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ANALYSIS OF FINANCIAL LITERACY ON FINANCIAL BEHAVIOR OF GEN Z IN KARAWANG REGENCY MEDIATED BY LIFESTYLE

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Abstract

This study emphasizes the crucial role of financial literacy among Generation Z, a group currently grappling with unique financial issues in the era of rapid technological advancement and consumer-oriented lifestyles. Although Gen Z is frequently exposed to diverse financial information, many still struggle with managing their finances effectively. The research aims to assess how financial literacy influences the financial behavior of Generation Z in Karawang Regency, with lifestyle acting as a mediating factor. Employing a quantitative approach, the study used surveys to collect data from 100 purposively selected Gen Z respondents. Findings indicate that financial literacy significantly impacts both financial behavior and lifestyle. Moreover, lifestyle itself has a significant effect on financial behavior and plays a mediating role in the relationship between financial literacy and financial behavior. These results suggest that individuals with higher financial knowledge are more likely to manage their finances effectively. However, the study also reveals that many young people remain caught in consumptive habits and fail to apply sound financial practices consistently. This reinforces earlier research showing that financial literacy alone may not be sufficient to drive responsible financial behavior. In addition, the study notes that a hedonistic lifestyle—focused on short-term gratification—can undermine wise financial decisions. Therefore, improving financial outcomes among Generation Z requires not only enhancing financial knowledge but also fostering awareness of the importance of a balanced, mindful lifestyle. Promoting both financial education and lifestyle discipline is essential to support healthier financial behaviors in the long term.

Keywords: Financial Literacy, Lifestyle, Financial Behavior, Gen Z, Karawang Regency

INTRODUCTION

Currently, a significant proportion of adolescents encounter difficulties in exercising financial prudence. well; their ability to manage finances is very minimal, and they cannot control their finances; someone who has good financial literacy skills and knowledge and can be responsible can see their finances with a different perspective and can control their financial conditions (Azizah, 2020. Most teenagers today desire to save or set aside some of the money they have for their future or emergency funds, but many of them cannot manage finances, so the desire to save is never realized. This is because they only think about temporary pleasure and cannot manage finances according to their needs. The level of individual financial literacy can affect their financial behavior, especially if it is related to their lifestyle patterns (Kusnandar et al., 2022). Their lack of knowledge and ability to control, manage, and store their daily financial funds makes them constantly feel insufficient and insufficient with these funds. From this, we know that Generation Z still cannot and does not understand how to manage and analyze their finances. Having a good understanding of finance also means planning and managing finances effectively (Sholihah & Isbanah, 2023).

High financial literacy is a basic need for everyone to avoid financial problems. Providing financial education to the community, especially students is necessary because the impact is enormous and plays a role in the nation's development. Because the more knowledge and understanding of finance (financial literacy) they have, the better the community will manage their finances. Having sufficient financial literacy knowledge will positively impact one's financial behavior because there is a tendency to prepare for the immense possibilities that can happen at any time (Safitri & Dewa, 2022). According to (Gama et al., 2023) in their research financial literacy is knowledge and understanding that helps students manage finances and make wise decisions in using money to achieve prosperity and avoid financial risks such as debt. Many developed countries provide financial education to the public so that financial literacy in society increases. The lack of understanding about financial literacy makes today's generation less understanding about good financial management, so many of them squander their money on things that are not important. To avoid these things, we can teach about financial literacy as early as possible because the cause of poverty comes from a small income and a lack of knowledge about financial literacy. The lack of financial literacy makes people more concerned with lifestyle and consumerism without considering their money back. The low desire to save and invest also includes a lack of financial literacy (Nuraini et al., 2023).

Lifestyle is a secondary human need; the development of a person's lifestyle continues to develop over time, with the continued development of technological advances making someone change their lifestyle. In line with research, according to (Sari et al., 2023), One of the negative impacts of technological advances is the emergence of dependence on viral trends on social media, which can encourage uncontrolled consumptive behavior. A person's lifestyle affects financial management. (Gama et al., 2023) emphasize that the lifestyle of students plays an important role in shaping financial behavior because a good lifestyle encourages individuals to use money as needed, thus avoiding excessive consumptive behavior due to a wasteful lifestyle that is only oriented towards pleasure without considering basic needs. This is because a person will continue to change his lifestyle by developing existing trends. The development of this trend is what is happening in the current generation; they are competing to implement a "hedon" or excessive lifestyle but cannot do good financial management for the future; they tend to think more about the present than saving for the future, from the trend of using this excessive lifestyle we can conclude that generation z lacks knowledge about good financial management. Four things can be seen from the field of financial behavior, namely, saving, spending, investing, and lending; financial behavior can arise because of the encouragement of an individual's positive attitude (Utami & Isbanah, 2023).

Previous research by (Nuraini et al., 2023), which investigated the influence of locus of control, income, and lifestyle on students' financial management behavior in Semarang, employed a quantitative approach and found that all three variables significantly affected financial management behavior. Similarly, a study by (Samsuki et al., 2024) explored the effects of lifestyle, financial literacy, and peer influence on students' financial behavior using a quantitative method. The findings indicated that financial literacy and peer influence had significant effects, while lifestyle did not. Furthermore, research by (Pancasari et al., 2024) examined the impact of family economic education, financial literacy, and income on the investment behavior of Gen Z students at PGRI Wiranegara University. This study also adopted a quantitative approach and found all variables significantly influenced investment behavior. Compared to these prior studies, the present research introduces two key novelties: first, the inclusion of lifestyle as a mediating variable; and second, the focus on Gen Z in Karawang Regency as the research sample—an area that has not been explored in previous studies.

RESEARCH METHODS

This research uses a quantitative approach to objectively examine the relationship between financial literacy, lifestyle, and financial behavior variables. This approach is suitable for assessing the effect of financial literacy on financial behavior with lifestyle as a mediating variable, through numerical data analysis(Utami & Isbanah, 2023). This type of research is explanatory or causal, which aims to explain the cause-and-effect relationship between variables based on field data. The data collection technique was carried out through distributing online questionnaires to 100 Gen Z respondents in Karawang, who were selected by purposive sampling with certain criteria, such as age range 17-28 years and have their own income. The research indicators were adapted from several previous sources, Determination of the number of samples refers to the opinion (Yamin, 2023), which is a minimum of 5-10 respondents per indicator. Data was collected through an online questionnaire based on indicators from previous studies. Financial Literacy is adapted from (Lusardi, 2021), which measures aspects of basic financial knowledge, ability to calculate compound interest, and understanding of risk. Lifestyle is adopted from (Zhang & Wang, 2022), focusing on consumptive lifestyle, digital lifestyle, and technology usage preferences. Financial Behavior is based on indicators from (Widyaningrum & Pamungkas, 2023), which include saving Behavior, routine spending, investment, and loan usage. The data analysis technique uses Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach through SmartPLS 3.0 software. SEM-PLS is suitable for complex models with mediating variables and non-normal data distribution (Yamin, 2023) with statistical tools using smartPLS.

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RESULTS AND DISCUSSION

Outer Model Results

Validity Test Results

Table 1. Average Variance Extracted (AVE) Test Results

	Average Variance Extracted (AVE)
Financial Literacy	0.624
Financial Behavior	0.501
Lifestyle	0.514

Source: SmartPLS (2025)

Table 1 presents the results of statistical testing, showing that the Average Variance Extracted (AVE) values for Financial Literacy (X), Financial Behavior (Y), and Lifestyle (Z) are 0.624, 0.501, and 0.514 respectively. Since all AVE values exceed 0.50, it can be concluded that each variable in this study is valid.

Reliability Test Results

Table 2. Cronbach Alpha Test Results

	Cronbach's Alpha
Financial Literacy	0.879
Financial Behavior	0.798
Lifestyle	0.811

Source: SmartPLS (2025)

Table 2 displays the statistical test results, indicating that the Cronbach's alpha values for Financial Literacy (X), Financial Behavior (Y), and Lifestyle (Z) are 0.879, 0.798, and 0.811, respectively. As all values are above 0.70, it can be concluded that the variables in this study are reliable

Inner Model Results

R Square Test Results

Table 3. R Square Test Results

	R Square	Adjusted R Square
Financial Behavior	0.647	0.640
Lifestyle	0.406	0.400

Table 3 shows that the R-squared value for the Financial Behavior variable is 0.647, indicating that Financial Literacy and Lifestyle together explain 64.7% of the variance in Financial Behavior. The remaining 35.3% is attributed to other factors outside the model. Meanwhile, the R-squared value for the Lifestyle variable is 0.406, suggesting that Financial Literacy and Financial Behavior account for 40.6% of the variance in Lifestyle, while the remaining 59.4% is influenced by variables not examined in this study.

Bootstrapping Test Result

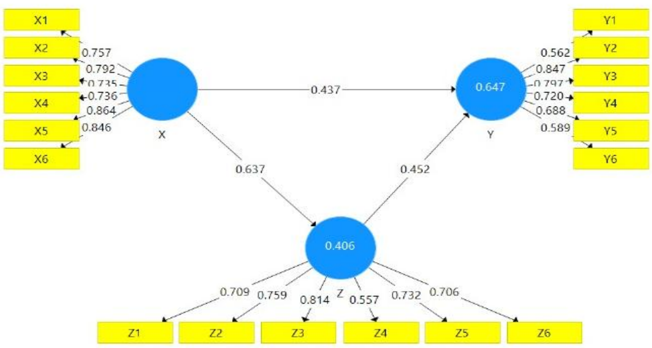

Figure 1.
Bootstrapping Test Results

Figure 1 above is the structure of the construct on other constructs, such as independent variables, dependent variables, inner model, outer model, R-Square, and research hypotheses.

Path Coefficient Test Results

Table 4. Path Coefficient Test Results.

	Sample Original (O)	Average Sample (M)	STDEV	(|O/STDEV|)	P-Values
FL FB	0.437	0.437	0.072	6.102	0.000
FL LS	0.637	0.642	0.077	8.238	0.000
LS FB	0.452	0.457	0.074	6.114	0.000
FL → LS → FB	0.288	0.294	0.066	4.398	0.000

Source: SmartPLS (2025)

Based on the results presented in Table 4, several conclusions can be drawn: Financial Literacy has a significant effect on Financial Behavior, as indicated by a P-value of 0.000, which is less than the significance level of 0.05. Similarly, Financial Literacy significantly influences Lifestyle, with a P-value of 0.000. Lifestyle also has a significant effect on Financial Behavior, as evidenced by a P-value of 0.000. Furthermore, Lifestyle is found to mediate the relationship between Financial Literacy and Financial Behavior, as the indirect effect (FL → LS → FB) is statistically significant, with a P-value of 0.000, confirming the presence of a significant mediating role.

Discussion

Financial Literacy Relationship to Financial Behavior

The study results and statistics show that a higher level of knowledge about finance makes Generation Z smarter in managing their finances. However, the problem most experienced by Generation Z today is still a lack of understanding of sound financial management; most are more often concerned with momentary pleasure than long-term investment. This problem is also the same as the results of research from (Apriani et al., n.d.) showing that the financial knowledge a person has does not affect the individual's financial management behavior; good financial behavior is important for women to prepare for their future, but many individuals, especially Gen Z and Millennial women, are trapped in consumptive behavior and cannot manage finances properly. Research results from (Pancasari et al., 2024) show that Generation Z, who have a good understanding of finance, are likelier to have saving and investing habits. Consumptive behavior in Generation Z depends on their financial knowledge (Sholihah & Isbanah, 2023a). Financial knowledge and financial literacy are two things that help in personal financial planning, such as optimizing the value of money and getting greater benefits for quality of life. With the statistical test results showing a significant relationship, increasing financial literacy is crucial in shaping better financial behavior. Therefore, financial education should be continuously improved, especially for Generation Z, so that they can make wiser financial decisions and be oriented toward financial well-being in the future.

The relationship between Financial Literacy and Lifestyle

Financial knowledge refers to the extent to which individuals understand various aspects related to finance. This understanding is important to help one make the right financial decisions to achieve financial well-being. Meanwhile, hedonism is a lifestyle that is oriented towards achieving happiness as the main goal, where pleasure and enjoyment become the main focus in life. This hedonistic lifestyle can affect the way a person manages their finances. Research shows that there is a link between financial literacy and individual lifestyles. The findings show that the lower a person's level of financial literacy, the lower the quality of their lifestyle (Kusnandar et al., 2022). In the context of Generation Z, their lifestyle is strongly influenced by the times and rapid technological advances. Another study (Hidayah et al., 2024) states that a good understanding of finance can encourage more rational financial decision making and avoid potential financial risks. In addition, the ability to understand financial technology also facilitates access to investment information and transactions, which in turn has a significant impact on one's investment behavior.

The relationship between Lifestyle and Financial Behavior

Based on the results of the analysis, it was found that lifestyle has a significant influence on financial behavior, with a coefficient value of 0.452, a t-statistic of 6.114, and a p-value of 0.000. This finding confirms that lifestyle is one of the main factors that influence how individuals manage their finances (Rahmawati et al., 2023). A consumptive lifestyle is known to have a negative relationship with healthy financial behavior, while a frugal lifestyle and financial awareness can actually improve the ability to manage income and expenses. Furthermore, according to research by (Nuraini et al., 2023), lifestyle changes influenced by social media and the social environment can trigger consumptive behavior, which ultimately has a negative impact on personal financial management. Individuals who are unable to control their lifestyle tend to exhibit impulsive financial behavior, such as spending without planning, buying unnecessary items, and relying on consumptive loans. Therefore, awareness of the importance of balancing lifestyle with financial condition is crucial in shaping healthy financial behavior. In this context, education on lifestyle management needs to go hand in hand with improving financial literacy, so that individuals are able to make wiser financial decisions.

The Mediating Role of Lifestyle on Financial Literacy and Financial Behavior

All three relationships between variables (FL → FB, FL → LS, and LS → FB) With the evidence of a significant effect, it can be concluded that lifestyle effectively mediates the effect of financial literacy on individual financial behavior. This mediating role indicates that an increase in financial literacy will shape a financially healthier lifestyle, and ultimately, the Lifestyle will encourage wiser financial behavior. This finding corroborates the research results (Azizah, 2020) ,which state that Lifestyle is an important link between financial knowledge and daily financial practices. High financial literacy tends to shape a healthy financial lifestyle, which then results in prudent financial behavior. A consumption lifestyle refers to a person's tendency to spend more money than they need. The research findings indicate that lifestyle contributes positively and significantly to financial behavior, as a person's lifestyle choices play a role in shaping their consumption habits and decisions (Ismia et al., 2024). Meanwhile, mental accounting is how we categorize and manage money to avoid using it excessively. When a consumptive lifestyle mediates mental accounting on financial behavior, students' tendency to overspend can affect how they manage finances. Consumptive lifestyle can mediate the relationship between mental accounting and financial behavior. This means that an individual's lifestyle can influence how their mental accounting is translated into action in their financial management (Kusnandar et al., 2022). Mental Accounting and way of life were found to affect each other. As a result, the lower one's standard of living, the higher mental accounting. Mental accounting functions as a financial control tool by separating funds into specific categories or accounts, so as to prevent the use of funds for excessive consumption or unplanned expenses.

Conclusions

Based on the results of testing the research model using path coefficient analysis and R-Square value, all hypotheses in this study are accepted and have a significant influence between variables. The first hypothesis shows that Financial Literacy (FL) significantly affects Financial Behavior (FB), which indicates that the higher a person's financial literacy, the better their financial behavior. The second hypothesis shows that FL also significantly affects Lifestyle (LS), meaning that individuals with sound financial knowledge tend to have a more controlled lifestyle. The third hypothesis proves that LS affects FB, so a frugal and planned lifestyle can shape healthy financial behavior. The fourth hypothesis states that LS mediates the relationship between FL and FB, and the analysis results show that the mediation is significant. The R-Square value shows that FL and LS explain 64.7% of FB variation, while FL explains 40.6% of LS variation. This strengthens the interrelationship between the variables and shows that increased financial literacy promotes a better lifestyle, shaping wiser financial behavior. This study also highlights that financial literacy and mental accounting influence Generation Z's lifestyle in Karawang Regency regarding managing finances. Research samples based on age and income are expected to be added to the study.

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