share, approximately 41% to Indonesia's creative economy GDP, making the financial resilience of these specific entrepreneurs a critical pillar for national economic stability (Badan Pusat Statistik, 2024; BPS Kudus, 2024; Mulyono & Rolando, 2024; Riyanti et al., 2026).

In Indonesia, financial well-being remains a significant challenge despite increasing financial inclusion. The rapid expansion of financial service accessibility has not been fully matched by adequate financial literacy and sound financial management practices in society (Goyal et al., 2021). This condition becomes increasingly relevant within the context of Islamic finance, considering that Indonesia has the largest Muslim population in the world. Islamic financial products continue to expand significantly, driven by strategic national blueprints such as the Masterplan of Indonesian Islamic Economy (MEKSI) and the active role of the National Committee for Islamic Economy and Finance (KNEKS), which aim to strengthen the halal value chain, creating broader opportunities for entrepreneurs to utilize Sharia-compliant financial services (Komite Nasional Ekonomi dan Keuangan Syariah, 2025; Rizqi et al., 2024). The integration of Islamic values in financial behavior has been

recognized as a pivotal factor in fostering financial management behavior and well-being among Indonesian Muslims (Wijaya et al., 2024).

However, Islamic financial literacy in Indonesia still requires substantial improvement. According to the National Survey of Financial Literacy and Inclusion, Islamic financial literacy remains significantly lower than conventional financial literacy (Otoritas Jasa Keuangan (OJK), 2024). Many entrepreneurs still lack sufficient understanding regarding Islamic financial principles such as halal investment, debt management based on Sharia principles, and avoidance of riba (usury). Limited Islamic financial literacy often results in poor financial decision-making (Mansor et al., 2022). Previous research highlights that Islamic financial literacy is a fundamental cognitive element that actively shapes responsible financial management behavior (Annisa & Indrarini, 2025).

Another phenomenon frequently found among entrepreneurs is the weak implementation of personal financial management practices. Many MSME actors still lack systematic financial planning, often mix business revenues with daily personal expenses, and rarely keep proper financial records (Setiyani & Solichatun, 2022). These practices create financial instability and reduce the entrepreneur's capability to survive during economic uncertainty. Effective personal financial management is essential because it translates abstract financial knowledge into action, including budgeting, saving, and controlling expenditures (Hasan et al., 2025; Khoirunnisa & Rochmawati, 2021).

Besides financial literacy, psychological factors also contribute significantly to financial behavior. One of the most influential psychological factors is locus of control, which refers to an individual's belief regarding the extent to which they can control events affecting their lives (Alshebami & Seraj, 2022). Individuals with a strong internal locus of control tend to believe that their success and financial conditions are determined by their own efforts and decisions. Consequently, they are more responsible, disciplined, and proactive in managing their finances and making sound financial decisions (Baptista, 2021; Pahlevi & Gusniarti, 2024).

Regarding what has been established in previous studies, existing literature largely confirms that cognitive factors (such as general and Islamic financial literacy) and psychological traits (such as locus of

control) independently influence financial behavior and ultimate financial well-being (Choowan et al., 2025; Goyal et al., 2021; Wijaya et al., 2024). However, the structural mechanism by which these cognitive and psychological antecedents interact to achieve this well-being remains unresolved. Many previous studies positioned locus of control merely as a mediating or moderating variable (Annisa & Indrarini, 2025) or treated personal financial management simply as a final behavioral outcome. This study argues that Personal Financial Management must function as a vital mediating mechanism, rather than merely a direct behavioral outcome. Abstract financial knowledge and internal psychological confidence cannot protect an MSME from liquidity constraints unless they are systematically operationalized into concrete resource allocation, such as separating personal and business accounts, daily budgeting, and strict financial recording.

To address this gap, this study integrates Islamic financial literacy and locus of control as concurrent independent predictors, positioning personal financial management as the primary structural bridge to financial well-being. Specifically, this research aims to analyze the direct effects of Islamic Financial Literacy and Locus of Control on Personal Financial Management and Financial Well-Being, and to determine the mediating effect of Personal Financial Management using Structural Equation Modeling with SmartPLS. Theoretically, this study contributes to the behavioral finance literature by identifying Personal Financial Management as an important mediating mechanism. Practically, this study provides insights for policymakers and financial institutions to develop targeted Sharia-based financial education programs for MSME entrepreneurs. Ultimately, this research's novelty lies in its comprehensive structural modeling, which shows that financial management practices are the indispensable mechanisms that translate theoretical Sharia economic ethics and internal psychological control into tangible financial well-being for culinary MSME entrepreneurs.

LITERATUR REVIEW

Theory of Planned Behavior (TPB)

The Theory of Planned Behavior (TPB), introduced by Ajzen (1985) as an extension of the Theory of Reasoned Action (TRA), serves as the

grand theory for this study. While TRA emphasizes that behavioral intention is driven by attitudes and subjective norms, TPB introduces Perceived Behavioral Control (PBC) to account for an individual's perceived ability to perform a specific behavior. Within the context of financial behavior, PBC aligns closely with the concept of locus of control, reflecting an individual's belief in their capacity to manage financial outcomes (Hasan et al., 2025). Furthermore, an individual's attitude toward financial behavior is strongly shaped by their cognitive understanding, which in this study is represented by Islamic financial literacy. TPB provides a robust theoretical framework for explaining how cognitive knowledge and psychological control (intentions and perceptions) translate into behavior, such as personal financial management, which ultimately shapes financial well-being.

Financial Well-Being

Historically, the conceptual foundation of economic welfare and well-being traces back to classical literature, such as Adam Smith's The Wealth of Nations, which emphasizes the prudent management of resources for individual and societal prosperity, and George Katona's Psychological Analysis of Economic Behavior (1951), which pioneered the integration of objective financial conditions with subjective psychological satisfaction. Building on these foundational perspectives, modern definitions have become more comprehensive. According to a foundational report by the Consumer Financial Protection Bureau (CFPB) (2015), financial well-being is defined as a state in which an individual can fully meet current and ongoing financial obligations, feel secure about their financial future, and make choices that allow them to enjoy life. Furthermore, it is not merely associated with absolute income levels but is also closely linked to subjective financial satisfaction, security, and the ability to reduce financial stress (Brüggen et al., 2017). Recent studies argue that financial well-being has become a critical indicator of overall welfare, particularly for micro, small, and medium enterprise (MSME) entrepreneurs who frequently confront uncertain cash flows and business risks (Bai, 2023; Choowan et al., 2025). This is especially pertinent for those operating in the highly dynamic food and beverage sector, where daily transactions and rapid inventory turnover require rigorous financial monitoring. Entrepreneurs with higher financial well-being demonstrate

stronger resilience in maintaining business sustainability and achieving long-term objectives. Contemporary literature emphasizes that achieving this state requires a synergistic combination of financial literacy, psychological self-control, and disciplined financial management practices (Setiyani & Solichatun, 2022).

Islamic Financial Literacy and Personal Financial Management

Islamic financial literacy is defined as an individual's cognitive ability to understand and apply Islamic financial principles, such as halal investment, Sharia-compliant banking, zakat, and avoiding riba, in daily economic activities (Sabri et al., 2022). The rapid expansion of the Islamic financial industry necessitates a parallel improvement in financial literacy, particularly in Muslim-majority demographics like Indonesia. While general financial literacy provides basic financial mechanics, Islamic financial literacy instills ethical and normative boundaries that actively shape behavior. This specific knowledge provides fundamental guidance that encourages individuals to plan, allocate, and control their financial resources strictly according to Sharia principles. Recent empirical evidence consistently shows that a strong understanding of Islamic financial concepts significantly improves responsible financial management behavior (Annisa & Indrarini, 2025). Specifically, Wijaya et al. (2024) provide direct empirical evidence that Islamic financial literacy positively and significantly influences financial management behavior among 1,141 Muslims in Indonesia, encouraging them to budget systematically and avoid excessive debt. This finding is fundamentally supported by broader empirical evidence on financial literacy. Rani (2023) demonstrates through a meta-analysis that financial literacy is robustly associated with positive personal financial management. Similarly, Helmalia et al. (2025) find that individuals with greater financial knowledge are significantly more likely to engage in proactive financial planning behaviors. Shi et al. (2025) further emphasize that financial literacy and financial behavior act as core components of optimal personal financial management. Collectively, these findings indicate that financial knowledge empowers individuals to seamlessly translate their understanding of financial concepts into systematic financial practices. Therefore, entrepreneurs equipped with high Islamic financial literacy are structurally more likely to implement effective and disciplined personal financial management.

H1: Islamic Financial Literacy positively influences Personal Financial Management.

Locus of Control and Personal Financial Management

Locus of control is a psychological construct describing an individual's inherent belief regarding the extent to which life outcomes are governed by personal effort (internal locus) versus external factors such as luck or fate (external locus) (Alshebami & Seraj, 2022). In behavioral finance, an internal locus of control is a critical determinant of financial discipline. Individuals who believe that their financial success depends on their own proactive decisions are statistically more responsible in budgeting, saving, and financial planning activities. Several contemporary studies confirm that a strong internal locus of control directly and significantly cultivates rigorous personal financial management behavior, transforming passive financial attitudes into active managerial actions (Baptista, 2021; Pahlevi & Gusniarti, 2024)

H2: Locus of Control positively influences Personal Financial Management.

Personal Financial Management and Financial Well-Being

Personal financial management encompasses the operational processes of planning, organizing, controlling, and monitoring financial resources to achieve specific goals. This includes budgeting, saving, debt mitigation, and expenditure control (Khoirunnisa & Rochmawati, 2021). Effective personal financial management is the practical vehicle that enables MSME entrepreneurs to navigate overlapping personal and business financial responsibilities, maintain stability, and avoid insolvency, particularly in fast-paced industries like food and beverage where daily liquidity is crucial. Extensive empirical literature indicates that financial management behaviors play a pivotal role in shaping an individual's financial well-being. Dare et al. (2023) found that positive financial behaviors were associated with subjective financial well-being and demonstrated that financial self-efficacy contributed to financial well-being through these behaviors.

Similarly, Wijaya et al. (2024) confirmed that financial management behavior was significantly associated with financial well-being among Indonesian Muslims. Recent evidence also shows that financial behavior

and financial skills are fundamental factors in explaining differences in financial well-being across individuals and generations (Fan & Henager, 2025). Ardiansyah et al. (2024) further demonstrated that personal financial behavior plays a critical role in mitigating financial stress and bridging financial literacy to well-being. Collectively, these disciplined personal financial management practices directly alleviate financial vulnerability and exponentially increase long-term financial well-being (Hasan et al., 2025; Maulidiana & Purnamasari, 2025). These findings strongly suggest that individuals who manage their financial resources systematically are more likely to maintain financial stability and achieve better financial well-being.

H3: Personal Financial Management positively influences Financial Well-Being.

The Direct Effects on Financial Well-Being

Beyond behavioral implementation, cognitive and psychological traits also directly influence financial well-being. Islamic financial literacy empowers individuals to make informed, ethical, and effective financial decisions, directly enhancing their sense of financial security and satisfaction (Rahim et al., 2022; Wijaya et al., 2024). At the same time, locus of control shapes how individuals perceive accountability for their financial circumstances. Entrepreneurs with an internal locus of control show greater resilience and psychological comfort when managing financial challenges, which directly translates into improved subjective financial well-being (Alshebami, 2023; Choowan et al., 2025).

H4: Islamic Financial Literacy positively influences Financial Well-Being.

H5: Locus of Control positively influences Financial Well-Being.

The Mediating Role of Personal Financial Management

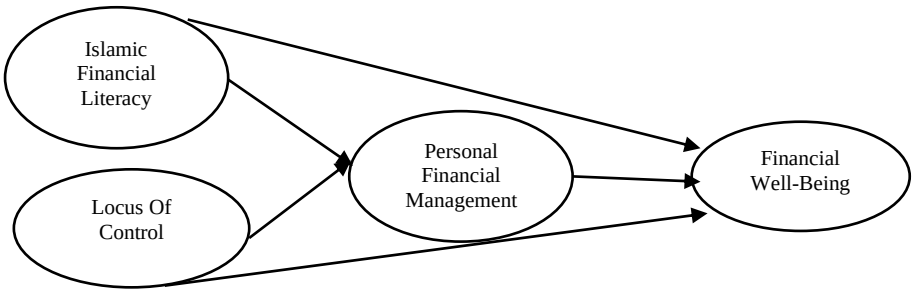
A critical synthesis of the literature suggests that knowledge and psychological traits may not be sufficient to achieve financial well-being unless they translate into concrete behavior. Personal financial management serves as the vital mediating mechanism that bridges cognitive understanding and psychological control with ultimate financial welfare. While previous studies have primarily positioned locus of control or financial attitude as mediators (Pricilla et al., 2024; Resti & Rohayati,

2025), recent scholarly debates argue that actual management behavior is the most robust structural bridge. Individuals with high Islamic financial literacy and a strong internal locus of control will demonstrate stronger financial management behavior, which in turn supports their financial well-being (Dermawan, 2025; Maulidiana & Purnamasari, 2025). This study integrates these fragmented relationships into a comprehensive structural model.

H6: Personal Financial Management mediates the relationship between Islamic Financial Literacy and Financial Well-Being.

H7: Personal Financial Management mediates the relationship between Locus of Control and Financial Well-Being.

Research Framework



Source: Relevant Previous Research, 2026

RESEARCH METHOD

Research Design

The primary aim of this research is to analyze the mediating role of Personal Financial Management in the relationship between Islamic Financial Literacy and Locus of Control toward Financial Well-Being. To achieve this objective, this study used a quantitative approach with an explanatory research design. This method is highly appropriate because it allows researchers to objectively test predetermined hypotheses, estimate variable relationships, and analyze complex causal mechanisms through rigorous statistical procedures.

Participants/Sample Selection and Data Sources

The population of this study consisted of micro, small, and medium enterprise (MSME) entrepreneurs, specifically operating within the fast-

paced food and beverage sector in Indonesia. The primary data source came directly from participants through field surveys. The sampling technique utilized was purposive sampling, ensuring that respondents were selected based on specific theoretical characteristics relevant to the research context. The inclusion criteria required that respondents be active business owners, have operated their business for at least one year, and have hands-on experience in managing both personal and business finances independently. Based on these criteria, 120 entrepreneurs were selected as research respondents. This sample size is justified based on the statistical recommendations for PLS-SEM by Hair and Alamer (2022) and Kuncoro et al. (2024) who state that for a structural model with a maximum of three predictors directed at a construct, a minimum sample size of 74 is required to achieve 80% statistical power. Therefore, a sample of 120 respondents is highly adequate and statistically powerful for predictive structural equation modeling analysis.

Instrumentation/Data Collection

The data collection procedure used a structured, self-administered questionnaire distributed both offline via direct field visits to MSMEs and online through Google Forms to reach a wider geographic spread of culinary entrepreneurs. Before participation, strict ethical considerations were upheld; all respondents provided informed consent and were assured that their identities, business data, and financial information would be kept confidential and used solely for academic research. The instrument measured four primary variables: Islamic Financial Literacy, Locus of Control, Personal Financial Management, and Financial Well-Being. The items in the questionnaire were adapted from established measurement scales in the behavioral finance literature and modified to fit the specific context of MSME entrepreneurs. The specific sources for each measurement instrument are presented in Table 1. All variables were measured using a standard five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), allowing respondents to systematically express the intensity of their financial knowledge, psychological beliefs, and management behaviors.

Table 1. Measurement Instruments Source

Construct	Adapted From
Islamic Financial Literacy	Kevser and Doğan, (2021); Lusardi and Mitchell, (2023)
Locus of Control	Bruwer and Coetzee, (2016); Maciel and Camargo, (2010)
Personal Financial Management	Dew and Xiao, (2011)
Financial Well-Being	Consumer Financial Protection Bureau, (2015)

Source: Authors' adaptation from previous studies.

Data Analysis/Estimating Model/Variable Measurement

The procedural data analysis used Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS. This variance-based estimating model was chosen for its robust ability to handle complex mediation frameworks and predict theoretical pathways without requiring strict data normality assumptions (Kuncoro et al., 2024). The evaluation process consisted of two steps. First, the measurement model (outer model) was evaluated to ensure instrument validity and reliability. Convergent validity was assessed using outer loadings and Average Variance Extracted (AVE).

In contrast, discriminant validity was evaluated using both the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT), aligning with current SEM-PLS best practices (Henseler et al., 2015). Instrument reliability was confirmed through Cronbach's alpha and Composite Reliability scores. Second, the structural model (inner model) was analyzed to test the proposed hypotheses. The significance of direct effects and the specific mediating effect of Personal Financial Management were determined by examining the path coefficients and p-values generated through the bootstrapping resampling procedure in SmartPLS.

RESULTS AND DISCUSSION

Respondents' Profile

This study involved 120 entrepreneurs as respondents. The sample included micro, small, and medium-sized enterprise (MSME) owners operating across sectors, predominantly in the food and beverage (culinary) industry, as well as trade, services, fashion, and digital

businesses. Demographic analysis showed that most respondents were male entrepreneurs (58%), while female entrepreneurs accounted for 42%. Based on age distribution, most respondents were between 25 and 40 years old, indicating that productive-age entrepreneurs dominated the sample. In terms of educational background, most respondents held undergraduate degrees, while the rest had diploma and senior high school education. Regarding business experience, most respondents had operated their businesses for 3 to 7 years, indicating that they had sufficient practical experience in managing both business and personal finances.

Convergent Validity

Convergent validity was evaluated using outer loadings and the Average Variance Extracted (AVE). The initial assessment showed that all indicator loadings exceeded the recommended threshold of 0.70, indicating that all indicators were valid measures their respective constructs. Furthermore, all AVE values exceeded the minimum threshold of 0.50, demonstrating adequate convergent validity as presented in Table 1.

Table 2. Average Variance Extracted

Variable	AVE
Islamic Financial Literacy	0.721
Locus of Control	0.703
Personal Financial Management	0.748
Financial Well-Being	0.766

Source: processed primary data, 2026

As shown in Table 1, the AVE results indicate that all constructs in this study exceeded the recommended threshold of 0.50. Specifically, Islamic Financial Literacy obtained an AVE value of 0.721, Locus of Control 0.703, Personal Financial Management 0.748, and Financial Well-Being 0.766. These findings show that each construct has adequate convergent validity because the indicators explain more than 50% of the variance in their respective latent variables. The measurement indicators used in this study are sufficiently representative in capturing the underlying constructs, confirming that the research instrument met the validity requirements for SEM-PLS analysis.

Reliability Test

Construct reliability was assessed utilizing Cronbach's Alpha and Composite Reliability (CR). The structural evaluation indicated that all constructs achieved Cronbach's Alpha and Composite Reliability values above 0.70, confirming highly satisfactory reliability as detailed in Table 2.

Table 3. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability
Islamic Financial Literacy	0.901	0.924
Locus of Control	0.887	0.914
Personal Financial Management	0.913	0.936
Financial Well-Being	0.918	0.942

Source: processed primary data, 2026

The reliability test results in Table 2 show that all constructs successfully surpassed the recommended threshold of 0.70. Islamic Financial Literacy recorded a Cronbach's Alpha value of 0.901 and a Composite Reliability of 0.924. Personal Financial Management showed reliability values of 0.913 and 0.936, while Financial Well-Being achieved the highest values, with 0.918 for Cronbach's Alpha and 0.942 for Composite Reliability. These findings confirm that all constructs consistently measured the intended variables and showed excellent internal consistency.

Discriminant Validity

Discriminant validity was rigorously evaluated using the Fornell-Larcker Criterion. This criterion requires that the square root of the AVE for each construct must be greater than its highest correlation with any other construct in the model. The results of this evaluation are presented in Table 3.

Table 4. Fornell-Larcker Criterion

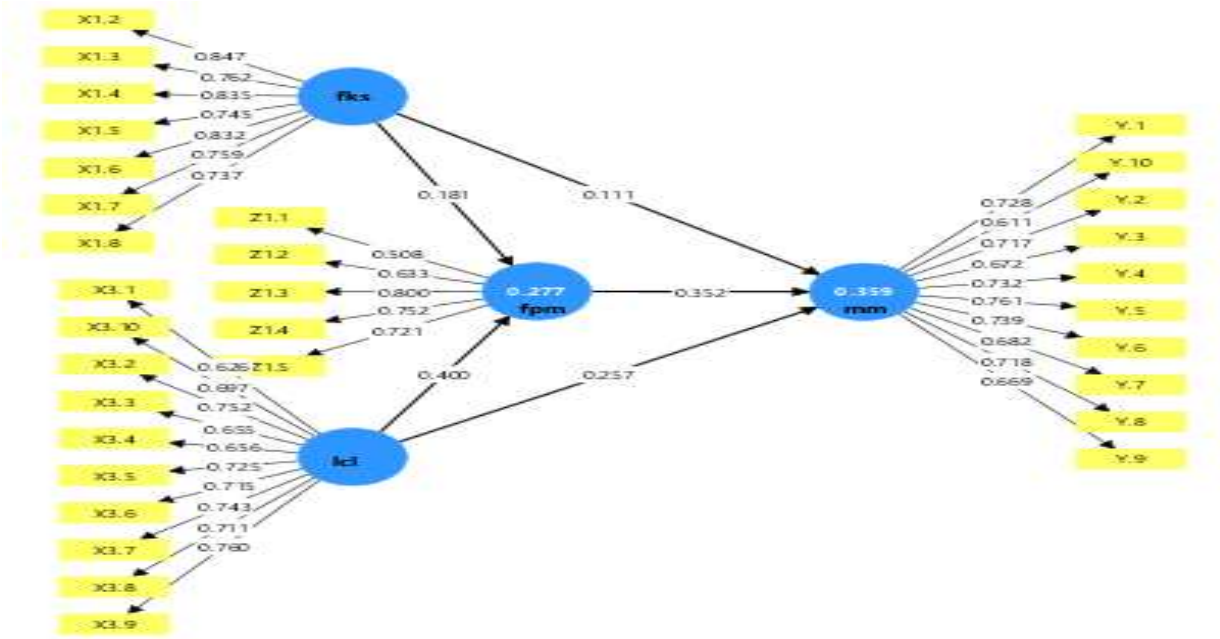
Variable	IFL	LOC	PFM	FWB
Islamic Financial Literacy (IFL)	0.849			
Locus of Control (LOC)	0.624	0.838		
Personal Financial Management (PFM)	0.711	0.693	0.865	
Financial Well-Being (FWB)	0.675	0.658	0.781	0.875

Source: processed primary data, 2026

The discriminant validity assessment demonstrates that the square root of the AVE for each construct (highlighted diagonally in Table 3) is greater than the correlations between constructs. For instance, Islamic Financial Literacy achieved a square root AVE value of 0.849, which is higher than its correlations with other variables. Therefore, the results empirically confirm that each construct is distinct from the others, establishing robust discriminant validity.

Structural Model Evaluation (Inner Model)

Figure 1: Schematic Diagram of the Study (SmartPLS Output)



Coefficient of Determination (R^2)

Before testing the hypotheses, the coefficient of determination (R^2) was evaluated to measure the predictive accuracy of the endogenous variables within the structural model. The results are presented in Table 4.

Table 5. R-Square Results

Variable	R^2
Personal Financial Management	0.612
Financial Well-Being	0.684

Source: processed primary data, 2026

The R^2 results indicate that the structural model possesses substantial predictive power. The R^2 value of 0.612 demonstrates that Islamic Financial Literacy and Locus of Control collectively explain 61.2% of the variance in Personal Financial Management. Furthermore, the R^2 value of 0.684 indicates that Islamic Financial Literacy, Locus of Control, and Personal Financial Management collectively explain 68.4% of the variance in Financial Well-Being. According to PLS-SEM evaluation criteria, these R^2 values are moderate to substantial, indicating strong explanatory power.

Hypothesis Testing (Path Coefficients)

Hypothesis testing was conducted by assessing the significance of the path coefficients through the bootstrapping procedure in SmartPLS. A hypothesis is supported if the T-statistic exceeds 1.96 and the p-value is less than 0.05. The results are summarized in Table 5.

Table 6. Path Coefficients and Hypothesis Testing

Hypothesis	Relationship	Path Coefficient	t-Statistics	P-Values	Result
H1	Islamic Financial Literacy → Personal Financial Management	0.432	5.871	0.000	Supported
H2	Locus of Control → Personal Financial Management	0.401	5.223	0.000	Supported
H3	Islamic Financial	0.248	2.917	0.004	Supported

Hypothesis	Relationship	Path Coefficient	t-Statistics	P-Values	Result
	Literacy → Financial Well-Being				
H4	Locus of Control → Financial Well-Being	0.219	2.561	0.011	Supported
H5	Personal Financial Management → Financial Well-Being	0.467	6.334	0.000	Supported
H6	Islamic Financial Literacy → Personal Financial Management → Financial Well-Being	0.202	4.418	0.000	Supported
H7	Locus of Control → Personal Financial Management → Financial Well-Being	0.187	4.027	0.000	Supported

Source: processed primary data, 2026

Based on the statistical analysis in Table 5, the findings answer the predetermined hypotheses as follows:

First, H1 proposed that Islamic Financial Literacy influences Personal Financial Management. The results show a coefficient of 0.432, a T-statistic of 5.871 (> 1.96), and a p-value of 0.000 (< 0.05). Thus, H1 is strongly supported. This finding indicates that an increase in Islamic financial literacy significantly improves the actual financial management behavior of MSMEs in the food and beverage sector.

Second, H2 proposed that Locus of Control influences Personal Financial Management. The analysis reveals a coefficient of 0.401, a T-statistic of 5.223 (> 1.96), and a p-value of 0.000 (< 0.05), supporting H2. This confirms that individuals with stronger internal self-control execute more optimal and disciplined personal financial management.

Third, H3 proposed that Personal Financial Management influences Financial Well-Being. The results display a coefficient of 0.467, a T-statistic of 6.334 (> 1.96), and a p-value of 0.000 (< 0.05), thereby supporting H3. This finding shows that the quality of personal financial management plays a critical, direct role in enhancing entrepreneurs' financial well-being.

Fourth, regarding the direct effects on Financial Well-Being, both H4 (Islamic Financial Literacy → Financial Well-Being) and H5 (Locus of Control → Financial Well-Being) are supported. H4 obtained a T-statistic of 2.917 (p = 0.004), while H5 obtained a T-statistic of 2.561 (p = 0.011). This implies that both comprehensive Sharia financial knowledge and a strong internal locus of control directly determine financial well-being.

Finally, regarding the mediation mechanisms, both H6 and H7 are supported. The mediation pathway of Islamic Financial Literacy → Personal Financial Management → Financial Well-Being (H6) produced a T-statistic of 4.418 (p = 0.000). Similarly, the mediation pathway of Locus of Control → Personal Financial Management → Financial Well-Being (H7) yielded a T-statistic of 4.027 (p = 0.000). Because both the direct and indirect effects are significant, Personal Financial Management acts a partial mediator. This supports the view that the combination of cognitive literacy and psychological locus of control reaches its maximum potential in creating financial well-being when translated into practical financial management behavior.

Discussion

The primary objective of this study was to examine the structural mechanism determining the financial well-being of MSME entrepreneurs, specifically by integrating cognitive factors (Islamic financial literacy) and psychological traits (locus of control) with actual financial behavior (personal financial management). The empirical results demonstrate that all proposed hypotheses are fully supported. These findings confirm that achieving financial well-being in the highly dynamic MSME sector requires a synergistic combination of Sharia-compliant financial knowledge, internal psychological control, and rigorous financial management execution.

Cognitive and Psychological Drivers of Personal Financial Management

The findings reveal that both Islamic Financial Literacy and Locus of Control positively and significantly affect Personal Financial Management. By critically analyzing these findings through the lens of the Theory of Planned Behavior (TPB) by Ajzen, (2020), this study explains why these relationships occur rather than merely confirming previous research.

Within the TPB framework, Islamic financial literacy functions as the underlying "attitude toward the behavior." It influences financial management not merely through numeric or mechanical skills, but by instilling strict ethical values. Entrepreneurs with a deep understanding of Islamic financial concepts view financial management as a religious obligation: ensuring halal income, accurately calculating zakat, and strictly avoiding riba. These ethical boundaries create a powerful intrinsic motivation that forces them to manage their finances systematically, such as rigorously separating personal and business accounts to avoid unethical commingling.

Furthermore, locus of control acts as the critical "perceived behavioral control" within TPB. Knowing ethical financial boundaries is insufficient if an entrepreneur feels helpless in the face of market volatility. A strong internal locus of control strengthens this perceived behavioral control by providing the psychological conviction that business sustainability depends entirely on their own proactive decisions, rather than external luck. Consequently, this psychological self-efficacy bridges the intention-behavior gap, translating theoretical financial knowledge into disciplined daily budgeting and cash flow monitoring. Compared with international studies in Western contexts, which often find that general numeric literacy and income levels are the primary drivers of financial behavior (Asaari, 2024; Bai, 2023; Fauzah et al., 2026; Rahmayanti, 2023), this study demonstrates that in a Muslim-majority demographic like Indonesia, the integration of religious cognitive ethics and internal psychological control forms a far more powerful and unique antecedent for managerial discipline.

Determinants of Financial Well-Being

This study confirms that Islamic Financial Literacy, Locus of Control, and Personal Financial Management directly improve Financial Well-Being. Notably, the structural model reveals that Personal Financial Management exerts the strongest direct effect on Financial Well-Being. Theoretically, this occurs because abstract financial knowledge and psychological confidence cannot mathematically protect an MSME from liquidity constraints. Financial well-being in the highly volatile culinary sector requires concrete resource allocation. Rigorous personal financial

management, encompassing emergency saving, precise daily recording, and strict expenditure control, acts as a direct, tangible protective buffer against cash flow crises. Entrepreneurs who consistently maintain accurate financial records reduce financial stress, thereby supporting long-term security.

This interpretation critically explains the mechanism behind the systematic literature review by Suryadie and Lutfi (2023) and international meta-analytical findings by Choowan et al. (2025), Maulana et al. (2025), Megananda (2022), and Pande et al. (2024). Rather than merely stating that financial behavior correlates with welfare, this study confirms that actual financial management is the active engine that transforms passive financial knowledge into objective stability and subjective psychological comfort.

The Mediating Mechanism of Management Behavior

Importantly, the mediation analysis confirms that Personal Financial Management significantly mediates the pathways from Islamic Financial Literacy and Locus of Control toward Financial Well-Being. This finding answers the critical research question about the structural mechanism: cognitive knowledge and psychological self-control are insufficient to guarantee financial welfare unless they are translated into concrete daily management behavior. In the context of TPB, personal financial management is the actualized execution that converts positive attitudes (Islamic ethics) and perceived behavioral control (locus of control) into tangible welfare outcomes.

This finding extends previous behavioral finance models by Althnian (2021), Bai (2023), Bhovi et al. (2024), Markonah et al. (2023), Purboningrum and Fathoni (2023), and Sinaga et al. (2023) by confirming that personal financial management is the vital structural bridge. While previous researchers often positioned management behavior as a result, this study provides empirical evidence that it is the most robust structural bridge. By demonstrating this mediation and comparing it with international paradigms, this study suggests that interventions for MSME entrepreneurs should not only teach theoretical knowledge but also prioritize coaching the consistent behavioral implementation of daily financial practices.

CONCLUSION

This study examined the mediating role of Personal Financial Management in the relationship between Islamic Financial Literacy and Locus of Control toward Financial Well-Being among entrepreneurs, specifically within the food and beverage sector in Indonesia. Utilizing a quantitative explanatory research design, the study analyzed data from 120 entrepreneurs using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The findings empirically confirm that Islamic Financial Literacy and Locus of Control significantly determine Personal Financial Management, which in turn directly enhances Financial Well-Being. Furthermore, the results show that Personal Financial Management serves as a crucial structural bridge, partially mediating the effects of cognitive financial knowledge and psychological self-control on entrepreneurs' financial welfare. In essence, these findings highlight that financial knowledge and self-control are most effective in promoting well-being when translated into disciplined, daily financial management practices.

Despite these significant contributions, this study has several limitations. The research scope was limited to entrepreneurs in the food and beverage sector, which may limit the generalizability of the findings to other industries with different financial characteristics. Additionally, the study relied on cross-sectional survey data, which captures behavioral patterns at a single point in time and may not fully account for long-term fluctuations in financial well-being. Consequently, future research should use longitudinal studies to capture how financial management behavior evolves and expand the sample to include more diverse entrepreneurial sectors to improve cross-industry validity. Practically, it is recommended that policymakers and educational institutions prioritize financial empowerment programs that go beyond theoretical knowledge, focusing instead on coaching the actual implementation of financial management habits that align with Islamic ethical values.

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