

# THE INFLUENCING FACTORS FOR FINANCIAL BEHAVIOR OF GEN Z

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**Abstract:** Generation Z (Gen Z) is the largest majority community in Indonesia, which is a consumptive society and they have less knowledge about financial behavior. so they need to have good financial behavior. This research aims to analyze the factors that influence the financial behavior of Gen Z. The partial influence of personal income, financial attitude, and financial literacy on financial behavior. The analysis technique was SPSS version 25, and the method used multiple linear regression analysis. The research was conducted using a quantitative method with 100 samples. The results indicate that personal income, financial attitude, and financial literacy have a significant effect on the financial behavior of Generation Z (Gen Z).

**Keywords:** personal income, financial attitude, financial literacy, financial behavior, gen z

## 1. Introduction

Otoritas Jasa Keuangan (2017) made various ways to improve financial inclusion in Indonesia, one of which is to encourage people to continue to improve their financial attitudes and behavior. Financial behavior is what determines how a person makes decisions or attitudes in managing and managing their finances. When someone has the right financial behavior, then they will tend to be wise in making financial decisions.

The results of a survey conducted by the International Survey of Adult Financial Literacy (2020) showed that Indonesia is a country with a financial behavior index that is above average.

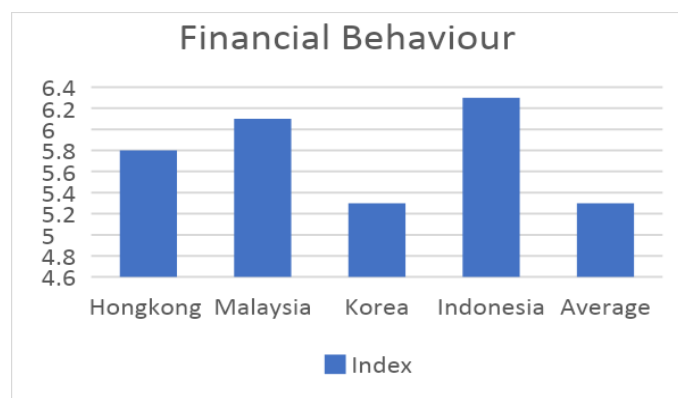


Figure 1. Financial Behavior

Source: International Survey of Adult Financial Literacy, 2020

From figure 1, it appears that Indonesia has a fairly high financial behavior index compared to other Asian countries. Indonesia has a financial behavior index at 6.3 while the average

financial behavior index is at 5.3. Based on this data, it can be concluded that the financial level of Indonesian society can be said to be quite good.

In Indonesia, the majority of the population comes from the 20s where it belongs to the Gen Z community of 27.04% (Badan Pusat Statistik, 2021). Gen Z is people born from 1997 to 2012. This generation belongs to a productive age and is expected to increase economic growth. But in fact, Gen Z has less knowledge of financial behavior because only 2% set aside money for investment, 10.7% is used for saving and the rest is used for other consumptive activities quoted from OJK based on the Indonesia Millennial Report (2019). The data is different from the results of exposure from the International Survey of Adult Financial Literacy (2020) so it makes the gap of analysis in this study.

Renaldo, et al (2020) explain that technology continues to develop and affect everything and Gen Z will certainly go with this flow and influence economic factors. The one who likes to gather with friends, shop online, or vacation will impact their lifestyle. Without good financial behavior, Gen Z cannot control it wisely.

Financial behavior can be influenced by many things, one of which is individual income. Individual income is the number of incomes received by each person, whether they do certain activities or not. When a person has more income, then the individual will have a greater responsibility than before. This is because the individual will have more opportunities to act. Financial behavior can also be influenced by financial attitude. Financial attitude is a view of money in terms of psychology. This view emphasizes more on how individuals can control the right financial decision-making (Prihartono and Asandimitra, 2018).

In addition to income and financial attitude, another thing that is no less important is financial literacy. Otoritas Jasa Keuangan (2017) explains that financial literacy is a series of processes in improving knowledge, skills, and beliefs related to finance. When a person has a high level of financial literacy, then the financial behavior of the individual tends to be better (Rahmanto and Susanti, 2021).

Financial literacy is necessary especially to Gen Z. Financial literacy cannot be separated from life. This is because financial literacy will help individuals in making decisions. personal finance or financial matters. (Orton, 2007).

Based on the explanation of the background, the study wanted to see if these factors had any influence on financial behavior among Gen Z.

## 2. Literature Review

### Financial Behavior

Ahmisuhaiti et.al (2017) explained that financial behavior is a systematic management of organized finances. This management is done consistently and in writing and has goals to be achieved. Zakaria et al (2012) financial behavior refer to how to manage household financial resources, such as planning, budgeting, and savings. Dew and Xiao (2011) financial behavior can be measured through consumption, cash flow, credit, savings and investments, and insurance.

Rahmayanti, et al (2019) financial behavior is a science that studies human behavior to determine finances. Individuals who have good financial behavior will be more effective in using the money they make. They gained either making a budget, saving money or controlling spending invest, and pay all bills on time

Financial behavior is closely related to financial management and is responsible for managing personal finances. It is a combination of cash flow management, credit management, and investments. Financial management focuses on effectiveness such as determining the budget and value of debt. Spending controls on money and savings are generally benchmarks for valuation. (Renaldo, et.al, 2020)

### **Personal Income**

Income can be defined as the total amount of money received by a person or household over a while can (usually one month). Income can be wages/ salaries, or labor receipts, income from wealth influences can influence things such as rent, interest, and dividends, as well as payment of transfers or receipts from the government such as social benefits (e.g. scholarships) or unemployment insurance (Herlindawati, 2015). The income received by a person can be sourced from anywhere, which later the income will be used to meet one's needs.

Income is one of the indicators to measure the well-being of a person or society so that the income of this community reflects the economic progress of society (Luminatang, 2013).

Hilgert et al. (2003) An individual with a lower income are less likely to report paying their bills on time (recording financial management) compared to a higher income. This shows that income influences a person's financial behavior.

### **Financial Attitude**

Humaira and Sagono (2018) explain that attitude is a condition of a mind, view, and perspective on the world. Financial attitudes are defined as the state of mind, opinions, and how people measure their financial status and apply it to their attitudes. Therefore, financial attitudes can also be said to affect how individuals manage their finances (Herdjiono and Damanik, 2016).

Financial attitudes are a measure of your state of mind, your opinions, and your judgment about the world in which you live which is defined as a financial measure of our thinking, opinions, and judgments about the world we live in. (Pancow, 2012). Rajna et. al. (2011) financial attitude is a measure of the state of mind that can be considered. Based on a person's psychological point of view. This view is seen when someone assessed the practice of financial management so that it becomes a principle in finance to create or maintain value for financial decision making

Financial attitudes can be influenced by routine activities and how a person sees financial actions as good or bad by looking at his or her own or others' perspectives; Financial experience also contributes here. Therefore, without a good financial attitude, it will be great difficulty in gaining financial gain for the future because these two factors correlate to conquering short and long-term life goals (Yulianti and Silvy, 2013).

### **Financial Literacy**

Financial literacy is the essential competency of the century, and efforts to improve it are necessary to support economic growth in every global economy (Messy and Monticone, 2016). The Organization for Economic Co-Operation and Development (OECD, 2015) defines financial literacy as the combination of awareness, knowledge, skills, attitudes, and behaviors necessary to make sound financial decisions and ultimately achieve an individual's financial well-being. Financial literacy is a person's activity in increasing knowledge as well as skills in the field of finance (Setyawan & Wulandari, 2020). Based on this definition, it can be known that financial literacy is not a simple concept that is easy to measure.

The OECD (2013) suggests measuring them in three dimensions: financial attitudes, financial behavior, and financial knowledge. Having a good financial attitude means having a good state of mind, opinion, and judgment for one's economic beliefs. When actualized, it becomes financial behavior, which is the way a person behaves and acts on his finances. Meanwhile, someone with financial knowledge will understand some of the key concepts of finance (OECD, 2013).

When a person has good financial literacy, then they will tend to be careful in their financial planning. Low financial literacy will have an impact on the low desire to save for future planning. Excessive spending habits will make society consumptive so it is difficult to become

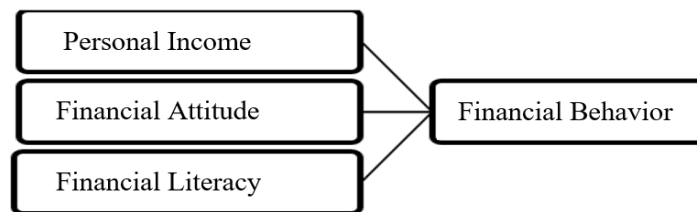
a smart consumer (Putri et al., 2016). Potrich and Vieira (2018) even found that financial literacy increases compulsive buying behavior.

Nidar and Bestari (2012) explain that the national economy will not be affected by the global economic crisis if peoples understand the financial system well. People who do not understand the financial system will cause many people to experience losses. These losses can be wasteful consumption and expenses, and credit card usage that is not as expected.

**Gen Z**

Based on data from Bloomberg (2019) the demographics of the world will be controlled by Gen Z. The U.S. Census Bureau defines Gen Z as people born starting in 2000. Currently, Gen Z or millennials are the dominating force in Indonesia both in the economy and political environment. Gen Z is generally known to be unwise in managing finances therefore Indonesia must move quickly to develop the next generation and not repeat the bad habits of previous genes. Gen Z is facilitated to make good financial decisions because it can access the internet easily and can search for information extensively. In addition, technology in the field of finance is also currently very developed but there is also a negative side. Adobe (2018) found that Gen Z spends most of its time surfing the internet and using social media so that this can expose Gen Z to issues related to materialism.

**Hypothesis**



**Figure 2. Research Framework**

Based on the literature review, the hypotheses concluded in this study are:

- H<sub>1</sub> : Personal income has a significant effect on the financial behavior of Gen Z
- H<sub>2</sub> : Financial attitude has a significant effect on the financial behavior of Gen Z
- H<sub>3</sub> : Financial literacy has a significant effect on the financial behavior of Gen Z

**3. Methods**

The population in this study was Gen Z in Surakarta, Central Java. The technique of sampling is a purposive sampling that has criteria that were born in 1997 until 2012, has income, and is domiciled in Central Java. The sample size for this study is 100 respondents. Data collection using a questionnaire method. Quantitative analysis was carried out by processing numerical data using the SPSS version 25 analysis tool and carried out by multiple regression analysis. Multiple regression is an approach used to explain the mathematical relationship between the dependent variable and the independent variable. Before performing multiple regression analysis, the validity test, the reliability tests, and the classical assumption test was carried out.

**Table 1. Research Dimension**

Variable	Indicator
Personal Income	1. Source income 2. Total monthly income 3. Income classification



Variable	Indicator
Financial Attitude	1. Have financial planning 2. Have investment planning 3. Saving money regularly 4. Have a financial target
Variable	Indicator
Financial Literacy	1. Carefully compare product price before buying 2. Make a budget for expenses and income every day 3. Have a bank account for saving money 4. Have life insurance 5. Have insurance to be used as a means of investment 6. Have an investment plan every month
Financial Behavior	1. Paying bills at the right time 2. Making a spending budget 3. Have record expenses and spending 4. Have funds for unexpected expenses 5. Consuming the items that are only needed 6. Have a balance transaction 7. Have an investment

#### 4. Result and Discussion

The multiple regression is carried out to see the impact of personal income, financial attitude, and financial literacy on behavioral finance. Based on table 2 majority of respondents were aged 21-25 years old and their income was under Rp 999.000.

**Table 2. Characteristic Respondent**

No	Category	Respondent	Percentage	
1	Age	15 - 20	8	8%
		21 - 25	92	92%
	<b>Total</b>		<b>100</b>	<b>100%</b>
2	Income	0 - Rp 999.000	87	87%
		Rp 1.000.000 - Rp 1.999.999	9	9%
		Rp 2.000.000 - Rp 2.999.999	3	3%
		> Rp 3.000.000	1	1%
		<b>Total</b>	<b>100</b>	<b>100 %</b>

Source: processed data, 2022

To conduct hypothesis testing, several data test requirements must be done first. When this data test is declared not problematic, then a hypothesis test can be done. This test consists of a validity test, reliability test, and classic assumption test.

The validity test can be done by looking at the correlation between the score of each item in the questionnaire with the total score you want to measure using Pearson Correlation. The validity testing results stated that all question items are declared valid.

The second test is the reliability test. The test was conducted to measure the consistency of respondents in answering questions related to research variables. Reliability tests can be conducted together on all questions for more than a variable. This test is said to be

reliable if Cronbach's Alpha value is  $> 0.60$ . Reliability testing results showed that the research variables were declared reliable.

The next data test is the classic assumption test. This classic assumption test was conducted to see if the study data could be said to be normal or not. Based on these tests, it was stated that the study data is said to be normal.

After going through the data instrument test and the classical assumption test, then the next test is the hypothesis test. The following is the result of the multiple regression analysis that has been carried out:

**Table 3. Hypothesis**

Hypothesis	Beta	Sig.	Result
Personal income has a significant effect on the financial behavior of Gen Z	0,477	0,000	Accepted
Financial attitude has a significant effect on the financial behavior of Gen Z	0,317	0,017	Accepted
Financial literacy has a significant effect on the financial behavior of Gen Z	1,331	0,004	Accepted

Source: processed data, 2022

### **Personal Income and Financial Behavior**

Based on tests conducted, it appears that personal income influences the financial behavior of Gen Z. This shows that Gen Z began to be wise in managing finances. They can set aside their income according to their needs. Gen Z is already more sensitive to the use of their income. When individuals are faced with an increased level of income, the individual's responsibility in managing finances will also increase (Fatima, 2018).

These results illustrate that Gen Z's financial behavior can come from how much income they have. When a person has a high enough income, then they tend to have a higher level of financial knowledge. High financial knowledge will support better financial behavior. (Keown, 2011)

Nye and Hilyrad in Hidajat (2015) explain that materialism can influence financial behavior. Materialism is an individual belief in which they believe that possessions are the most important thing in a person's life.

The test also illustrates that Gen Z can allocate income well to everyday life so that they can achieve the right financial goals with optimal results. These test results follow research conducted by Reviandani (2019) explaining that income levels are related to financial behavior.

### **Financial attitude and Financial Behavior**

Based on tests conducted, it appears that financial attitudes influence financial behavior gen Z. Financial attitudes are described as a person's view of how they exercise self-control over financial use as well as financial-related decision-making (Prihartono and Asandimitra, 2018). Gen Z has good control over its financial management. They can manage finances well, to achieve the goals they set. The results of this test also indicate that Gen Z has a high commitment to financial management. This is evident from the indicator of questions given to respondents. Gen Z has clear planning and targets for its finances. The results show that Gen Z has a habit of planning budgets. The habit of planning his expenses shows a positive attitude towards financial behavior, so it can be concluded that Gen Z has a good financial attitude

When Gen Z has a good financial attitude, it becomes a picture that the individual knows how to apply good financial behavior to future planning. Good financial behavior will start from how financial attitude is applied in everyday life.

This research is following the one conducted by Karunia (2017), where the study explained that when individuals have a good financial attitude, then the financial behavior of the individual will be better. The financial attitude of the individual will have a positive effect on his financial behavior.

### Financial Literacy and Financial Behavior

Based on the tests conducted, it appears that financial literacy influences the financial behavior of Gen Z. The better literacy rate will affect its financial behavior. Individuals who have good financial literacy, then they will be wise and careful in managing their finances. Financial literacy is the basic thing used by individuals in making decisions. Without financial literacy, individuals will tend to be careless in making decisions. This is because they do not understand the risks that will be faced if they are less careful in making decisions.

Andarsari and Ningtyas (2019) explain that literacy has a positive relationship to financial behavior. When individuals have high knowledge, then they will be wiser in financial behavior. Financial knowledge is the basic thing that must be owned in everyday life.

This research illustrates how important financial literacy is to financial behavior. Financial literacy will help someone solve the financial problems they will face. If a person does not have good financial literacy, then they can not face the existing problems and will have a domino effect on other understandings. (Pamikatsih and Susanti, 2020)

The results of this study are following the findings of Listyani (2021), financial literacy will affect financial behavior. This indicates that the higher the knowledge and ability of the individual, the wiser the individual will be wise in making decisions or behaving towards his finances.

### Coefficient of Determination

The next test is the coefficient of determination. This test is done to determine how much personal income variables, financial attitudes and financial literacy (independent variables) affect financial behavior variables (dependent variables). Based on the tests conducted, the following results were obtained:

**Table 4. Coefficient of Determination**

R Square	Adjusted R Square
0,536	0,521

Source: processed data, 2022

In table 4, it appears that the value of the coefficient of determination is 0.521. This value illustrates that personal income, financial attitudes, and financial literacy only have an effect of 52.1% on financial behavior. Another 47.9% were affected by other variables outside of the study.

### 5. Conclusions

Based on the results of tests, it can be concluded that personal income, financial attitudes, and financial literacy have a significant effect on Gen Z's financial behavior, it can certainly be new hope for Indonesia given that Gen Z is the majority group so that it can support the Indonesian economy. But this study of course still has limitations so that it can be developed again by further researchers such as expanding the research area not only in Surakarta, Central Java in addition to adding other variables such as experience managing finances, and education levels.

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