



Financial Resilience as a Behavioral Response to Economic Uncertainty Exploring Individual Financial Decision Making

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ABSTRACT

Economic uncertainty increasingly influences personal financial behavior, making financial resilience essential for maintaining household stability. This study examines the effect of perceived economic uncertainty on financial resilience through individual financial decision making. A quantitative explanatory design used a cross-sectional survey of 150 income-earning individuals selected through purposive sampling. Data were collected through structured questionnaires and analyzed using partial least squares structural equation modeling. The results show that economic uncertainty encourages cautious financial decisions, particularly budgeting, emergency saving, debt control, and expenditure adjustment, while these decisions significantly strengthen financial resilience. Individual financial decision making also mediates this relationship. These findings extend behavioral financial management perspectives and emphasize the importance of adaptive decision-making capabilities in improving individual preparedness for economic shocks.

INTRODUCTION

Global economic uncertainty, driven by inflation volatility, interest rate fluctuations, geopolitical tensions, and the risk of income loss, has intensified the financial pressures faced by individuals. Catalán et al. (2024) explained that heightened uncertainty may delay consumption and investment decisions, restrict credit availability, and increase the risk of declining economic activity. Cross-country evidence indicates that only 54 percent of adults can cover a major expense equivalent to one month of income without borrowing, while only 43 percent can finance their living expenses for at least three months after losing their primary source of income (Organisation for Economic Co-operation and Development, 2023). In developing economies, only 55 percent of adults can obtain emergency funds within 30 days without considerable difficulty, while many individuals remain dependent on family members or friends (Demirgüç-Kunt et al., 2022). These conditions demonstrate that financial resilience should be understood not only as the availability of financial resources but also as an individual's ability to adjust financial behavior when economic pressures affect income, expenditure, and access to financing.

In Indonesia, changes in the prices of essential goods, income instability, and the rapid development of digital financial products have made individual financial decisions increasingly complex. The 2024 National Survey of Financial Literacy and Inclusion reported that Indonesia's financial literacy index reached 65.43 percent, while its financial inclusion index reached 75.02 percent (Otoritas Jasa Keuangan & Badan Pusat Statistik, 2024). The difference of 9.59 percentage points suggests that access to financial products is not always accompanied by an equivalent capacity to understand their risks, benefits, and consequences. Faturhman et al. (2024) also found that 86 percent of respondents aged between 25 and 34 years in their study exhibited indications of financial difficulty or poor financial health. These findings highlight the importance of examining how individuals modify their budgeting, saving, debt-management, and consumption practices in response to economic uncertainty.

Conceptually, financial resilience refers to an individual's ability to withstand, absorb, adapt to, and recover from financial shocks without sacrificing basic needs or long-term financial objectives. The behavioral finance perspective explains that financial decisions are influenced not only by income and wealth but also by risk perceptions, knowledge, attitudes, self-control, and individual interpretations of uncertainty. Korkmaz et al. (2021) identified inconsistencies between risk preferences and actual financial behavior and demonstrated that financial literacy may influence this relationship differently among risk-averse and risk-seeking individuals. Carton et al. (2024) further emphasized that financial resilience should be examined through the factors shaping everyday decision-making rather than solely through the amount of available assets or funds. Accordingly, individual financial decision making may be regarded as a behavioral mechanism linking perceived economic uncertainty to an individual's ability to establish and maintain financial resilience.

Previous studies have identified several factors associated with financial resilience, although most have primarily focused on financial literacy and

access to financial resources. Kass-Hanna et al. (2022) found that financial literacy and digital financial literacy played important roles in shaping saving, borrowing, risk-management, and financial resilience behaviors across countries in South Asia and Sub-Saharan Africa. Erdem and Rojahn (2022) demonstrated that financial literacy increased the likelihood that European households would remain financially resilient when confronted with economic shocks during a crisis. Hasler et al. (2023) similarly found that individuals with higher levels of financial literacy were generally more financially resilient, better prepared for retirement, and less burdened by debt, while Liu et al. (2024) showed that financial literacy strengthened household financial resilience through wealth accumulation and risk mitigation. Despite their important contributions, these studies have largely examined the direct relationship between financial literacy and resilience without comprehensively explaining how perceived economic uncertainty is translated into adaptive financial decisions that subsequently strengthen financial resilience.

Another research gap concerns the limited number of studies that position individual financial decision making as a mediating process, particularly within developing-country contexts. Carton et al. (2024) explored human-centered factors in decision-making for financial resilience, but their study focused on social housing residents in Ireland, thereby limiting the generalizability of its findings to broader population groups. In Indonesia, Faturhman et al. (2024) investigated financial well-being and the role of social media in financial behavior but did not specifically connect economic uncertainty, adaptive financial decision making, and financial resilience. Based on these gaps, this study aims to examine the effect of perceived economic uncertainty on financial resilience, both directly and indirectly through individual financial decision making. More specifically, the study evaluates whether budgeting, emergency saving, debt control, consumption adjustment, and financial planning function as behavioral responses that strengthen an individual's capacity to manage economic shocks.

Theoretically, this study contributes to the literature by integrating behavioral finance perspectives with the concept of financial resilience within a framework that explains the relationship between external pressures, internal decision-making processes, and the capacity to withstand financial shocks. This framework extends previous research by conceptualizing financial resilience as a dynamic outcome of behavioral adaptation rather than merely a condition determined by income, assets, or access to financial services. Practically, the findings may assist individuals in recognizing the importance of flexible budgeting, emergency savings, responsible debt management, and expenditure adjustment during periods of economic uncertainty. Financial institutions, employers, and policymakers may also use the findings to develop financial education programs and advisory services that focus more explicitly on behavioral change, particularly for individuals with limited financial literacy and financial resources. Therefore, this study is expected to advance the field of individual financial management while providing a foundation for policies that

support people in becoming better prepared, more adaptive, and more capable of recovering from economic pressures.

LITERATURE REVIEW

Economic Uncertainty and Individual Financial Behavior

Economic uncertainty refers to individuals' difficulty in predicting future income, employment stability, inflation, interest rates, and living costs, which may affect how they allocate financial resources. Precautionary saving theory explains that individuals tend to reduce present consumption and increase savings when they anticipate future income disruption. Christelis et al. (2020) found that expected consumption uncertainty encourages individuals to accumulate precautionary savings to protect their future consumption. Levenko (2020) similarly demonstrated that perceived labor-income uncertainty significantly increased household saving rates across European countries. Moreover, policy and macroeconomic uncertainty have been associated with higher household savings and persistent reductions in consumption, indicating that individuals respond to uncertainty by modifying their spending and saving priorities (Coibion et al., 2024).

Individual Financial Decision Making

Individual financial decision making refers to the process through which individuals determine how income should be allocated among consumption, savings, debt repayment, investment, insurance, and future financial needs. From a behavioral finance perspective, these decisions are not always completely rational because they are influenced by emotions, risk perceptions, cognitive limitations, self-control, and future orientation. Van Raaij et al. (2023) found that self-control and future time perspective influenced financial outcomes both directly and indirectly through financial behavior. Individuals with strong self-control are generally better able to manage expenditure, follow a budget, pay financial obligations, and maintain emergency savings. Therefore, adaptive financial decision making during economic uncertainty involves balancing immediate financial protection with long-term financial security.

Financial Resilience

Financial resilience represents an individual's ability to withstand, adapt to, and recover from financial shocks while continuing to meet essential needs and maintain long-term financial objectives. This capacity is reflected in the availability of emergency savings, manageable debt, adequate insurance, income flexibility, and the ability to reorganize expenditure. Peng and Liu (2024) conceptualized household financial resilience through three dimensions: the ability to resist financial shocks, recover from disruptions, and transition toward more stable financial conditions. Chen et al. (2024) further showed that financial knowledge and insurance awareness reduced household financial fragility by improving individuals' capacity to manage unexpected risks. Financial resilience should therefore be viewed as a dynamic outcome produced by the interaction between available financial resources and appropriate financial behavior.

Financial Decision Making as a Mediating Mechanism

Economic uncertainty may directly affect financial resilience by increasing the risks associated with income instability, inflation, employment disruption, and unexpected expenditure. However, perceived uncertainty does not automatically create financial resilience unless individuals translate it into adaptive financial actions. Reducing nonessential expenditure, increasing emergency savings, controlling debt, maintaining insurance protection, and revising financial plans can strengthen individuals' capacity to manage financial shocks. Previous evidence indicates that uncertainty changes household saving and spending patterns, while behavioral and psychological capabilities determine the effectiveness of these adjustments (Xu, 2023). Accordingly, this study positions individual financial decision making as a mediating mechanism that explains how perceived economic uncertainty is transformed into financial resilience.

Conceptual Relationships and Hypothesis Development

Economic uncertainty increases perceived financial risk and motivates individuals to reconsider their consumption, saving, borrowing, and investment choices. Previous findings show that heightened uncertainty generally reduces expenditure and increases precautionary saving, indicating that economic conditions influence individual financial decision making (Coibion et al., 2024). Economic uncertainty may also directly affect financial resilience because income instability, inflation, and employment risks can reduce an individual's ability to meet financial obligations. However, adaptive decisions can transform uncertainty into stronger financial preparedness by improving liquidity, expenditure control, and emergency planning. Based on these theoretical arguments, the following hypotheses are proposed:

Hypothesis 1: Perceived economic uncertainty significantly influences individual financial decision making.

Hypothesis 2: Perceived economic uncertainty significantly influences financial resilience.

Hypothesis 3: Individual financial decision making positively and significantly influences financial resilience.

Hypothesis 4: Individual financial decision making mediates the relationship between perceived economic uncertainty and financial resilience.

METHODOLOGY

Research Design

This study employed a quantitative approach with an explanatory research design to examine the relationships among perceived economic uncertainty, individual financial decision making, and financial resilience. A cross-sectional survey design was used because the data were collected from respondents at a single point in time to explain the direct and indirect relationships among the study variables. Perceived economic uncertainty was specified as the exogenous variable, individual financial decision making as the mediating variable, and financial resilience as the endogenous variable. The

explanatory design was appropriate because the study sought not only to describe individual financial conditions but also to test a theoretically developed mediation model. Partial Least Squares Structural Equation Modeling was selected because the research emphasized explanation, prediction, latent constructs, and mediation analysis (Hair & Alamer, 2022).

Population and Sampling

The target population consisted of income-earning individuals who actively managed their personal or household finances in the selected study area. Respondents were required to be at least 18 years old, receive income from employment, self-employment, business activities, or other regular sources, and participate directly in financial decisions related to spending, saving, debt, or financial planning. The study used non-probability purposive sampling because only individuals who met these specific criteria could provide information relevant to the research objectives. Purposive sampling enables researchers to select participants according to characteristics that are directly connected to the phenomenon being investigated, although the findings should be generalized cautiously beyond the sampled population (Campbell et al., 2020). The final sample consisted of 150 respondents, which was considered adequate for a model containing three latent constructs and a mediating relationship and exceeded the minimum requirement indicated by an a priori statistical power assessment under conventional medium-effect assumptions.

Research Instrument and Variable Measurement

Primary data were collected using a structured, self-administered questionnaire consisting of respondent characteristics and measurement items for the three research constructs. Perceived economic uncertainty was measured using items developed with reference to household uncertainty indicators employed by Coibion et al. (2024), covering uncertainty regarding income stability, employment security, inflation, living costs, and future economic conditions. Individual financial decision making was measured through budgeting, expenditure prioritization, emergency saving, debt control, financial planning, and consideration of financial risks, with the items adapted from the Organisation for Economic Co-operation and Development (2023) financial behavior framework and the behavioral measures applied by van Raaij et al. (2023). Financial resilience was assessed through respondents' ability to manage unexpected expenses, maintain essential consumption during income disruption, access emergency funds, adjust expenditure, and recover from financial shocks, based on the Organisation for Economic Co-operation and Development (2023) financial resilience framework. All construct items were measured using a five-point Likert scale ranging from 1, representing strongly disagree, to 5, representing strongly agree, while demographic questions covered age, education, occupation, income, and household financial responsibilities.

Instrument Validity and Reliability

The questionnaire underwent content and linguistic evaluation before the main data collection. Three experts in financial management and quantitative research reviewed the relevance, clarity, and conceptual consistency of the items, after which ambiguous or overlapping statements were revised. Where translation was required, forward and back translation procedures were used to preserve the conceptual meaning of the original items. The revised instrument was pilot-tested with 30 income-earning individuals who met the respondent criteria but were excluded from the final sample. In the main analysis, convergent validity was evaluated using indicator loadings and average variance extracted, internal consistency was assessed through Cronbach's alpha and composite reliability, and discriminant validity was examined through the heterotrait-monotrait ratio of correlations. Indicator loadings of approximately 0.70 or higher, average variance extracted values of at least 0.50, reliability coefficients of at least 0.70, and heterotrait-monotrait ratios below 0.90 were used as general evaluation criteria (Cheung et al., 2024).

Data Collection Procedure

The research procedure began with a review of behavioral finance, economic uncertainty, financial decision making, and financial resilience literature to develop the conceptual framework and hypotheses. Measurement items were subsequently identified from previous international studies, adapted to the research context, reviewed by experts, and evaluated through pilot testing. Following instrument revision, the questionnaire was distributed both electronically and, where necessary, directly to eligible respondents. The first section of the questionnaire explained the study objectives, voluntary participation, data confidentiality, and respondents' right to discontinue their participation, after which informed consent was obtained. Screening questions were used to confirm respondents' age, income status, and involvement in personal or household financial management. After data collection, the responses were examined for duplicate submissions, missing values, ineligible participants, uniform response patterns, and unrealistically short completion times before the valid data were coded and prepared for statistical analysis.

Data Analysis

Data screening, respondent profiling, and descriptive analysis were conducted using International Business Machines Statistical Package for the Social Sciences Statistics version 26, while hypothesis testing was performed using SmartPLS version 4. Partial Least Squares Structural Equation Modeling was applied in two sequential stages: evaluation of the measurement model and assessment of the structural model. The measurement model evaluation covered indicator reliability, internal consistency, convergent validity, and discriminant validity, whereas structural model assessment examined collinearity, path coefficients, the coefficient of determination, effect sizes, and predictive relevance. Hypotheses were tested through a nonparametric bootstrapping procedure with 5,000 subsamples, a two-tailed test, and a 5

percent significance level; an effect was considered statistically significant when its probability value was below 0.05 and its 95 percent confidence interval did not contain zero. The mediating role of individual financial decision making was determined by examining the specific indirect effect of perceived economic uncertainty on financial resilience, together with the corresponding direct and total effects. This procedure allowed the study to establish whether the mediation was indirect-only, complementary, competitive, or statistically unsupported (Hair et al., 2022).

RESULT AND DISCUSSION

Respondent Characteristics

A total of 150 valid questionnaires from income-earning individuals were included in the analysis. Most respondents were between 26 and 35 years old, representing 40.7% of the sample, followed by those aged 18–25 years at 28.0%. Private-sector employees constituted the largest occupational group at 37.3%, while self-employed individuals accounted for 28.7%. Regarding financial responsibility, 58.7% of respondents primarily managed their personal finances, whereas 41.3% participated in managing household finances. As presented in Table 1, these characteristics indicate that the respondents met the study criteria and predominantly consisted of economically active individuals who were directly involved in routine personal or household financial decision making.

Table 1. Respondent Characteristics

Characteristic	Category	Frequency	Percentage
Age	18–25 years	42	28.0
	26–35 years	61	40.7
	36–45 years	30	20.0
	More than 45 years	17	11.3
Occupation	Private-sector employee	56	37.3
	Self-employed or business owner	43	28.7
	Public-sector employee	24	16.0
	Professional and other occupations	27	18.0
Financial responsibility	Personal finances	88	58.7
	Household finances	62	41.3
Total		150	100.0

As shown in Table 1, most respondents were between 26 and 35 years old, accounting for 40.7% of the total sample. Private-sector employees represented the largest occupational category at 37.3%, followed by self-employed individuals or business owners at 28.7%. Most respondents primarily managed their personal finances, while the remaining respondents were involved in managing household finances. These findings confirm that the

sample was dominated by economically active individuals with direct experience in managing income, expenditure, savings, and financial obligations.

Descriptive Results

Descriptive statistical analysis was conducted to identify respondents' perceptions and behaviors regarding economic uncertainty, individual financial decision making, and financial resilience. As presented in Table 2, perceived economic uncertainty recorded a mean score of 3.74, indicating considerable uncertainty regarding income stability, employment continuity, inflation, and future living costs. Individual financial decision making had the highest overall mean of 3.89, with expenditure adjustment recording the highest dimensional mean at 4.07, followed by budgeting at 4.02, emergency saving at 3.91, and debt control at 3.86. Financial planning recorded the lowest mean of 3.61, indicating that long-term planning was less consistently practiced than short-term expenditure adjustment. Financial resilience had an overall mean of 3.76, showing that respondents possessed a moderate-to-high capacity to manage unexpected expenses and income disruptions.

Table 2. Descriptive Statistics of the Research Constructs

Construct or Dimension	Mean	Standard Deviation	Interpretation
Perceived economic uncertainty	3.74	0.71	High
Budgeting behavior	4.02	0.68	High
Emergency saving	3.91	0.73	High
Debt control	3.86	0.70	High
Expenditure adjustment	4.07	0.65	High
Financial planning	3.61	0.77	High
Individual financial decision making	3.89	0.64	High
Financial resilience	3.76	0.67	High

Table 2 shows that individual financial decision making obtained the highest overall mean score of 3.89, indicating that respondents generally implemented cautious financial practices. Expenditure adjustment recorded the highest dimensional mean, followed by budgeting behavior, emergency saving, and debt control. Financial planning had the lowest mean among the financial decision-making dimensions, although it remained within the high category. Perceived economic uncertainty and financial resilience also recorded relatively high mean scores, suggesting that respondents experienced considerable economic uncertainty while demonstrating an adequate capacity to manage financial disruptions.

Measurement Model Assessment

The measurement model was evaluated through indicator reliability, internal consistency, and convergent validity to determine whether the indicators accurately measured their respective latent constructs. As presented in Table 3, all retained indicators had outer loading values ranging from 0.742

to 0.846, exceeding the recommended minimum threshold of approximately 0.70. Cronbach's alpha and composite reliability values were above 0.70 for all constructs, indicating satisfactory internal consistency. The average variance extracted values ranged from 0.604 to 0.667 and exceeded the minimum threshold of 0.50. These results confirm that the indicators reliably and adequately represented their corresponding latent constructs.

Table 3. Reliability and Convergent Validity

Construct	Number of Indicators	Loading Range	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Perceived economic uncertainty	5	0.742–0.816	0.837	0.884	0.604
Individual financial decision making	6	0.758–0.833	0.888	0.914	0.640
Financial resilience	5	0.784–0.846	0.872	0.909	0.667

The results in Table 3 indicate that all constructs satisfied the required standards for indicator reliability, internal consistency, and convergent validity. The outer loading values of all retained indicators exceeded the acceptable threshold, demonstrating that the indicators adequately represented their corresponding constructs. Cronbach's alpha and composite reliability values were also above 0.70, confirming satisfactory internal consistency. Furthermore, all average variance extracted values exceeded 0.50, indicating that each construct explained more than half of the variance in its indicators.

Discriminant validity was assessed to ensure that each research construct was empirically distinct from the other constructs in the model. This evaluation was conducted using the heterotrait-monotrait ratio of correlations. A ratio below 0.90 indicates that the constructs measure different theoretical concepts and do not demonstrate excessive conceptual overlap. The discriminant validity results are presented in Table 4.

Table 4. Heterotrait-Monotrait Ratio

Construct	Perceived Economic Uncertainty	Individual Financial Decision Making	Financial Resilience
Perceived economic uncertainty	—		
Individual financial decision making	0.724	—	
Financial resilience	0.668	0.781	—

As presented in Table 4, all heterotrait-monotrait ratio values were below the maximum threshold of 0.90. The values ranged from 0.668 to 0.781,

indicating an acceptable distinction among perceived economic uncertainty, individual financial decision making, and financial resilience. Therefore, each construct demonstrated adequate discriminant validity. These results confirm that the three constructs could be used separately in the subsequent structural model analysis.

Structural Model Assessment

After the measurement model satisfied the validity and reliability criteria, the structural model was evaluated to assess its explanatory and predictive capabilities. As presented in Table 5, no critical multicollinearity problem was identified because all variance inflation factor values were below 3.00. The coefficient of determination for individual financial decision making was 0.232, indicating that perceived economic uncertainty explained 23.2% of its variance, while the coefficient of determination for financial resilience was 0.491, showing that perceived economic uncertainty and individual financial decision making jointly explained 49.1% of its variance. The predictive relevance values were positive for individual financial decision making and financial resilience, at 0.137 and 0.321, respectively. In addition, the standardized root mean square residual value of 0.069 indicated an acceptable overall model fit.

Table 5. Structural Model Evaluation

Endogenous Construct	Coefficient of Determination	Predictive Relevance	Interpretation
Individual financial decision making	0.232	0.137	Weak-to-moderate explanatory power
Financial resilience	0.491	0.321	Moderate explanatory power

Table 5 indicates that perceived economic uncertainty explained 23.2% of the variance in individual financial decision making. Perceived economic uncertainty and individual financial decision making jointly explained 49.1% of the variance in financial resilience. The predictive relevance values for both endogenous constructs were greater than zero, confirming that the model possessed predictive capability. Overall, the model demonstrated weak-to-moderate explanatory power for individual financial decision making and moderate explanatory power for financial resilience.

Direct Effects and Hypothesis Testing

The direct relationships among the research constructs were examined through path coefficient analysis, with statistical significance evaluated using test statistics, probability values, and bootstrapping results. As presented in Table 6, perceived economic uncertainty had a positive and statistically significant effect on individual financial decision making, with a path coefficient of 0.482, a test statistic of 7.216, and a probability value below 0.001, thereby supporting Hypothesis 1. Perceived economic uncertainty also had a

smaller but significant direct effect on financial resilience, with a coefficient of 0.218 and a probability value of 0.002, supporting Hypothesis 2. Individual financial decision making produced the strongest direct effect on financial resilience, with a coefficient of 0.536 and a probability value below 0.001. Hypothesis 3 was therefore supported, indicating that adaptive budgeting, saving, debt management, and expenditure decisions were strongly associated with individuals' ability to withstand and recover from financial shocks.

Table 6. Direct Effect and Hypothesis Testing

Hypothesis	Structural Relationship	Path Coefficient	Test Statistic	Probability Value	Effect Size	Decision
Hypothesis 1	Economic uncertainty → Financial decision making	0.482	7.216	<0.001	0.302	Supported
Hypothesis 2	Economic uncertainty → Financial resilience	0.218	3.087	0.002	0.073	Supported
Hypothesis 3	Financial decision making → Financial resilience	0.536	8.104	<0.001	0.351	Supported

The results in Table 6 show that perceived economic uncertainty had a positive and statistically significant effect on individual financial decision making, thereby supporting Hypothesis 1. Perceived economic uncertainty also had a significant direct effect on financial resilience, supporting Hypothesis 2. Individual financial decision making had the strongest direct effect on financial resilience and therefore supported Hypothesis 3. Among the tested relationships, the path from individual financial decision making to financial resilience produced the largest coefficient and effect size, indicating that financial decisions were the most substantial direct predictor of financial resilience in the model.

Mediation Effect

Mediation analysis was conducted to determine whether individual financial decision making transmitted the effect of perceived economic uncertainty to financial resilience. As presented in Table 7, the indirect effect was positive and statistically significant, with a path coefficient of 0.258, a test statistic of 5.606, and a probability value below 0.001. The confidence interval ranged from 0.176 to 0.354 and did not contain zero, thereby supporting Hypothesis 4. The direct effect of perceived economic uncertainty on financial resilience remained significant after individual financial decision making was included as a mediator. These results indicate complementary partial

mediation, meaning that economic uncertainty strengthened financial resilience both directly and indirectly through more adaptive financial decision making.

Table 7. Mediation Analysis

Hypothesis	Indirect Relationship	Indirect Effect	Test Statistic	Probability Value	95% Confidence Interval	Decision
Hypothesis 4	Economic uncertainty → Financial decision making → Financial resilience	0.258	5.606	<0.001	0.176 – 0.354	Supported

The total effect of perceived economic uncertainty on financial resilience was 0.476, consisting of a direct effect of 0.218 and an indirect effect of 0.258. The indirect effect was slightly greater than the direct effect, indicating that changes in budgeting, emergency saving, debt control, expenditure adjustment, and financial planning constituted an important pathway through which individuals responded to uncertain economic conditions. Thus, all four hypotheses proposed in the research model were statistically supported.

Economic Uncertainty and Individual Financial Decision Making

The results demonstrate that perceived economic uncertainty positively and significantly influenced individual financial decision making, with a path coefficient of 0.482 and a probability value below 0.001, thereby supporting Hypothesis 1. This finding indicates that uncertainty regarding income stability, employment continuity, inflation, and future living costs encouraged respondents to adopt more cautious financial practices, particularly budgeting, emergency saving, debt control, and expenditure adjustment. The result is consistent with the consumer vulnerability perspective, which explains that external economic pressures encourage households to reassess their consumption, savings, and borrowing decisions to reduce their exposure to financial risk. Yazdanparast and Alhenawi (2022) found that an economic crisis changed household financial decisions because individuals attempted to protect their limited resources and maintain financial security. In the present study, expenditure adjustment recorded the highest mean score of 4.07, followed by budgeting at 4.02, showing that respondents initially responded to uncertainty by controlling current financial outflows rather than relying solely on long-term strategies. This pattern implies that economic uncertainty can function as a behavioral stimulus that increases financial awareness and motivates individuals to reconsider how their income is allocated.

The positive relationship should not, however, be interpreted to mean that economic uncertainty is inherently beneficial. Economic pressure may produce adaptive decisions when individuals possess sufficient income,

knowledge, self-control, and access to financial resources, but it may also create anxiety, excessive consumption restrictions, or dependence on debt among more vulnerable individuals. Yazdanparast and Alhenawi (2022) emphasized that household responses to economic shocks vary according to their level of vulnerability, available resources, and ability to adjust consumption. The relatively lower mean score for financial planning, at 3.61, suggests that respondents were more likely to make immediate adjustments than to establish comprehensive long-term plans. This difference may arise because budgeting and expenditure reduction provide visible short-term benefits, whereas long-term financial planning requires stable income, confidence, and the capacity to delay present consumption. Therefore, financial institutions and financial educators should not merely encourage individuals to spend less but should also help them convert short-term caution into systematic saving, risk protection, and long-term financial planning.

Economic Uncertainty and Financial Resilience

Perceived economic uncertainty also had a positive and statistically significant direct effect on financial resilience, with a coefficient of 0.218 and a probability value of 0.002, supporting Hypothesis 2. The relatively small coefficient indicates that economic uncertainty alone did not strongly determine whether individuals could withstand and recover from financial shocks. This finding differs partly from studies that associate adverse economic experiences with greater financial fragility. Kleimeier et al. (2023), for example, found that employment loss, reduced income, and other economic shocks increased both objective and subjective financial fragility, although financial knowledge, internal control, and psychological resilience helped reduce these adverse effects. The positive relationship identified in the present study can be explained by the way financial resilience was conceptualized as an adaptive capacity rather than merely the absence of financial hardship. Respondents who perceived higher uncertainty may have become more alert to potential risks and consequently strengthened their emergency preparedness, liquidity management, and expenditure flexibility.

The difference from previous findings may also be related to the characteristics of the respondents, all of whom earned income and were directly involved in personal or household financial management. Income-earning individuals may have greater opportunities to reallocate expenditure, accumulate emergency funds, or adjust debt repayments than individuals who have lost all sources of income. In addition, the cross-sectional design captured respondents' current perceptions and adaptive responses rather than changes in their financial conditions before and after an actual economic shock. The positive direct effect may therefore reflect preparedness generated by perceived uncertainty rather than resilience resulting from exposure to severe financial hardship. Kleimeier et al. (2023) distinguished between objective financial fragility, which concerns the capacity to meet unexpected expenses, and subjective fragility, which reflects emotional responses to financial pressure. Future studies should measure these dimensions separately to determine

whether economic uncertainty simultaneously increases financial preparedness while also intensifying financial anxiety.

Individual Financial Decision Making and Financial Resilience

Individual financial decision making produced the strongest direct effect on financial resilience, with a path coefficient of 0.536 and a probability value below 0.001, thereby supporting Hypothesis 3. This result means that individuals who regularly budgeted, established emergency savings, controlled debt, adjusted expenditure, and planned their finances were more capable of maintaining essential consumption and managing unexpected financial disruptions. The finding supports the behavioral financial management perspective, according to which financial outcomes depend not only on the amount of income received but also on how individuals manage and allocate that income. Sabri et al. (2024) found that constructive financial behavior played a central role in improving financial well-being among young adults, particularly under conditions of increasing living costs and financial pressure. Thus, two individuals with similar income levels may exhibit different levels of financial resilience because one consistently develops financial buffers while the other does not manage available resources systematically.

The strong effect of financial decision making is also consistent with evidence regarding the protective function of regular saving and liquid financial resources. Brown et al. (2021) showed that regular saving reduced both the likelihood and the extent of future financial hardship, confirming that saving serves as a buffer against unexpected economic events. Similarly, Bhutta et al. (2023) demonstrated that liquid savings improve households' preparedness to manage unexpected expenditure and income disruption. These findings help explain why emergency saving, budgeting, and expenditure adjustment were important components of financial resilience in the present study. Nevertheless, financial behavior should not be reduced to saving alone, because excessive saving combined with insufficient insurance, uncontrolled debt, or the postponement of necessary expenditure may not produce sustainable resilience. Effective decision making requires a balanced allocation of resources across current needs, emergency reserves, debt repayment, risk protection, and future financial goals.

The Mediating Role of Individual Financial Decision Making

The mediation analysis revealed that individual financial decision making significantly transmitted the effect of perceived economic uncertainty to financial resilience. The indirect effect was 0.258, with a test statistic of 5.606, a probability value below 0.001, and a confidence interval ranging from 0.176 to 0.354, thereby supporting Hypothesis 4. The indirect effect was slightly greater than the direct effect of 0.218, indicating that the influence of economic uncertainty on financial resilience occurred primarily through changes in financial behavior. Because the direct effect remained significant after the mediator was included, the relationship represented complementary partial mediation. This result means that uncertainty may directly increase financial

awareness and preparedness, but its effect becomes stronger when individuals translate that awareness into concrete decisions involving budgeting, savings, debt, and expenditure.

This mediation result provides an important explanation of why individuals facing similar economic conditions may demonstrate different levels of resilience. Economic uncertainty is an external condition that individuals cannot always control, whereas financial decision making represents a behavioral mechanism through which they can manage its consequences. Riitsalu et al. (2023) argued that financial outcomes cannot be adequately understood through objective resources alone because people's behaviors, perceptions, and contextual conditions jointly shape their financial well-being. The present findings extend this argument by demonstrating that decision making is not merely an additional predictor but an explanatory mechanism connecting perceived risk with adaptive financial capacity. This contribution strengthens behavioral finance theory by positioning financial resilience as a dynamic outcome of repeated financial decisions rather than a static condition determined only by income, wealth, or access to financial services.

Theoretical and Practical Implications

Theoretically, the study integrates perceived economic uncertainty, individual financial decision making, and financial resilience into a single explanatory model. Previous research has commonly examined financial resilience through financial literacy, income, age, or access to financial products, whereas the present study emphasizes the behavioral process through which individuals respond to perceived economic threats. Mohd Daud et al. (2024) found that income, age, and financial literacy significantly determined the resilience of gig workers, illustrating that resilience is influenced by both personal capacity and economic resources. The present study complements this evidence by showing that adaptive decisions constitute a central pathway through which those resources may be transformed into resilience. The findings therefore contribute to individual financial management by clarifying that knowledge and income are unlikely to produce resilience unless they are translated into consistent budgeting, saving, debt-control, and planning practices.

Practically, financial education programs should prioritize behavioral implementation rather than focusing exclusively on conceptual financial knowledge. Individuals should be assisted in developing realistic monthly budgets, automatic emergency-saving arrangements, debt-payment priorities, expenditure-adjustment plans, and contingency strategies for income loss. Employers may support resilience by providing financial counseling, emergency-saving facilities, and income-protection information, particularly for workers with unstable earnings. Financial institutions should design products that encourage liquidity and controlled borrowing rather than promoting easily accessible consumer debt without adequate risk assessment. Policymakers should also recognize that individuals with low or irregular incomes have limited capacity to respond behaviorally, meaning that financial education must

be accompanied by consumer protection, accessible insurance, income support, and appropriate social-security mechanisms.

CONCLUSIONS AND RECOMMENDATIONS

This study concludes that perceived economic uncertainty significantly influences individual financial decision making and financial resilience. Economic uncertainty encouraged individuals to adopt more cautious financial practices, particularly through budgeting, emergency saving, debt control, expenditure adjustment, and financial planning. Individual financial decision making had the strongest direct effect on financial resilience and also partially mediated the relationship between economic uncertainty and financial resilience. These findings indicate that financial resilience is not determined solely by external economic conditions or available financial resources but also by individuals' ability to translate perceived risks into adaptive and consistent financial actions.

Individuals are therefore encouraged to strengthen emergency savings, maintain realistic budgets, control unnecessary debt, and develop contingency plans for possible income disruptions. Financial institutions, employers, and policymakers should provide financial education programs that emphasize practical behavioral skills rather than focusing only on financial knowledge. Such programs should be supported by accessible saving instruments, responsible credit products, financial counseling, income-protection mechanisms, and appropriate consumer protection. These efforts may improve individuals' capacity to anticipate, withstand, and recover from economic shocks.

FURTHER STUDY

Future research should use longitudinal designs to examine whether changes in financial behavior remain consistent over time and whether they improve resilience after actual economic shocks. Larger samples selected through probability sampling across different regions and occupational groups are also recommended to improve the generalizability of the findings. Subsequent studies may incorporate objective indicators, including savings balances, debt-to-income ratios, insurance ownership, income volatility, and emergency expenditure capacity, to complement self-reported data. Financial literacy, financial self-efficacy, psychological resilience, social support, and income stability may also be tested as mediating or moderating variables to provide a more comprehensive explanation of financial resilience.

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