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# The Influence of Financial Literacy and Digital Financial Behavior on Online Loan Usage Decisions among Generation Z in Bandung City: The Moderating Role of Locus of Control

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A R T I C L E I N F O

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A B S T R A C T

This study aims to analyze the effect of Financial Literacy and Digital Financial Behavior on the Decision to Use Online Loans among Generation Z in Bandung City, with Locus of Control as a moderating variable. A quantitative associative approach was applied to 220 Generation Z respondents who had used online loan services, selected through purposive sampling and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.0. The results show that Financial Literacy has a negative and significant effect, while Digital Financial Behavior has a positive and significant effect, on the Decision to Use Online Loans; however, Locus of Control does not moderate either relationship. These findings indicate that financial understanding and digital financial habits are more dominant in shaping this decision than self-control beliefs, offering practical implications for financial education and consumer protection policies targeting Generation Z.

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## INTRODUCTION

Rapid progress in digital technology has significantly reshaped the international financial system, with Indonesia experiencing the same transformation. One of the innovations that has grown rapidly in the last decade is financial technology, especially online loan services, which offers a fast, unsecured application process, and instant disbursement of funds, making it an alternative financing solution for people who do not have access to formal financial institutions (Financial Services Authority, 2023). On the other hand, this convenience has also encouraged the trend of excessive use of online loans, especially among the younger generation, thus giving rise to new problems such as financial pressure due to the inability to manage payments and the accumulation of debt obligations (Warokka et al., 2025).

Within Indonesia, authorized online loan providers such as Akulaku, Kredit Pintar, and AdaKami function under oversight from the Financial Services Authority (OJK), yet illegal platforms remain prevalent in society. This condition shows that "the increasing popularity of online loans has not been fully offset by financial literacy and public awareness of the risks of digital financial services, such as high interest, additional fees, misuse of personal data, and billing practices that are not in accordance with the rules" (OJK, 2024b, 2024c; GoodStats, 2024).

The situation becomes more apparent in West Java Province, documented as holding the greatest online loan debt in Indonesia with a value of IDR 19.56 trillion, equivalent to nearly 25% of the country's total in December 2024 (GoodStats, 2024). More specifically, the total debt of the people of the City of Bandung who are entangled in online loans is estimated to reach IDR 1.3 trillion (West Java Express, 2024), making the City of Bandung one of the main contributors to the high penetration of online loans in West Java. The elevated online loan debt recorded in Bandung City emphasizes the necessity of investigating psychological influences together with financial behavioral elements affecting Generation Z in making the Decision to Use Online Loans, as this population accounts for the highest proportion of online loan users across the nation (GoodStats, 2024).

Low financial literacy is also a broader problem in West Java, as shown by the province's financial literacy index which is only 43.90%, which is below the national average of 49.68% (Citra & Komara, 2025). A national imbalance between the adoption of financial products and the level of financial knowledge is demonstrated by the financial literacy and inclusion survey, indicating that 67.8% of individuals utilized financial products and services, whereas only 29.7% were categorized as well literate (Yulianti et al., 2021). A similar phenomenon was also found within Jenderal Achmad Yani University, where although student financial literacy is relatively good (78%), the implementation of financial decisions such as investment decisions is still low (10%), and good financial literacy is not always followed by optimal financial behavior (Simatupang et al., 2024).

Generation Z was chosen as the object of research because of its proximity to digital technology and the high level of adaptation to fintech-based financial services, making it a relevant group as well as vulnerable in decision-making in the use of online loans (Ali, 2025). The results of the pre-questionnaire of 70 Generation Z respondents in the city of Bandung showed that “the variables of financial literacy, digital financial behavior, locus of control, and decisions to use online loans each obtained an average score between 2.16 to 2.22 on a Likert scale of 1–5, which was in the category of disagree to neutral”. These findings indicate that “there is still a gap between respondents' financial knowledge, attitudes, and behaviors and real-life online lending practices”.

The Decision to Use Online Loans refers to the consumer decision making procedure involving recognition of necessities, exploration of information, comparison of alternatives, determination of usage, and assessment following utilization (Schiffman & Kanuk, 2019), with each stage influenced by rational judgments prior to choosing a product or service (Kotler & Keller, 2016). A factor believed to contribute to these decisions is Financial Literacy, referring to the accumulation of knowledge, abilities, personal attitudes, and behavioral practices that enable individuals to choose suitable financial decisions (OECD, 2020). Findings reported by previous researchers reveal varying conclusions regarding the impact of Financial Literacy on Decision to Use Online Loans and the willingness to access online lending facilities (Setyorini, 2024a; Rifai et al., 2023; Yuhanisa et al., 2024; Yunita et al., 2023; Mulyanti & Susyani, 2025), suggesting that “further empirical verification remains necessary. Apart from Financial Literacy, Digital Financial Behavior is considered influential because it represents individual practices in handling transactions, expenditures, and financial commitments by utilizing digital platforms” (Warokka et al., 2025). In addition, Financial Literacy has been recognized as an essential factor in encouraging wider adoption of financial technology (fintech) (Susyani et al., 2024).

Even so, the contribution of Financial Literacy together with Digital Financial Behavior toward Decision to Use Online Loans is expected to vary from one individual to another, because it is also influenced by internal psychological factors in the form of locus of control, namely an individual's belief about the extent to which he is able to control events in his life (Rotter, 1966). Previous research shows that “the locus of control can act as a moderation variable in the relationship between financial literacy and online loan usage decisions” (Putri et al., 2025), as well as influence the financial behavior of fintech lending users (Ramadhan & Viana, 2023). In describing the connection among these variables, this study applies the Theory of Planned Behavior (Ajzen, 1991) as the underlying theoretical perspective. This theory explains that “a person's decision to perform a behavior is influenced by attitudes, subjective norms, and perceived behavioral control”. This study identifies Financial Literacy, Digital Financial Behavior, and Locus of Control as determinants presumed to influence Decision to Use Online Loans according to the established conceptual model. Considering the discussion above, this research is intended to evaluate the influence of Financial Literacy and Digital Financial Behavior on Decision to Use Online Loans among Generation Z residing in Bandung City through the moderating role of Locus of Control.

## THEORETICAL REVIEW

### *Theory of Planned Behavior (TPB)*

The Theory of Planned Behavior proposed by Ajzen (1991) explains that "individual behavior is influenced by intention, which is formed by three main factors, namely attitude toward behavior, subjective norms, and perceived behavioral control)". Regarding online lending activities, TPB is applicable for explaining the process through which individuals develop decisions influenced by evaluations of digital loan benefits and risks, environmental social influences, and beliefs concerning their ability to manage finances and regulate financial risks.

### *Financial Literacy*

Financial Literacy can be defined as the competence of individuals in interpreting economic information and selecting appropriate decisions associated with financial planning, savings, investment, and the management of financial risks (Lusardi, 2019), as well as knowledge, skills, and beliefs that improve the quality of financial decision-making to achieve prosperity (OJK, 2024b). Financial Literacy extends beyond cognitive mastery of essential concepts such as interest, inflation, and risk (Lusardi & Mitchell, 2014), while also reflecting its connection with individual financial behavior during routine decision making (Evanoff & Zazzaro, 2015). More recently, Kaiser and Lusardi (2024) emphasize that financial literacy remains a key form of human capital that shapes downstream financial behavior, including borrowing and debt-related decisions, and that its effect tends to be strongest among younger, less experienced financial decision-makers such as Generation Z. Based on the OECD framework (2020), "financial literacy has three dimensions, namely financial knowledge, financial behavior, and financial attitude, which simultaneously determine the quality of a person's financial decisions" (Garman & Forgue, 2012; Gitman & Zutter, 2015).

### *Digital Financial Behavior*

Digital financial behavior is defined as an individual's behavior in managing finances through the use of digital financial services, which reflects how individuals make responsible financial decisions (Dewi et al., 2024). Digital financial behavior includes technology-based transaction management, expenditure control, and discipline in fulfilling digital financial obligations (Xiao, 2016), including awareness of digital financial risks such as the risk of financial technology-based loan products (Yahya et al., 2025). The digital financial behavior indicators in this study refer to the habit of recording digital transactions, the ability to control expenses, the accuracy of digital financial obligation payments, and the responsible use of digital loan services (Vieira et al., 2024).

### *Locus of Control*

The locus of control was first introduced by Rotter (1966) within the framework of Social Learning Theory, which explains that "an individual's behavior is influenced by his beliefs about the extent to which he is able to control events and outcomes in his life". Robbins and Judge (2017) affirm that "the locus of control is the level of individual belief that the outcome of an action is determined by personal (internal) efforts and decisions, or precisely by external factors beyond self-control (external)". Individuals with a strong internal locus of control tend to have higher self-control and are more responsible in managing their financial behavior (Botha & Dahmann, 2023). A recent study by Arraniri and Lutpiyah (2024) on Generation Z further shows that locus of control can mediate or moderate the relationship between financial literacy and financial management behavior, although its role is not always consistent across contexts and populations. This research focuses on the internal dimension of the locus of control because it emphasizes the ability of individuals to control financial decisions, particularly in the use of online loans.

***Online Loan Usage Decisions***

The Decision to Use Online Loans represents the outcome of a consumer evaluation process involving the identification of individual needs, information search, alternative evaluation, use decisions, and post-use evaluation (Schiffman & Kanuk, 2019). These variable indicators include the urgency of the need for funds, the ease and speed of the application process, consideration of interest rates and loan costs, the term and ability to repay, and the perception of the security and legality of the online lending platform.

***Relationship Between Variables and Hypothesis Development***

Based on the Theory of Planned Behavior, "financial literacy affects the attitude and perception of individual behavior control towards the use of online loans. Individuals with high financial literacy tend to understand the financial consequences of digital loans, such as interest, late fines, and the risk of default, so they are more rational in making decisions" (Juwita & Sari, 2025; Yuhanisa et al., 2024; Hasanah et al., 2025). In the same way, Digital Financial Behavior influences attitudes together with perceptions of personal control toward the utilization of digital lending services, and individuals with positive Digital Financial Behavior are usually more objective when determining decisions (Indrawati, 2025; Purnamasari et al., 2025). In addition, Locus of Control is believed to influence whether perceptions of individual control over financial decision making become stronger or weaker, in accordance with findings from earlier studies (Putri et al., 2025; Jehamin, 2024; Restiyani & Yadiati, 2024; Ramadhan & Viana, 2023). Considering the explanation above, the hypothesis proposed in this study is stated as follows:

**H1:** Financial Literacy has a negative and significant effect on the Decision to Use Online Loans in Generation Z in the City of Bandung.

**H2:** Digital Financial Behavior has a positive and significant effect on the Decision to Use Online Loans in Generation Z in the city of Bandung.

**H3:** Locus of Control does not moderate the influence of Financial Literacy on the Decision to Use Online Loans in Generation Z in the city of Bandung.

**H4:** Locus of Control does not moderate the influence of Digital Financial Behavior on Online Loan Use Decisions in Generation Z in the city of Bandung.

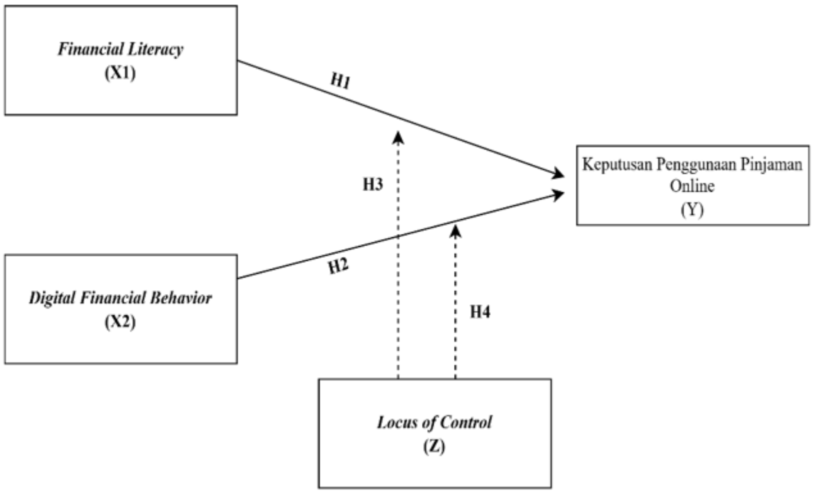


**Figure 1. Research Conceptual Framework**

## METHODOLOGY

An associative quantitative approach combined with a descriptive method is employed in this study to analyze causal relationships among Financial Literacy (X1) and Digital Financial Behavior (X2) as independent variables, Decision to Use Online Loans (Y) as the dependent variable, and Locus of Control (Z) as the moderator (Sugiyono, 2019). The research population is Generation Z people in the city of Bandung who are 18–28 years old or born in the range of 1997–2007 (Ali, 2025). Sample determination was conducted through a non probability sampling technique using a purposive sampling approach, with respondents meeting the criteria of living in Bandung City, being part of Generation Z, and having utilized online loan services. Based on the SEM PLS guideline recommending a sample size equivalent to 10 times the number of indicators (Hair et al., 2019), the study established a minimum sample of 220 respondents for 22 research indicators. Distribution of the questionnaire was carried out online via Google Form, resulting in 220 valid respondent submissions suitable for analysis.

Primary data were obtained from an online questionnaire administered through Google Form, employing a Likert scale of 1–5 (Sugiyono, 2019). Data were processed through tabulation, data entry, data editing, together with data transformation (Sekaran & Bougie, 2016). The analytical procedure involved 2 stages comprising descriptive statistical analysis to present data characteristics and Structural Equation Modeling Partial Least Square (SEM PLS) assisted by SmartPLS version 4.0 for examining interrelationships among variables. The measurement model (outer model) was examined by applying convergent validity procedures (loading factor > 0.70; Average Variance Extracted/AVE > 0.50), discriminant validity based on Fornell Larcker criteria and cross loading, as well as reliability evaluation through Cronbach's Alpha and Composite Reliability > 0.70 (Hair et al., 2017, 2019; Herianti, 2020). The analysis of the structural model (inner model) involves determining R Square, calculating F Square (Hair et al., 2014), estimating path coefficients, and verifying hypotheses by means of the bootstrapping procedure based on t statistical ≥ 1.96 or p value ≤ 0.05 (Juliandi, 2018).

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Table 1. Operationalization of Variables

| Variable | Dimensions | Number of Indicators | Scale |
|---|---|---|---|
| Financial Literacy (X1) | Financial Knowledge, Financial Behavior, Financial Attitude | 10 | Ordinal |
| Digital Financial Behavior (X2) | Digital Borrowing Behavior | 4 | Ordinal |
| Locus of Control (Z) | Internal Locus of Control | 3 | Ordinal |
| Online Loan Usage Results (Y) | Consumer Decision Process | 5 | Ordinal |

**RESULTS**

Data for this investigation originated from 220 Generation Z individuals living in Bandung who had utilized online loan services, gathered through an online questionnaire based on a Likert scale of 1 5 and processed using SmartPLS 4.0.

Table 2. Characteristics of Respondents (n = 220)

| Characteristics | Categories | Quantity | Percentage |
|---|---|---|---|
| Age | 18–21 years old | 20 | 9,09% |
| | 22–25 years old | 130 | 59,09% |
| | 26–28 years old | 70 | 31,82% |
| Domicile | Bandung City | 220 | 100% |
| Income | < IDR 1,500,000 | 63 | 28,64% |
| | IDR 1,500,000 – IDR 3,000,000 | 113 | 51,36% |
| | > IDR 3,000,000 | 44 | 20,00% |

Respondents were predominantly aged 22–25 years (59.09%), while the largest proportion reported monthly earnings between IDR 1,500,000–IDR 3,000,000 (51.36%), indicating that the research respondents were dominated by Generation Z at the early productive age with medium economic conditions, in line with the profile of the majority of online loan users in the city of Bandung which was dominated by the productive age group with lower middle income (West Java, 2024).

Table 3. Descriptive Statistical Analysis

| Variable | Total Mean Statistic | Categories |
|---|---|---|
| X1 | 4,524 | Very High |
| X2 | 4,101 | Height |
| Z | 3,659 | Height |
| Y | 4,179 | Height |

Based on the descriptive statistical findings, the Financial Literacy (X1) variable recorded a mean score of 4.524 and was classified in the very high category. The Digital Financial Behavior (X2) variable obtained a mean value of 4.101 which is in the high category. The Locus of Control (Z) variable has a mean value of 3.659 which is included in the high category. Furthermore, the Decision to Use Online Loans (Y) variable produced a mean score of 4.179, indicating a high category. The findings reveal that respondents possess very strong Financial Literacy, accompanied by high Digital Financial Behavior, Locus of Control, and a relatively high Decision to Use Online Loans.

The high value of Financial Literacy in this study indicates that Generation Z in the city of Bandung in general has understood the basic concept of financial management, but this understanding has not been fully reflected in real practice, considering that the total online loan debt of the people of the city of Bandung remains high, reaching IDR 1.3 trillion (West Java Express, 2024). This condition shows that there is a gap between financial knowledge and its implementation in daily financial decisions. A high Digital Financial Behavior value signifies broad utilization of digital financial services across Bandung, one of the principal cities with fast developing digital infrastructure in West Java, allowing easier fintech access that has encouraged digital transaction practices among the local Generation Z population. Meanwhile, the value of the Decision to Use Online Loans, which is also relatively high, strengthens the picture that online loans have become part of common financial behavior among Generation Z of the city of Bandung, in line with the high number of online loan users in the productive age group in the city.

Table 4. Validity and Reliability Test (Outer Model)

| Variable | Loading | Cronbach's α | CR | AVE |
|---|---|---|---|---|
| Financial Literacy (X1) | 0,709 | 0,940 | 0,948 | 0,646 |
| Digital Financial Behavior (X2) | 0,732 | 0,841 | 0,874 | 0,636 |
| Online Loan Usage Results (Y) | 0,834 | 0,925 | 0,943 | 0,769 |
| Locus of Control (Z) | 0,910 | 0,900 | 0,936 | 0,830 |

All loading factor values were greater than 0.70, every construct achieved Cronbach's Alpha and Composite Reliability values above 0.70, while all AVE values surpassed 0.50 (Table 3), confirming that the measurement model fulfilled the standards of convergent validity and reliability. Discriminant validity assessment based on the Fornell-Larcker criterion revealed that each construct possessed a square root of AVE (0.797–0.911) surpassing its correlation with other constructs, confirming the achievement of discriminant validity.

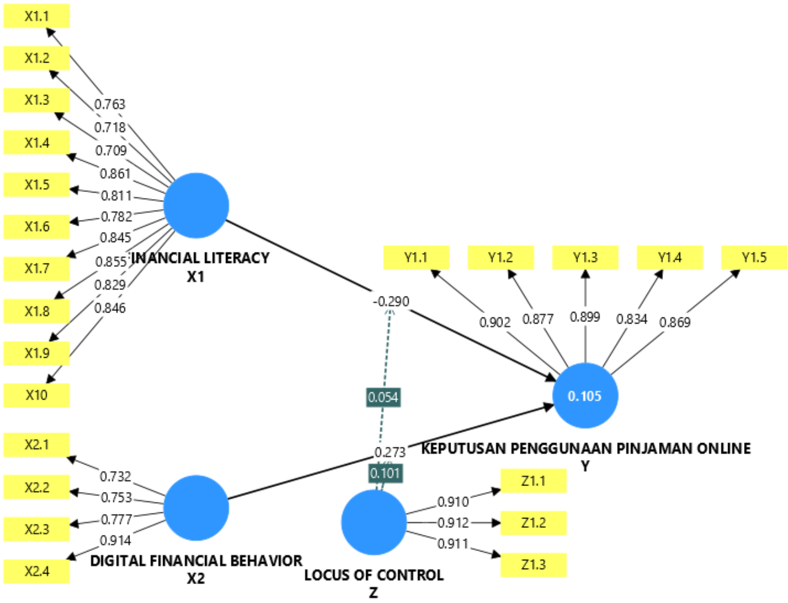


**Figure 2. Structural Model Results (Outer and Inner Model) using SmartPLS 4**

An R Square score of 0.105 and an R Square Adjusted value of 0.084 were obtained for the Online Loan Use Decision variable, reflecting that Financial Literacy, Digital Financial Behavior, and the moderation of Locus of Control contributed to explaining 10.5% of decision variability, while the remaining 89.5% resulted from influences beyond the study framework. Referring to the criteria of Hair et al. (2022), "this value is classified as weak, which indicates that there are still other variables that play a greater role in explaining the decision to use online loans". The F-Square Financial Literacy (0.066) and Digital Financial Behavior (0.075) values were classified as minor effects (above 0.02 but below 0.15), while the Locus of Control moderation effect on the two relationships (0.003 and 0.008) was classified as very weak (below 0.02).

Table 4. Path Coefficient Test Results and Hypothesis Testing

| **Relationships Between Variables** | **β** | **T-Statistics** | **P-Value** | **Verdict** |
|---|---|---|---|---|
| Financial Literacy → Online Loan Usage Decisions | -0,290 | 4,022 | 0,000 | H1 accepted |
| Digital Financial Behavior → Online Loan Usage Decisions | 0,273 | 2,440 | 0,015 | H2 accepted |
| Locus of Control × Financial Literacy → Online Loan Usage Decisions | 0,101 | 0,791 | 0,429 | H3 rejected |

| Relationships Between Variables | β | T-Statistics | P-Value | Verdict |
|---|---|---|---|---|
| Locus of Control × Digital Financial Behavior → Online Loan Usage Decisions | 0,054 | 1,298 | 0,194 | H4 rejected |

The estimation output from the structural model resulted in the following mathematical equations:

$Y = -0.290X_1 + 0.273X_2 + 0.101(X_1{\times}Z) + 0.054(X_2{\times}Z) + \varepsilon$

According to the equation, Financial Literacy contributes negatively toward Online Loan Use Decisions, in contrast with the positive contribution of Digital Financial Behavior. Although the interaction terms between Financial Literacy and Locus of Control as well as Digital Financial Behavior and Locus of Control displayed positive coefficients, their moderating influence was statistically insignificant.

The hypothesis testing produced a beta coefficient of -0.290 for Financial Literacy, together with a t statistic of 4.022 (> 1.96) and a p value of 0.000 (< 0.05). This evidence verifies a significant inverse relationship between Financial Literacy and the Decision to Use Online Loans, indicating that greater financial literacy corresponds to a lower likelihood of choosing online loans (H1 accepted). The hypothesis test identified a beta coefficient of 0.273 for Digital Financial Behavior, with a t statistic of 2.440 and a p value of 0.015, confirming its significant positive contribution to the Decision to Use Online Loans (H2 accepted). On the other hand, statistical testing demonstrated that the interaction involving Locus of Control with Financial Literacy (β = 0.101; t = 0.791; p = 0.429) and the interaction involving Locus of Control with Digital Financial Behavior (β = 0.054; t = 1.298; p = 0.194) were insignificant, suggesting that Locus of Control could not serve as a moderating factor in both associations (H3 and H4 were rejected).

In general, the results of this test illustrate that the decision of Generation Z in the city of Bandung to use online loans is more determined by the extent to which they understand financial risks (financial literacy) and the extent to which they are used to transacting through digital services (digital financial behavior), rather than by their belief in controlling personal financial conditions (locus of control). These findings are relevant to the condition of the city of Bandung, where high access to fintech services is not always balanced with the psychological readiness of individuals in managing digital debt risk.

## DISCUSSION

The analysis confirmed a significant inverse effect of Financial Literacy on the Decision to Use Online Loans for Generation Z residing in the city of Bandung. The evidence demonstrates that individuals with higher levels of financial understanding are more likely to assess risks, financial obligations, interest rates, repayment capability, and possible outcomes before deciding to use online loans, making financial literacy an important control mechanism that minimizes impulsive borrowing tendencies. This condition is relevant to the high number of online loan debt of the people of the city of Bandung which reaches IDR 1.3 trillion (West Java, 2024): the better the financial literacy of Generation Z in this city, the greater the opportunity to reduce this figure in future generations. These findings are in line with the research of Balqistha (2023), which also found that "financial literacy has a negative and significant effect on online loan usage decisions among students using P2P lending, and is consistent with the view that individuals who understand the financial consequences of digital loans will be more rational and careful in making decisions" (Juwita & Sari, 2025; Yuhanisa et al., 2024). However, these findings are different from the results of Mulyanti and Susyani's (2025) study on Generation Z in West Java, which found that "financial literacy did not have a partially significant effect on interest in using online loans, indicating that the influence of financial literacy on online lending behavior may vary depending on the scope of the region and the characteristics of the sample studied".

Digital Financial Behavior exerts a positive and statistically significant impact on Online Loan Use Decisions, reflecting that accessible digital financial facilities, regular engagement with financial applications, and proficiency in using financial technology support respondents in determining the use of online loan services more confidently. This result matches the characteristics of the city of Bandung, where digital financial services have been widely embraced across West Java, enabling fintech accessibility to increase the use of online lending among Generation Z residents. The present findings reinforce previous evidence indicating that digital financial routines are essential in fintech based credit decision making (Indrawati, 2025), and likewise agree with the research outcomes reported by Purnamasari et al. (2025) that "digital financial behavior has a significant effect on paylater user decisions, while financial literacy In the study, it did not have a significant effect". This is also strengthened by the findings of Susyani et al. (2024) that "financial literacy plays an important role in shaping financial technology (fintech) Use Behavior among Generation Z, emphasizing that digital skills and habits are important determinants in the interaction of the younger generation with technology-based financial services, including online lending".

Meanwhile, Locus of Control was not found to strengthen or weaken the relationship between Financial Literacy and Online Loan Use Decisions. Analysis of the interaction between the two variables generated T Statistics of 0.791 and P Value of 0.429 ($P > 0.05$), leading to H3 being rejected. These results reveal that the degree of confidence among Generation Z in managing financial circumstances does not alter the relationship between financial literacy and the decision to use online loans since the decision is mainly shaped by personal financial comprehension. These findings are in line with the research of Faisal and Susilowati (2025), who also found that "the locus of control did not significantly moderate the influence of financial literacy on investment decisions (T-statistic = 0.584; P-value = 0.559)". Although the contexts are different (investment decisions, not online loans), the similarity of these patterns reinforces the indication that the locus of control in general has not been strong enough to act as a moderator between financial literacy and different types of individual financial decisions, and is in contrast to some other studies that have found the role of locus of control moderation significantly in other contexts (Putri et al., 2025; Jehamin, 2024).

Locus of Control was also unable to moderate the relationship between Digital Financial Behavior and Online Loan Use Decisions (β = 0.054; T Statistics = 1,298; P Value = 0.194 > 0.05), causing H4 to be rejected. These findings show that Generation Z's habits and ability to utilize digital financial services play a direct role in the decision to use online loans, without being influenced by their beliefs in controlling their personal financial conditions. In other words, the more used a person is to using technology-based financial services, the greater their tendency to take advantage of online loans, regardless of the high and low locus of control they have. This indicates that these decisions are more shaped by digital habits (behavioral) factors that are more automatic and repetitive, rather than by a self-evaluation process involving the locus of control. Accordingly, evidence from H3 and H4 confirms that the psychological dimension represented by locus of control is insufficient to strengthen or weaken the association involving financial literacy, digital financial behavior, and the decision to use online loans among Generation Z living in the city of Bandung.

Overall, an R Square value of 0.105 reflects that the explanatory capability of this research model toward Online Loan Use Decisions remains relatively low. Given the high number of online loan debt in the city of Bandung which reaches IDR 1.3 trillion (West Java Express, 2024), these findings indicate that in addition to financial literacy and digital financial behavior, there are other factors outside the model, such as risk perception, lifestyle, or consumptive needs, which also play an important role and need to be the attention of stakeholders in the city of Bandung in explaining this phenomenon.

## CONCLUSIONS AND RECOMMENDATIONS

According to the descriptive analysis, the mean values were recorded as 4.524 for Financial Literacy, 4.101 for Digital Financial Behavior, 3.659 for Locus of Control, and 4.179 for Decision to Use Online Loans. The results show that Financial Literacy is in the very high category, while Digital Financial Behavior, Locus of Control, and Online Loan Use Decisions are in the high category. The evidence shows that most members of Generation Z living in Bandung possess fairly satisfactory Financial Literacy, Digital Financial Behavior, self control competence, and prudent evaluation when making the Decision to Use Online Loans.

Referring to the hypothesis analysis, Financial Literacy significantly reduces the Decision to Use Online Loans, while Digital Financial Behavior significantly increases the Decision to Use Online Loans for Generation Z residing in Bandung. The findings failed to verify the function of Locus of Control as a moderator in the connection between Financial Literacy, Digital Financial Behavior, and the Decision to Use Online Loans. The R Square coefficient of 0.105 demonstrates that Financial Literacy, Digital Financial Behavior, and Locus of Control contribute to explaining 10.5% of the changes in the Decision to Use Online Loans, while the other 89.5% originates from factors not incorporated into this research framework.

For Generation Z in the city of Bandung, the results of this study suggest the need to maintain and improve financial literacy, especially related to understanding interest, service fees, loan tenors, and the risk of late payments, as well as ensuring that decisions to use online loans are based on clear needs and financial capabilities, not consumptive impulses. For online loan service providers, it is recommended to increase the transparency of information regarding interest, administration fees, tenors, and service risks, as well as provide educational features and responsible loan management. For the government and regulators, especially the Financial Services Authority in the Bandung City and West Java areas, this finding can be an input to strengthen digital financial literacy education programs for the younger generation and increase supervision of online loan service providers so that the community is more protected.

## FURTHER STUDY

This study has limitations because it only examines two independent variables (Financial Literacy and Digital Financial Behavior), one dependent variable (Decision to Use Online Loans), and one moderating variable (Locus of Control), with an R-Square value of 0.105, which is still classified as weak. Therefore, future research is encouraged to include other potentially relevant variables, such as self-control, perceived risk, financial attitude, financial technology literacy, lifestyle, or income level. In addition, future research may expand the geographical scope, increase the number of respondents, or examine respondents with different characteristics to provide a more comprehensive understanding of the Decision to Use Online Loans.

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