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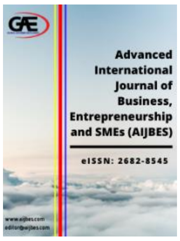

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ANALYSIS OF THE INFLUENCE OF FINANCIAL LITERACY, FINANCIAL INCLUSION, AND LIFESTYLE ON THE FINANCIAL BEHAVIOR OF GENERATION Z

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Abstract:

This lesson seeks to explore the impact of each variable that is used as the topic of this lesson. This learning takes a quantitative approach using survey techniques was used, involving 200 respondents from Generation Z. Data were collected through online questionnaires and analyzed from multiple linear regression. The results describe whether each variable is independent, both individually and collectively, significantly effect the financial behavior of Generation Z. Financial literacy presents a total regression coefficient of 0.208, with a total t of 2.765 and sign 0.007, demonstrating a positive and significant effect. Similarly, financial inclusion has a regression total coefficient 0.267, total t value 2.651, and sign 0.009, also reflecting a positive and significant influence. Lifestyle has a regression coefficient of 0.274 with a t-value of 2.693 and a significance of 0.008, indicating a significant and positive influence. This study suggests the enhancement of financial literacy programs, the expansion of financial inclusion, and better management of lifestyle in order to achieve future funding stability.

Keywords:

Digital, Financial Literacy, Financial Management, Generation Z, Lifestyle

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Introduction

The current era of globalization brings rapid changes, especially in finance, including the financial behavior of Generation Z. Generation Z, whose year of birth between 1990s - early 2010s, has attracted attention in various aspects of life, including finance. In this era, digital technology dominates many fields, and this generation has its own uniqueness in interacting with finance, ranging from financial literacy to their consumptive (Lusardi & Mitchell, 2017; OECD, 2020). The current development of the financial world offers many choices for society, especially in making financial decisions. Managing finances well is an effective and efficient action that can be taken to improve personal economic conditions (Sianipar, Purnamasari, & Ulum, 2023)

This learning is targeted at analyzing funds in depth behavior of Generation Z, focusing on their financial inclusion, financial literacy, and lifestyle in managing personal finances. Financial literacy is important to be understood by every generation, especially Generation Z, which main function in the field of funding. Financial literacy is a human skill to understand and manage finances properly. One of the factors causing someone to fail in managing their finances is a lifestyle that does not match their income, leading to consumptive use of the money earned (Klapper, 2019).

An individual's knowledge of finance can be seen from their understanding of financial literacy (Kaiser & Menkhoff, 2017). Financial literacy is defined as process of improving skills, knowledge and confidence to manage finances independently (Atkinson & Messy, 2019). Financial intelligence works for sustainability of every individual as it can be a consideration for making investments and managing finances well, especially for Generation Z (OECD, 2020).

Generation Z is associated with a consumptive lifestyle and tends to not think long-term in managing their finances. In fact, most of Generation Z still experiences difficulties in financial management, so the income they earn cannot be used effectively. A lifestyle that does not match their income often leads individuals to find various ways to fulfill it, making Generation Z currently tend to struggle in managing their finances (Rathnayake & Jayawardena, 2021).

As outlined in SEOJK30/SEOJK.07/2017 regarding the implementation of activities aimed at enhancing financial literacy in the field of funding services, financial behavior is one of the key benchmarks. In 2019, the Financial Services Authority (OJK) conducted a survey that showed about 39.5% of respondents had financial goals for retirement preparation (Bank, 2018).

This literacy is a person who can manage his funds efficiently, with the main goal of attaining financial well-being (Klapper, 2019). Good financial management can start with financial planning, both short-term and long-term (Rismawati & Putra, 2022). Good financial literacy can strengthen financial inclusion by encouraging many people, especially Generation Z, to use existing financial services, as financial literacy provides significant benefits to both the financial services sector and society (Kaiser & Menkhoff, 2017).

Financial literacy, also known as knowledge of financial management, is an economic behavior that has developed within society (specifically among Generation Z), occurring both consciously and unconsciously over the years. Funding literacy is linked to increasingly optimal funding management; increasingly financial knowledge a person has, the better their

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skills in managing finances (Buderini, Gama, & Astiti, 2023). Financial Management Behavior refers to the behavior of individuals related to their responsibilities in planning and managing their finances, including aspects of control, saving, budgeting, seeking, and financial planning (Firdaus & Ana, 2023). The systematically organized financial management activities are part of the personal financial management process; expertise to assess and invest future capital is part of financial experience (HS & Lestari, 2022)

Financial literacy aims to promote inclusive economic growth by reducing poverty, enhancing financial development, and improving stability of forms of funding. Financial inclusion is the removal of all price barriers and other obstacles to reach funding services then people can improve their living standards(Demirgüç-Kunt, Klapper, Singer, Ansar, & Hess, 2020). The benchmarks of financial inclusion include Generation Z's access to savings accounts, insurance, payment services, and informal financial institutions (OECD, 2020).

Generation Z, who understand financial literacy, at least grasp financial concepts, are able to explain and communicate financial ideas, and possess skills in managing finances and making financial decisions for the future. They also believe in planning their future financial needs (Laturette, Widianingsih, & Subandi, 2021).

Financial inclusion facilitates Generation Z's access to financial products. Generation Z is often known for a consumptive lifestyle and tends to think less about the long term in managing their finances. Even though their income is not small, many of them still face financial difficulties. A lifestyle that does not match financial capabilities often forces individuals to find various ways to fulfill it. Lifestyle reflects an individual's pattern of living that shows how they carry out their daily lives ((Rathnayake & Jayawardena, 2021). Financial inclusion and financial literacy must work together to help Generation Z comprehend the importance and advantages services and goods provided by formal funding agencies (Vijayvargy & Bakhshi, 2018). Advanced technology triggers an increase in irrational consumption. Generation Z, in particular, tends to enjoy shopping, spending all their income to fulfill socialization needs or social interactions, and keeping up with current fashion trends (Sari, Andriani, & Sari, 2020)

Literatur Review

The Effect of Financial Literacy on Financial Behavior

Financial literacy has a regression coefficient of 0.208, with a t-value of 2.765 and a significance level of 0.007. This demonstrates that financial literacy has a positive and significant impact on the financial behavior of Generation Z in Luwu Raya.

The Effect of Financial Inclusion on Financial Behavior

Financial inclusion has a regression coefficient of 0.267, with a t-value of 2.651 and a significance level of 0.009. This suggests that financial inclusion also has a positive and significant impact on the financial behavior of Generation Z.

The Influence of Lifestyle on Financial Behavior

Lifestyle has a regression coefficient of 0.274, with a t-value of 2.693 and a significance level of 0.008. This indicates a positive and significant influence, demonstrating that lifestyle is a crucial factor in shaping the financial behavior of Generation Z.

The Influence of Financial Literacy

The findings of the study indicate that financial literacy has a significant positive impact on financial behavior. This is in line with research by (Lusardi A. & Mitchell O. S., 2014) which emphasizes the importance of financial literacy in influencing financial decisions and financial management. Good financial literacy allows individuals to make better financial decisions and manage their resources more efficiently. The study also supports the OECD's findings (OECD, 2020) which highlights that financial literacy can enhance an individual's skills in financial planning and management.

The Effect of Financial Inclusion

Financial inclusion positively influences the financial behavior of Generation Z, which shows that access to financial services plays an important role in financial management. (Demirgüç-Kunt, A. Klapper, 2013) explains that financial inclusion can improve access to financial products and facilitate better financial management. This research is in line with the findings (Bank, 2018) which states that higher financial inclusion is associated with better financial management and financial well-being.

Lifestyle Influences

Lifestyle has a positive and significant effect on financial behavior, suggesting that the way a person manages their lifestyle can affect their financial behavior. This study is consistent with the study (Kumar, Raghunathan, & Saha, 2020) which found that lifestyle patterns affect individual spending and savings. Moreover, (Rathnayake & Jayawardena, 2021) also suggested that an extravagant lifestyle can lead to financial problems, while a frugal lifestyle can support financial stability.

Conclusion

This study examines the impact of financial literacy, financial inclusion, and lifestyle on the financial behavior of Generation Z in Luwu Raya. The findings indicate that all three factors-financial literacy, financial inclusion, and lifestyle-significantly and positively influence financial behavior.

First, the analysis reveals that improved financial literacy is strongly associated with better financial behavior among Generation Z. This highlights the necessity of establishing comprehensive financial education programs that can provide young individuals with the essential skills and knowledge needed to manage their finances effectively.

Second, financial inclusion also plays a critical role in shaping financial behavior. The positive impact of financial inclusion highlights the need to expand access to financial services. By making financial products and services more accessible, especially to young people, we can promote better financial management and stability within this demographic.

Third, the study finds that lifestyle significantly influences financial behavior. A disciplined and mindful lifestyle contributes positively to financial management. Educating Generation Z about the importance of aligning their lifestyle choices with their financial capabilities can support their journey toward financial stability.

In conclusion, to foster better financial behavior among Generation Z, it is essential to focus on enhancing financial literacy, expanding financial inclusion, and promoting a balanced

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lifestyle. These efforts are crucial for ensuring the financial stability and well-being of the younger generation, thereby preparing them for a financially secure future.

Methods
This learning takes a quantitative approach by collecting primary reports from distributing questionnaires to respondents. Quantitative data refers to data expressed in numbers or figures, which can be analyzed or processed using mathematical or statistical methods.

Research Design
This quantitative research relies on theory as a set of interrelated constructs (or variables) associated with propositions or hypotheses detailing the relationships between variables, usually in terms of magnitude or direction.

Variable Measurement
Respondents' responses are measured using a Likert scale with five scores, namely: Score 5 for strongly agree (SA); 4 to agree (A); 3 uses somewhat agree (SA); 2 for disagree (D) and 1 for strongly disagree (SD)

Population and Sample
This study has a population of Gen Z, who are native residents of Luwu Raya, consisting of four regions: Luwu, East Luwu, North Luwu, and Palopo. The research sample consists of 100 respondents randomly selected from this population. From each region, 25 respondents who meet the criteria as users of digital funding services such as savings accounts, insurance, payment services, and informal financial institutions were chosen.

Data Collection Procedure
Data were gathered by distributing digital questionnaires to participants. The questionnaire was created to measure each variable and various aspects that can influence funding actions Generation Z.

Data Analysis
The information collected will be analyzed using multiple linear regression techniques to observe the impact of each independent variable on the dependent variable. The analysis will be assisted using statistical media, which the test can produce regression coefficients and significance values for each independent variable.

Research Location
This study was conducted in Luwu Raya, which includes four main regions: Luwu, East Luwu, North Luwu, and Palopo. The selected respondents are native residents of these four regions who use digital financial services.

Hypotheses
H1: It is hypothesized that financial literacy positively influences the financial behavior of Generation Z.
H2: It is hypothesized that financial inclusion positively influences the financial behavior of Generation Z.
H3: It is hypothesized that lifestyle positively influences the financial behavior of Generation Z.

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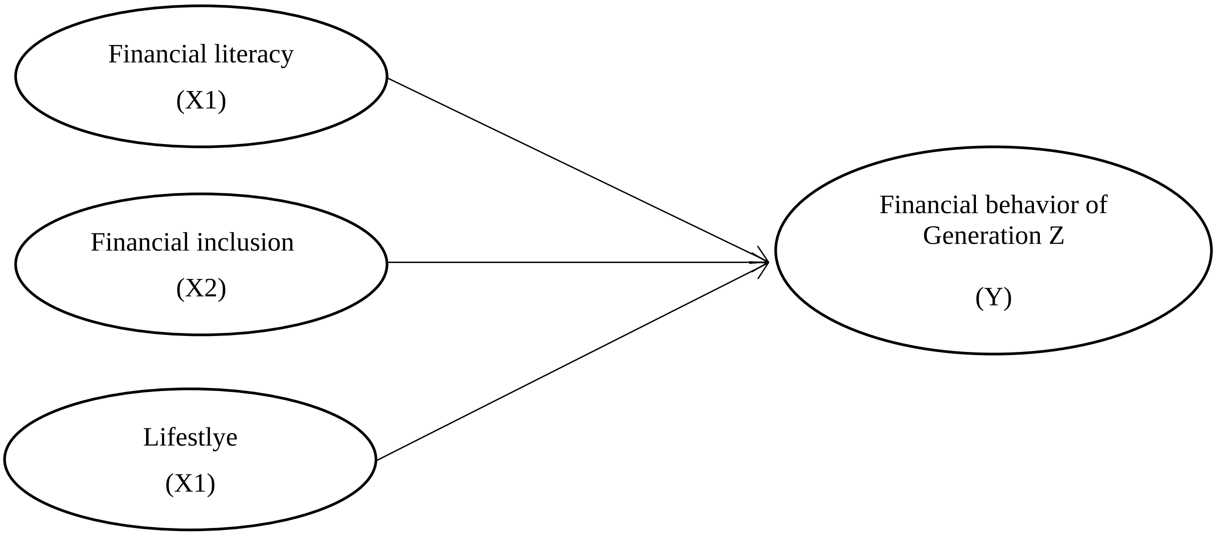

Figure 1. Conceptual Framework

Results and Discussion

Respondent Overview

In this study, an overview of respondents was used in a survey based on gender and faculty. For more details about the general description of the respondents, please see the table below:

Table 1. Respondent Overview

Characteristics Responden	Sum	%
Gender		
Female	67	67
male	33	33
Sum	100	100
Region		
Luwu	35	35
Palopo	35	35
Luwu Utara	15	15
Luwu Timur	15	15
Sum	380	100

Validity and Reliability Test

The results of the tests conducted using SPSS 27, with the validity and feasibility test of the research variables as follows:

Table 2. Validity and Reliability Test

Variabel	Item	r square	Cronbach's Alpha	Information
Finacial Literacy	X1.1	0.887	0.780	Valid/ Reliabel
	X1.2	0.459		
	X1.3	0.716		

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	X1.4	0.887		
	X1.5	0.620		
Financial Inclution	X2.1	0.807	0.788	Valid/ Reliabel
	X2.2	0.577		
	X2.3	0.736		
	X2.4	0.736		
	X2.5	0.793		
Lifestyle	X3.1	0.611	0.761	Valid/ Reliabel
	X3.2	0.660		
	X3.3	0.799		
	X3.4	0.654		
	X3.5	0.559		
Financial Behavior	Y1	0.765	0.742	Valid/ Reliabel
	Y2	0.784		
	Y3	0.211		
	Y4	0.748		
	Y5	0.508		

Source: Primer Data processed 2024

Data Analysis

Multiple Linear Regression Test

This study uses multiple linear regression testing test conducted by researchers to determine obtaining the impact of each related variable.

Table 3. Multiple Linear Regression Analysis Test

Coefficients[a]

	Unstandardized Coefficients		Standardized Coefficients		
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	5.441	.915		5.947	.000
Financial Literacy	.208	.075	.254	2.765	.007
Financial Inclusion	.267	.101	.349	2.651	.009
Lifestyle	.274	.102	.314	2.693	.008

Source: Primer data processed 2024

Tabel 3 outlines the outcomes of the multiple regression test for the independent variable which is related to the dependent variable in the form:

$$\mathbf{Y = 5.441 + 0.208X_1 + 0.267X_2 + 0.274X_3 + e}$$

The coefficients through multiple linear regression alignment, you can interpreted in the following manner:

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a) The findings from Testing table 3 presents the regression coefficients for the financial literacy variable is positive at 0.208, suggesting that a 1% increase in financial literacy leads to a 0.208 increase in financial behavior.
b) Test results Table 3 displays the regression coefficients for the financial inclusion variable is positive at 0.267, indicating that a 1% rise in financial inclusion results in a 0.267 increase in financial behavior.
c) Test results Table 3 displays the regression coefficients for the lifestyle variable is positive at 0.274, meaning that a 1% increase in lifestyle correlates with a 0.274 increase in financial behavior.

Hypothesis Testing

Test T (partial)

The t-test is used to assess the impact of the independent variable on the dependent variable. The results are:

Table 4. Model 1 Test Results

Coefficients[a]

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	5.441	.915		5.947	.000
Financial Literacy	.208	.075	.254	2.765	.007
Financial Inclusion	.267	.101	.349	2.651	.009
Lifestyle	.274	.102	.314	2.693	.008

Source: Primer Data processed 2024

Based on ThrTrough Table 4 a conclusion can be formed in the form of::
a) The X1 test results are 2.765 > 1.966 and the significant value is 0.007 < 0.05 interpreted as X1 has a significant effect on Y
b) The X2 test results are 2.651 > 1.966 and the significant value is 0.009 < 0.05 interpreted as X2 has a significant effect on Y.
c) The X3 test results are 2.693 > 1.966 and the significant value is 0.008 < 0.05 interpreted as X3 has a significant effect on Y.

Test F (Simultaneous)

The F test was conducted to determine whether the independent variable has an effect on the dependent variable. The results of the Model 1 F Test as a result:

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Table 5. Test Result F

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	436.519	3	145.506	96.441	.000[b]
	Residual	144.841	96	1.509		
	Total	581.360	99			

Source: Primer Data Processed 2024

Based on For F testing at the sign level 5%. In Table 5, it is shown that the significance value is 0.000, which is less than 0.05, and the F value is 56.888, exceeding 2.70. This indicates that, taken together, the variables of financial literacy, financial inclusion, and lifestyle have a significant impact on financial behavior.

Determination Test (R2)

The Determination Test (R^2) is utilized to indicate degree of relationship between each variable. The test results are:

Table 6. Determination Test Result (R^2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.867[a]	.751	.743	1.228

a. Predictors: (Constant), Financial Literacy, Financial Inclusion, Lifestyle

According to From the test, it was found that R Square 0.751, or 75.1%. This indicates that financial literacy, financial inclusion, and lifestyle account for 75.1% of the influence on financial behavior, However, the difference of 24.9% is influenced by variables outside of this learning.

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