



Determinants of Financial Well-being: The Role of Financial Capability and Internal Locus of Control

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Abstract

Financial well-being (FWB) is increasingly recognised as a key indicator of economic stability, particularly among micro-enterprise owners who operate under financial constraints. This study examines the effects of internal locus of control (ILOC) and financial capability (FC) on FWB, with specific attention to the moderating role of FC. Data were collected from 306 food and beverage micro-enterprise owners in Bogor, Indonesia, using structured questionnaires administered through face-to-face surveys. Structural equation modelling (SEM) was employed to test the proposed relationships. The findings indicate that both ILOC and FC have significant positive effects on FWB. Individuals who believe they can influence their financial outcomes tend to demonstrate better financial conditions, while those with higher financial capability are more effective in managing financial resources. In addition, FC was found to moderate the relationship between ILOC and FWB. However, the interaction effect shows a diminishing contribution of ILOC at higher levels of FC, suggesting that individuals with strong financial skills rely less on personal control beliefs in shaping financial outcomes. These results highlight the importance of combining psychological factors with practical financial skills in improving financial well-being. The study contributes to the literature by providing empirical evidence on the interaction between ILOC and FC in a micro-enterprise context. It also offers practical implications for policymakers and support institutions to design targeted financial education and capacity-building programmes for micro-entrepreneurs.

Keywords: Financial Capability, Financial Well-being, Internal Locus of Control, Micro-entrepreneurs, Moderating Effect.

Introduction

Financial well-being (FWB) has become an important indicator of economic security and individual stability, reflecting an individual's ability to manage daily financial obligations, cope with unexpected expenses and plan for future financial needs. In developing economies, limited access to formal financial services increases financial vulnerability, making financial capability (FC) essential for strengthening financial resilience through informed financial decision-making, effective resource management and long-term financial planning. These challenges are particularly evident among micro-enterprises, which operate with limited capital and resources and often depend on informal financial sources due to restricted access to formal banking services (1, 2). In Indonesia, micro-enterprises play a vital role in generating employment, reducing poverty and supporting economic growth, especially in rural

and semi-urban communities (3). Among them, food and beverage micro-enterprises represent an important segment of the economy because of their low barriers to entry and significant contribution to manufacturing output and national economic growth (4, 5). Recognising the strategic importance of this sector, the Indonesian government has identified food and beverage production as one of the priority industries under the Making Indonesia 4.0 initiative to enhance competitiveness through technological advancement (6). Despite this important economic contribution, food and beverage micro-enterprises continue to face numerous challenges, including difficulties in securing financing, limited access to formal business training and complex regulatory requirements (7, 8). These constraints may hinder entrepreneurs' ability to manage financial resources effectively, thereby compromising them

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financial well-being. Previous studies have highlighted the importance of financial capability (FC) and internal locus of control (ILoC) in improving entrepreneurs' financial well-being (FWB). Financial capability, which encompasses the knowledge, skills and behaviors required to manage financial resources effectively, has been associated with better financial behaviors, informed decision-making and improved financial outcomes among micro-enterprises (9). Entrepreneurs with stronger financial well-being are more likely to reinvest in their businesses, introduce innovations, expand their operations and enhance their competitiveness, while also creating employment opportunities that contribute to local economic development (10, 11). The importance of strengthening entrepreneurs' financial well-being became even more apparent during the COVID-19 pandemic, which significantly affected the financial stability of micro and small enterprises worldwide, including Indonesia (12, 13). In Indonesia, 55.5% of micro-enterprise owners reported that their financial difficulties were directly caused by the pandemic, while 63% expressed concern about worsening household economic conditions (14). Likewise, individuals with a strong internal locus of control tend to believe that their actions influence their financial outcomes, making them more confident in managing business challenges and sustaining entrepreneurial activities (15-17). However, studies have also reported that many Indonesian micro-enterprises continue to face difficulties in accessing financial resources, managing cash flow, maintaining accurate financial records and obtaining appropriate financial education and support services (18-20). These challenges are often compounded by inadequate financial literacy, limited financial infrastructure and a weaker sense of personal control, which restrict entrepreneurs' ability to make informed financial decisions and achieve better financial outcomes (21, 22).

Although these studies have demonstrated the individual importance of FC and ILoC, they have primarily examined their direct relationships with financial well-being, providing only a partial understanding of the factors that shape entrepreneurs' financial outcomes. Despite the established importance of financial capability and internal locus of control, many food and beverage micro-enterprises in Indonesia continue to

experience financial difficulties that affect their long-term sustainability. Studies have reported persistent challenges in accessing financial resources, managing cash flow, maintaining accurate financial records and obtaining financial education and support services (18, 19, 22).

These constraints reduce entrepreneurs' ability to make informed financial decisions and may weaken their financial well-being. Although previous studies have examined the relationships between internal locus of control, financial capability and financial well-being, these variables have largely been investigated independently or as direct predictors of financial well-being (23-25). Consequently, existing research provides only a limited theoretical explanation of how psychological characteristics and financial competencies interact to influence financial well-being. Understanding this relationship is important because entrepreneurs with a strong sense of personal control may not necessarily achieve better financial well-being without adequate financial capability. Therefore, examining the moderating role of financial capability may provide a more comprehensive understanding of how psychological and financial factors interact to influence entrepreneurs' financial well-being in the context of Indonesian food and beverage micro-enterprises. Therefore, this study aims to examine the relationships between internal locus of control, financial capability and financial well-being among food and beverage micro-enterprises in Bogor, Indonesia. Specifically, the study examines the effects of internal locus of control and financial capability on financial well-being and investigates whether financial capability moderates the relationship between internal locus of control and financial well-being.

This study extends previous research by moving beyond the examination of direct effects and explicitly investigating financial capability as a moderating variable between internal locus of control and financial well-being. By integrating psychological and capability perspectives within a single framework, the study provides a more comprehensive theoretical explanation of how these factors jointly shape entrepreneurs' financial well-being.

Unlike previous studies that have predominantly examined these constructs independently, this

study adopts an integrated research framework to explain how financial capability may strengthen or weaken the influence of internal locus of control on financial well-being. This integrated perspective provides a more comprehensive understanding of entrepreneurs' financial well-being and broadens the existing literature by offering empirical evidence from Indonesian food and beverage micro-enterprises, a context that remains underrepresented in financial well-being research.

Methodology

Research Framework

This study establishes a theoretical framework with two central objectives: first, to examine the independent effects of ILoC and FC on the FWB of food and beverage micro-enterprises; and second, to test the moderating role of FC in this relationship. Structural equation modelling (SEM) is applied to evaluate the proposed hypotheses (H1a–H1c). Figure 1 depicts the theoretical framework, representing the hypothesised relationships among the investigated variables.

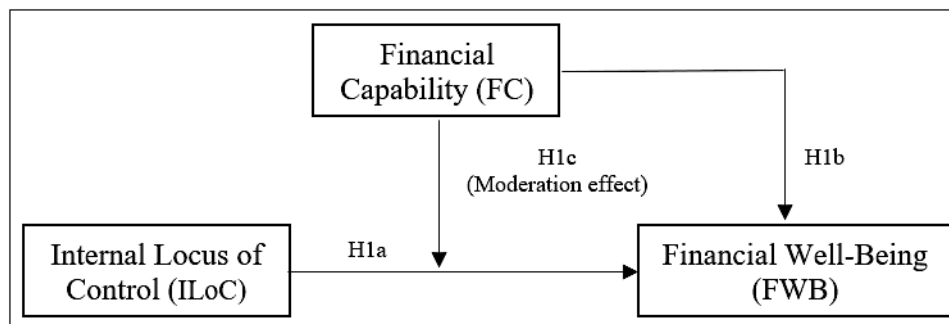


Figure 1: Research Framework

Population and Sample Size

The study was conducted in Bogor Regency, West Java Province, Indonesia, located approximately at 6.595° S, 106.817° E. With an estimated 2024 population of 1,256,155, Bogor serves as a hub for economic, commercial, transportation, communication and tourism activities due to its proximity to the national capital and its central position within the Bogor regency. The target respondents for this study were the owners of micro-enterprises in the food and beverage sector. Limited data is available on the total number of these micro-enterprises in Bogor regency. This data limitation stems from two key challenges. Firstly, governmental sources and other institutions often provide inadequate or inaccessible relevant information. Secondly, the prevalence of informality in the food and beverage micro-enterprise sector complicates efforts to quantify their numbers accurately. Many of these businesses operate outside the formal system without formal registration or documentation. This lack of a definitive population size precluded the use of probability sampling methods.

Due to the unavailability of a comprehensive database on micro-enterprises in Bogor, determining an exact sample size was impractical. Therefore, this study adopted a purposive sampling approach, selecting only food and

beverage micro-enterprises that met the following criteria:

- (a) selling food and drinks,
 - (b) operating for more than one year and
 - (c) using mobile carts, stalls, or temporary setups.
- Data collection was conducted during a four-month period, across six main survey sites in Bogor Regency, West Java, Indonesia. The survey sites were purposively selected based on their high concentration of food and beverage micro-enterprises and included tourist attractions, public transport hubs, university campuses and business districts. This approach ensured broad geographic coverage of the target population while facilitating access to eligible respondents and reducing selection bias.

The final sample size ($n = 306$) was determined based on the recommendation that structural equation modelling (SEM) requires a minimum of 5–10 observations per estimated parameter (26). General methodological guidelines also indicate that a sample size between 30 and 500 is typically acceptable for behavioural research (27). Therefore, the selected sample satisfies recommended thresholds and is appropriate for exploratory research involving micro-enterprises. Additionally, similar sample sizes are common in

financial behaviour research on informal markets, where data constraints are prevalent (28, 29).

Research Instrument

Data were collected using structured questionnaires administered by trained enumerators to facilitate accurate and reliable responses. The questionnaire was structured into four distinct sections. Section one collected demographic details along with business profile information. The following sections focus on the core variables of the study: internal locus of control (ILoC), financial capability (FC) and financial well-being (FWB). Measurement of the ILoC relied on six adapted items (30). To evaluate financial capability (FC), seven items covering core aspects of financial management were adopted from the Canadian Financial Capability Survey (31). The perceived financial well-being (FWB) of the micro-enterprise owners was assessed using seven questions adapted from a validated financial well-being scale (32).

Responses were recorded using two types of Likert scales, each aligned with the constructs being measured. A five-point Likert scale was employed for ILoC and FC, with 1 representing “strongly disagree” and 5 representing “strongly agree.” For the FWB construct, the responses were measured on a five-point scale ranging from 1 (“very unsatisfied”) to 5 (“very satisfied”), aligning with the construct’s focus on satisfaction with financial aspects. To minimize common method variance (CMV), procedural remedies were implemented. The survey was designed to ensure anonymity and confidentiality, reducing respondents’ tendency to provide socially desirable answers. Additionally, predictor and outcome variables were presented in separate sections of the questionnaire to create psychological separation, reducing automatic response patterns (33).

Data Collection

The study relied on structured questionnaires, carried out by trained enumerators during face-to-face sessions with food and beverage micro-enterprise owners. Four enumerators were appointed to distribute and collect the questionnaires. These enumerators were provided with a thorough briefing to ensure they understood the survey’s objectives, the specific procedures to follow and the importance of consistent data collection practices. Monetary incentives were provided to motivate and compensate the

enumerators for their time and effort. This approach enhanced the enumerators’ commitment and ensured the efficient and accurate collection of data. Non-monetary incentives were offered to the respondents as a token of appreciation for their participation. These incentives helped to encourage a higher response rate and fostered goodwill among the participants.

Results

Data Analysis and Assessment of Multivariate Normality

Covariance-Based Structural Equation Modelling (CB-SEM) was performed using IBM SPSS AMOS to test the proposed theoretical model. CB-SEM was selected because the primary objective of this study was to examine and validate the hypothesised relationships among the constructs while evaluating the overall model fit. This approach is appropriate for theory testing and confirmation, allowing simultaneous assessment of both the measurement and structural models. Consistent with the study’s theory-testing objective, the structural model did not incorporate demographic or business-related control variables, as the analysis focused on examining the hypothesised relationships among the principal constructs within the proposed theoretical framework.

To examine the moderating effect of financial capability, the composite scores of internal locus of control and financial capability were first mean-centred by subtracting their respective sample means. An interaction term (ILoC $\times$ FC) was then created by multiplying the mean-centred variables in SPSS. The mean-centred variables and interaction term were subsequently imported into AMOS and incorporated into the structural model to assess the moderating effect of financial capability on the relationship between internal locus of control and financial well-being. Mean-centering was performed to reduce potential multicollinearity between the predictor, moderator and interaction term, thereby improving the interpretability and stability of the parameter estimates.

The assumption of multivariate normality was assessed prior to conducting SEM. Results indicated a violation of this assumption, with Mardia’s multivariate kurtosis value of 35.021 (critical ratio of 18.615), exceeding the acceptable

threshold of ± 1.96 (34). The skewness and kurtosis values for several individual items also showed minor deviations in skewness and kurtosis. To address this, a bootstrapping procedure was conducted using 1,000 bootstrap resamples with bias-corrected confidence intervals set at 95%. The Bollen–Stine bootstrap produced a p-value of 0.58, suggesting that the null hypothesis of adequate model fit could not be rejected. This result suggests that the data fit the hypothesised model sufficiently well despite the violation of multivariate normality, thus justifying the continuation of the analysis. The use of bootstrapping is recommended in structural equation modelling to ensure robust parameter estimates and model fit indices when data deviates from normality (35, 36).

Measurement Model

The model was estimated using maximum likelihood, with refinement based on standardized loadings, modification indices and fit indices. Items with factor loadings below 0.60 (FWB6 and FWB7) were removed to improve validity. The measurement model demonstrated acceptable psychometric properties across all constructs. The ILoC scale showed loadings from 0.707 to 0.786, producing an average variance extracted value of 0.562 and a composite reliability score of 0.885.

Similarly, FC items loaded between 0.743 and 0.875, yielding an AVE of 0.662 and a CR of 0.932. These results indicate that the items adequately captured respondents' financial planning, decision-making and management capacity, while supporting the reliability and validity of the constructs under study.

For FWB, the items demonstrated satisfactory factor loadings between 0.801 and 0.911, an AVE of 0.612 and a CR of 0.881, showing consistency in capturing respondents' financial satisfaction. The refined measurement model, after adjustments and re-evaluation, demonstrated satisfactory validity and reliability, providing a robust foundation for further analysis of the relationships among the constructs. To evaluate the model fit, several goodness-of-fit indices were applied. The Chi-Square to Degrees of Freedom ratio (χ^2/df) was 2.389, which is below the recommended threshold of 5, suggesting an acceptable model fit (37). The Chi-Square value was significant ($p < 0.01$); however, this statistic is highly sensitive to sample size and significance does not necessarily imply poor fit, particularly in smaller samples (38, 39). While the Chi-Square/df ratio [2.389] slightly exceeds the strict threshold of 2.00, values below 3.00 are generally acceptable in social science research (37).

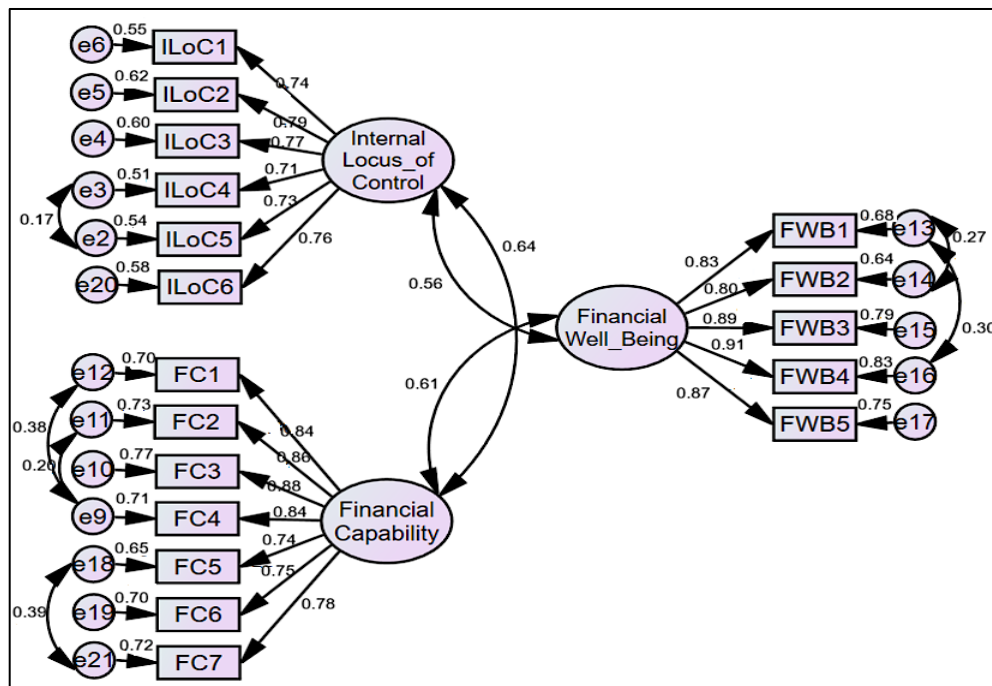


Figure 2: The Measurement Model

Given the strong reliability, validity and theoretical consistency of the model, these results confirm its

appropriateness for examining FWB in micro-enterprises. The model's adequacy was supported

by additional fit indices: CFI = 0.978, TLI = 0.972, RMSEA = 0.060, SRMR = 0.056 and GFI = 0.938, all of which meet the recommended thresholds for good fit (38, 40). These findings indicate that the proposed model provides a stable and reliable representation of the hypothesised relationships and are consistent with previous studies conducted in similar contexts, further supporting the robustness of the model. Figure 2 presents the measurement model, which depicts the associations among the latent constructs and their indicators.

Structural Model

Figure 3 presents the structural model, which depicts how the constructs are linked and explains their influence on FWB. The fit indicators for the model suggest a good fit, with values of Chi-Sq/df = 2.389, GFI = 0.938, CFI = 0.978, TLI = 0.972 and RMSEA = 0.060. These values validate the appropriateness of the model for the dataset, offering a dependable representation of the interrelationships among the variables.

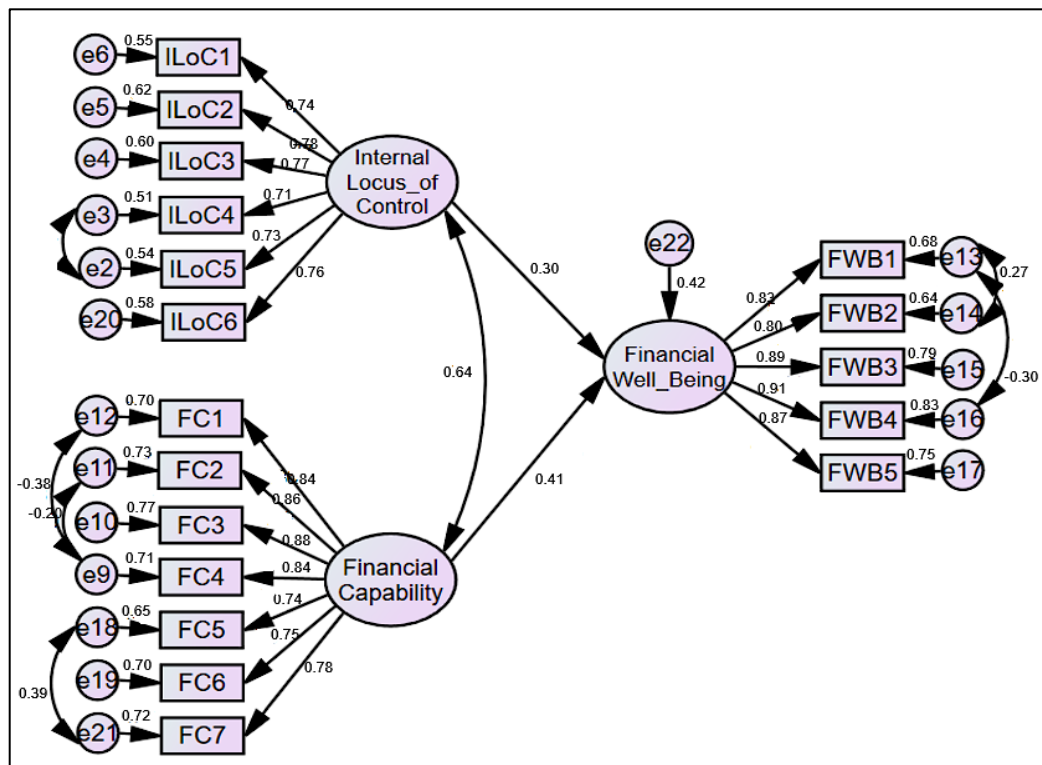


Figure 3: The Structural Model

Table 1 summarizes the outcomes of the hypothesis testing on factors influencing financial well-being (FWB). The results strongly support H1a ($\beta = 0.419$, $p < 0.001$), showing that internal locus of control (ILOc) is a critical determinant of

FWB among micro-enterprise owners in Bogor, Indonesia. Furthermore, the analysis also strongly supports H1b ($\beta = 0.501$, $p < 0.001$), affirming that financial capability (FC) significantly influences FWB among the surveyed business owners.

Table 1: Results of Structural Equation Modelling Analysis

Hypotheses	Path	Beta (β)	S.E.	t-value	Results
H1a	ILOc $\rightarrow$ FWB	0.419	0.088	4.761***	Supported
H1b	FC $\rightarrow$ FWB	0.501	0.071	7.092***	Supported

Note: *** = $p < 0.001$, S.E. = Standard Error.

Moderation Analysis

The moderation analysis revealed significant effects of both ILOc and FC on FWB. As shown in Table 2, ILOc had a significant positive influence on FWB ($\beta = 0.392$, C.R. = 8.146, $p < 0.001$), while FC

also demonstrated a significant positive contribution ($\beta = 0.464$, C.R. = 7.790, $p < 0.001$). These findings indicate that respondents with stronger internal control beliefs and greater

financial capability reported higher levels of financial well-being. Figure 4 further illustrates the relationships examined in the moderation analysis. Furthermore, the research tested the moderating role of FC on the link between ILoC and FWB. The interaction term (ILoC $\times$ FC) yielded a significant coefficient ($\beta = -0.096$, C.R. = -1.892, $p = 0.039$), indicating that FC moderates this relationship. The negative beta coefficient suggests that while both ILoC and FC independently contribute positively to FWB, their interaction reveals a diminishing marginal effect of ILoC as FC increases. This result may indicate that individuals with higher FC rely more on their financial knowledge and structured

decision-making rather than on their sense of personal control. Consequently, psychological factors such as ILoC may play a less dominant role in determining FWB when FC is high.

While the moderation effect is statistically significant, its effect size is relatively small. This suggests that although FC influences how ILoC affects FWB, its impact is subtle. One possible explanation is that individuals with strong FC develop structured financial habits that reduce their reliance on personal agency and beliefs in control. In contrast, those with lower FC may depend more on their ILoC to navigate financial challenges.

Table 2: Results of Path Analysis

Relationship	Beta (β)	C.R.	p-value	Result
ILoC > FWB	0.392	8.146	***	
FC > FWB	0.464	7.790	***	
ILoC $\times$ FC > FWB	-0.096	-1.892	0.039	
Hypothesis H1c				Supported

Notes: ILoC = Internal Locus of Control, FC = Financial Capability, FWB = Financial Well-Being, C.R. = Critical Ratio, *** = $p < 0.001$.

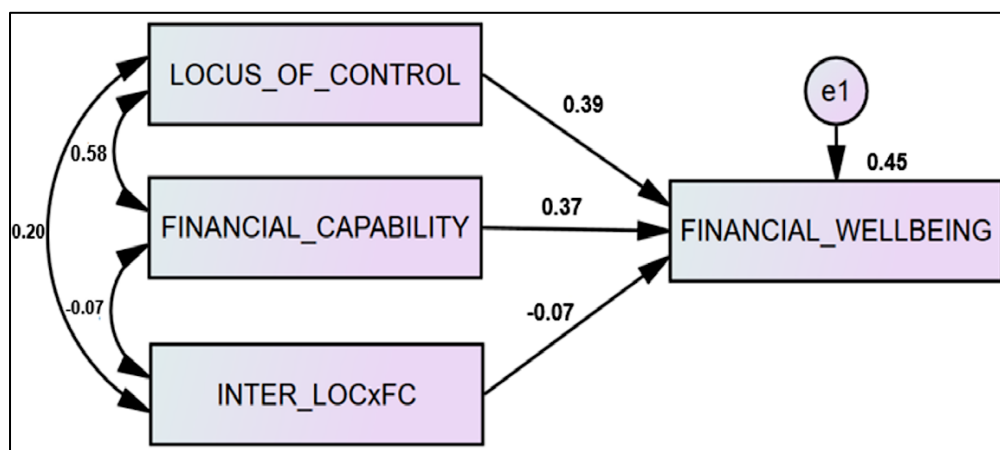


Figure 4: The Path Analysis Model

Discussion

This study confirms that internal locus of control (ILoC) significantly influences the financial well-being (FWB) of food and beverage micro-enterprises in Bogor, Indonesia, supporting hypothesis H1a. This relationship suggests that businesses owned or managed by individuals who perceive themselves as having authority over their situations tend to exhibit stronger FWB. This discovery aligns with previous studies (25, 41-43), which revealed that individuals who possess a strong ILoC tend to demonstrate higher levels of proactivity and resilience when it comes to handling their financial matters. These traits are particularly valuable for micro-enterprise owners,

who often operate in uncertain and competitive environments. Believing in one's ability to control outcomes can lead to more strategic planning, diligent financial management and persistent effort, all of which are crucial for financial success. However, it is important to consider the contextual factors that might influence this relationship. The economic and regulatory environment in Indonesia, the availability of financial resources and cultural attitudes towards entrepreneurship may all interact with ILoC to impact FWB.

Financial capability (FC) was also found to significantly enhance FWB, thereby supporting hypothesis H1b. This finding is consistent with the

past literature (9, 44-46), which emphasise the critical importance of financial knowledge, skills and behaviours in achieving financial stability. FC for food and beverage micro-enterprise owners encompasses effective budgeting, informed financial decision-making and strategic planning for future financial requirements. Enhancing FC among micro-enterprise owners poses challenges, including limited access to financial education, time constraints and entrenched informal financial practices. Addressing these barriers requires targeted interventions, such as accessible financial training programs tailored to the needs of micro-enterprise owners and integrated with practical, on-the-job financial management tools. Prior research has primarily focused on FC in broader consumer finance settings. This study, however, offers a novel contribution by illustrating how FC interacts with psychological traits (internal locus of control) specifically in micro-business contexts, reinforcing its role in entrepreneurial success. Similarly, the finding that financial capability significantly enhances financial well-being echoes research from other developing contexts, such as South Africa, where financial literacy and capability are crucial yet frequently constrained among micro-entrepreneurs (28). In many low- and middle-income countries, informal micro-enterprises face shared structural barriers, including limited access to formal banking services and financial education, which restrict financial capability and long-term business sustainability (11). The results of this study suggest that strengthening financial capability is equally important for improving financial well-being among Indonesian micro-enterprise owners. Furthermore, the present study extends this body of literature by demonstrating that financial capability also moderates the relationship between internal locus of control and financial well-being. While previous studies in Malaysia and India have primarily examined the direct relationships between internal locus of control and financial well-being (42, 43), the present findings indicate that the influence of internal locus of control becomes less pronounced as financial capability increases. This provides additional insight into the capacity-building needs of micro-enterprises in emerging economies, highlighting that psychological confidence is most effective when complemented by practical financial skills.

Furthermore, financial capability (FC) moderates the relationship between internal locus of control (ILoC) and financial well-being (FWB), supporting hypothesis H1c. This moderation effect suggests that the influence of ILoC on financial well-being varies according to the level of financial capability. Specifically, the positive contribution of ILoC becomes less pronounced as financial capability increases. This finding may reflect that individuals who possess strong internal locus of control but limited financial capability may experience greater difficulty translating their personal control beliefs into effective financial behaviour. Prior research supports this view, emphasising that financial literacy and access to financial resources are essential for converting psychological traits into meaningful financial actions (20). Similarly, financial constraints have been shown to restrict sound financial decision-making, even among individuals with a proactive financial orientation (21).

Further, the results indicate that FC does not replace the role of ILoC but rather alters the strength of its relationship with FWB. This finding is consistent with prior studies (9, 46), which suggests that FWB is optimized when individuals possess both a strong belief in personal control and the practical ability to manage financial decisions effectively. Entrepreneurs with high FC can translate their sense of control into actionable financial strategies, such as effective budgeting, disciplined saving and investment in business growth. Conversely, those with low FC may struggle to leverage their confidence in financial decision-making, leading to missed opportunities for financial stability and business expansion.

The findings should also be interpreted in light of the informal nature of many food and beverage micro-enterprises in Bogor Regency. Unlike formal businesses, these enterprises often operate without systematic financial records and experience fluctuating business income, which may affect financial planning and financial decision-making. Such conditions may limit the extent to which entrepreneurs can translate positive psychological attributes and financial capability into improved financial well-being. Nevertheless, the significant relationships observed in this study suggest that internal locus of control and financial capability remain important determinants of financial well-being,

even under these informal operating conditions. The finding implies that while both psychological and financial competencies are crucial for enhancing well-being, the significance of ILoC diminishes for individuals with higher FC. In simpler terms, individuals who are adept at managing their finances derive slightly less additional benefit from their belief in personal control over their financial situation. The implications of this moderation effect are significant for interventions aimed at improving financial well-being (FWB). Programs designed to enhance FC may particularly benefit individuals with lower ILoC by boosting their overall financial health. Conversely, for those with high FC, interventions might focus more on maintaining and maximizing their existing skills rather than solely enhancing their sense of control.

Ultimately, these findings highlight an important point: possessing an ILoC is beneficial, but without the necessary financial skills and knowledge, its potential impact on FWB is limited. Therefore, interventions aimed at improving FWB should not only focus on refining financial skills but also on nurturing a sense of personal agency and control among micro-enterprise owners, as achieving higher levels of FC and ILoC requires a supportive ecosystem. By grounding this study within the Indonesian micro-enterprise sector, it provides valuable insights into financial behaviour in environments with minimal institutional support. This perspective highlights its broader applicability to other emerging markets where small-scale entrepreneurs face comparable financial barriers.

Conclusion

The present research examined the combined and interactive impacts of internal locus of control (ILoC) and financial capability (FC) on the financial well-being (FWB) of food and beverage micro-enterprise owners in Bogor, Indonesia. The results contribute to the theoretical understanding of how psychological and practical financial factors influence the financial well-being of micro-enterprise owners. By integrating the concepts of ILoC and FC, this study extends existing theories on FWB and entrepreneurship. The findings highlight that while an ILoC motivates proactive financial behaviours, FC provides the tools and knowledge needed to execute these behaviours effectively. Together, these factors create a powerful combination that can significantly improve the

FWB of food and beverage micro-enterprises. Beyond its immediate findings, this study underlines the importance of viewing FWB as the outcome of an interaction between psychological traits and practical financial competencies. Recognising this dual influence enriches the discourse on entrepreneurial finance, particularly within emerging markets where micro-enterprises play a pivotal economic role.

Despite these contributions, this study has several limitations. It focused exclusively on food and beverage micro-enterprises in a specific urban district of Indonesia, which may limit the generalisability of the findings to other sectors or geographical contexts. Furthermore, the use of purposive sampling and specific inclusion criteria may have limited the representativeness of the sample and introduced potential selection bias. Data were collected from food and beverage micro-enterprises located in major commercial areas of Bogor Regency, which, although appropriate for accessing active businesses, may underrepresent enterprises operating in less commercial or rural settings. Moreover, information on refusal rates and partial responses was not systematically recorded during data collection, preventing a formal assessment of potential non-response bias. Therefore, the findings should be interpreted primarily within similar commercial contexts.

Future research should examine micro-enterprises across different sectors and geographical locations using broader sampling approaches and incorporate additional contextual variables, such as financial stress, digital financial inclusion, or cultural orientations, to provide a more comprehensive understanding of the determinants of FWB. Such efforts would not only advance theory but also provide valuable guidance for policies aimed at supporting small-scale entrepreneurs in dynamic and resource-constrained environments.

Abbreviations

CFI: Comparative Fit Index, CR: Composite Reliability, FC: Financial Capability, FWB: Financial Well-Being, GDP: Gross Domestic Product, GFI: Goodness-of-Fit Index, ILoC: Internal Locus of Control, MSMEs: Micro, Small and Medium Enterprises, RMSEA: Root Mean Square Error of Approximation, SEM: Structural Equation Modelling.

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Author Contributions

Malisah Latip: Conceptualization, Methodology, Supervision, Project Administration, Writing – Original Draft, Writing – Review and Editing, Dwi Rachmina: Conceptualization, Methodology, Supervision, Writing– Review and Editing, Feryanto: Conceptualization, Methodology, Supervision, Tursina Andita Putri: Investigation, Data Curation, Formal Analysis, Indah Maharani: Investigation, Data Curation, Writing – Review and Editing, Farida Ratna Dewi: Investigation, Writing – Review and Editing, Yuuki Zharfan Sisva: Investigation, Data Curation.

Conflict of Interest

All authors declare no conflicts of interest.

Data Availability

The data that support the findings of this study are available from the corresponding author upon reasonable request. The data are not publicly available due to privacy and confidentiality considerations, as they involve responses from individual micro-enterprise owners.

Declaration of Artificial Intelligence (AI) Assistance Process

During the preparation of this manuscript, the authors used generative artificial intelligence (AI) tools to assist in improving language clarity and readability. The AI tools were used solely for editing purposes and did not contribute to the research design, data collection, analysis, or interpretation of the findings. All content remains the original work of the authors, who have reviewed and approved the final version and take full responsibility for its accuracy and integrity.

Ethics Approval

Ethical approval was obtained from the Ethics Committee for Research Involving Human Subjects, Universiti Putra Malaysia (JKEUPM) (Ref. No.: UPM/TNCPI/RMC/JKEUPM/1.4.18.2 (JKEUPM); JKEUPM-2025-509). All participants provided informed consent prior to participation.

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