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Analysis of the Influence of Financial Literacy, Income, and Lifestyle on Saving Habits of Generation Z

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ABSTRACT

Saving is a critical financial practice that showcases an individual's preparedness to tackle future demands and mitigate financial pitfalls. Nevertheless, not everyone possesses strong saving practices. Utilizing a quantitative descriptive research approach, in which data is gathered through online surveys, this study seeks to evaluate the impact of financial education, earnings, and lifestyle on saving behaviors. The participants in this research are members of Generation Z employed in various companies across Labuhanbatu Regency, including private firms and BUMD/BUMN entities, with sample selection conducted through purposive random sampling utilizing the Lime show formula or other relevant methodologies. The findings reveal that the financial education, earnings, and lifestyle of Generation Z significantly contribute to their saving practices both independently and collectively. A solid grasp of financial principles, earnings, and lifestyle empowers individuals to make more informed financial choices, particularly regarding saving. Nevertheless, while increased earnings can enhance their capacity to save, their inclination to conform to trends and adopt consumerist lifestyles may inhibit their ability to allocate funds for savings. Thus, it is crucial for Generation Z to elevate their financial education and embrace a more economical lifestyle to cultivate robust saving habits and secure their financial future.

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INTRODUCTION

Financial literacy is an individual's ability to understand and manage personal finances effectively (Huston, 2010). This ability includes an understanding of basic financial concepts, such as savings, investments, debt management, and long-term financial planning. In this modern era, financial literacy is an increasingly important aspect in determining a person's financial well-being. Low levels of financial literacy can lead to inappropriate financial decision-making, including in saving habits.

Saving is one of the financial habits that reflects an individual's readiness to face future needs and avoid financial risks (Nalurita et al., 2022). However, not all individuals have good saving habits. Many factors can affect a person's saving habits, including the level of financial literacy, income, and lifestyle. Individuals with better levels of financial literacy tend to have a higher awareness of the importance of saving. On the other hand, income is also a determining factor in a person's ability to set aside a portion of their income. However, not everyone who has a big opinion will be able to manage their finances well so that they have the remaining funds to be saved. Meanwhile, a consumptive lifestyle is often an obstacle in building consistent saving habits. The habit of following trends tends to require large funds to meet tertiary needs.

In the Indonesian context, several surveys show that the level of financial literacy of the community is still relatively low, which contributes to low saving habits. In addition, the phenomenon of increasing consumptive lifestyles among the community, especially the younger generation, further strengthens the urgency of research on factors that affect saving habits. With this research, it is hoped that people can be more aware of the importance of managing finances wisely and increasing the habit of saving for a more stable future.

LITERATURE REVIEW

Financial Literacy

Financial literacy encompasses the understanding, capability, and assurance demonstrated in financial management practices, as well as in making appropriate decisions and strategies for both immediate and future needs (Mason & Wilson, 2000) ;(Remund, 2010). They pinpointed five core components of financial literacy: knowledge, communication abilities, personal finance management skills, the capacity to make sound financial choices, and effective financial planning. Financial literacy consists of a continuum of processes or actions designed to enhance the awareness, beliefs, and competencies of consumers and the broader society, enabling them to manage their finances more adeptly (OJK, 2017). Furthermore, as stated by to (Sahadeo, 2018), financial literacy is an amalgamation of awareness, understanding, capabilities, skills, attitudes, and behaviours critical for making prudent financial decisions aimed at achieving individual financial security (Cude, 2021). From these diverse interpretations, one can infer that financial literacy embodies the knowledge and skills required for managing finances, the expertise to make informed financial choices, along with the attitudes and behaviours that promote financial stability.

Income

Revenue encompasses the earnings generated from the routine operations of an entity and includes terms like sales, service fees, interest income, dividends, and royalties (Martani et al., 2024). According to (Kieso et al., 2011), income represents the total influx of economic advantages resulting from the entity's regular activities over a specific timeframe, leading to an increase in equity that is not derived from the investor's investment. Revenue signifies an influx or another augmentation of an entity's assets, or the resolution of liabilities during a specific period due to the delivery or production of goods, provision of services, or other core functions of the entity (Dyckman & Zeff, 2015) ;(Australia), 1992)). From these various interpretations, it can be deduced that income typically pertains to the influx of economic benefits that an entity receives from its principal operational endeavours, such as the sale of goods or the provision of services, resulting in an enhancement of equity over a defined timeframe.

Lifestyle

A lifestyle refers to the unique way an individual navigates life, revealed through their actions, passions, and viewpoints. It captures a person's essence in relation to their surroundings (Kotler & Keller, 1992). As noted by (Sutisna & Susan, 2022) lifestyle indicates how a person approaches life, reflected in their allocation of time, interests, and reactions to various matters. It illustrates how individuals conduct their lives, manage their finances, and prioritize their time (Keister et al., 2016). The lifestyle dimension includes activities, interests, and opinions (Vyncke, 2002) ;(Kaligis, 2020). From these various definitions, it can be concluded that lifestyle reflects how individuals or groups spend their time, resources, and energy, as well as how they interact with their social and physical environment.

Saving

Saving is the act of setting aside a part of your income to be saved and used in the future (Bogle, 2015). He argued that saving as an act of setting aside income for future expenses and the habit of saving is the foundation for individuals to achieve financial freedom. Saving is the first step towards wealth. By saving, one can start investing their money to earn passive income (Kiyosaki, 2010). Saving is a way to achieve financial goals, everyone needs to set specific goals, such as buying a house or preparing for retirement, and saving is a concrete step to make it happen (Orman, 2010). In general, saving involves the act of saving money regularly for future use, both for a specific purpose and as an emergency fund.

METHODOLOGY

This research is quantitative descriptive research (Sugiyono, 2018). Data was collected using research instruments in the form of questionnaires that were distributed online using the google form format to all respondents. The population in this study is Generation Z who work for companies throughout Labuhanbatu Regency, both private and BUMD/BUMN. Sample determination using purposive random sampling technique (Sugiyono, 2018) by using the Lime show formula or formula, so that the number of samples is rounded up to 100 respondents. For data analysis, use Smart PLS 4 for Windows.

RESULTS AND DISCUSSION

The research tool utilized in this study, a questionnaire, underwent preliminary testing on different samples prior to being distributed to the main research sample. The data collected from this initial evaluation was analysed using IBM SPSS for Windows. According to the validity assessment (Ghozali, 2018) the overall score exceeds the critical value of rtable (0.3610). Therefore, it can be inferred that all research instruments are valid and appropriate for measuring the variables under investigation. Regarding the reliability assessment (Ghozali, 2018) the Cronbach Alpha values for all research variables-namely financial literacy (X1), income (X2), lifestyle (X3), and saving habits (Y) are greater than the threshold established in the reliability table (0.700). Thus, it can be deduced that all research instruments, represented as questionnaires for each variable, are deemed reliable.

The foundational data for the classical assumption examination was analysed utilizing IBM SPSS Statistics for Windows software. Normality assessment (Ghozali, 2018) was conducted by evaluating the significance values derived from the Kolmogorov-Smirnov One-Sample test, followed by examining the data distribution on the Normal PP Plot graph. The findings from the Kolmogorov-Smirnov One-Sample test revealed a significance value (0.256) that exceeded the alpha threshold (0.05). Simultaneously, an inspection of the graphical representation showed that the dots are dispersed along the line, adhering closely to the diagonal. From the outcomes of these two approaches, it can be inferred that the data residue is normally distributed.

The evaluation of multicollinearity (Ghozali, 2018) is conducted by examining the Variance Inflating Factor (VIF) values. According to the findings from the multicollinearity evaluation of the financial literacy, income, and lifestyle variables in relation to savings habits, each variable exhibits a VIF, namely financial literacy at 4.469, income at 2.985, and lifestyle at 5.309, all of which are below the alpha threshold of 10.000. Thus, it can be inferred that there are no indications of multicollinearity among the independent variables in this research. The heteroscedasticity assessment results (Ghozali, 2018) revealed that the significance values for each variable are as follows: financial literacy at 0.987, income at 0.654, and lifestyle at 0.298. This indicates values above the alpha level (0.05), leading to the conclusion that there are no signs of heteroscedasticity in the regression model of the data analysed.

Multiple Retraction Test Results

Multiple linear regression analysis test results (Sugiyono, 2018) The research data shows the following data:

Table 1. Multiple Linear Analysis Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error
1	(Constant)	8.190	.998
	Financial Literacy	.208	.068
	Income	.339	.062
	Lifestyle	.261	.082

a. Dependent Variable: Saving Habits

Based on the above data, it can be described that the multiple linear regression equation in this study is Y = 8.190 + 0.208X1 + 0.339X2 + 0.261X3 with the following interpretation:

- The constant value of 8,190 explains that if the variables of social literacy (X1), income (X2) and lifestyle (X3) are 0, then the variable of saving habits (Y) is 8,190
- The value of the regression coefficient of the financial literacy variable (X1) is 0.208, meaning that if the value of other independent variables remains the same, the value of financial literacy will increase by 1%, then the value of the Y variable will increase by 0.208. A positive value coefficient means that there is a positive relationship between financial literacy and saving habits, so the better the financial literacy of Generation Z, the higher the saving habits.
- The value of the regression coefficient of the income variable (X2) is 0.339, meaning that if the value of other independent variables remains the same, the value of the income variable increases by 1%, then the value of the Y variable will increase by 0.339. A positive value coefficient means that there is a positive relationship between income and saving habits, so the higher the income of Generation Z, the higher the saving habits.
- The regression coefficient value of the financial literacy variable (X3) is 0.261, meaning that if the value of other independent variables remains the same, the value of the financial literacy value increases by 1%, then the value of the Y variable will increase by 0.261. A positive value coefficient means that there is a positive relationship between lifestyle and saving habits, so the better and more directed the lifestyle of Generation Z, the higher the saving habits.

Test Results t (Partial)

The results of the analysis of research data using the SPSS for Windows program in the hypothesis test partially obtained the following data:

Table 2. Test Results (Partial)

Coefficients[a]

Model		Standardized Coefficients Beta	t	Sig.
1	(Constant)		8.207	.000
	Financial Literacy	.270	3.049	.003
	Income	.398	5.508	.000
	Lifestyle	.306	3.176	.002

a. Dependent Variable: Saving Habits

In the table above, it can be seen that the t1 value of 3,049 is greater than the t1 value of the table of 1,660 with a significance level of 0.003 < 0.05, so it can be concluded that the first hypothesis is accepted, namely that financial literacy has a positive and significant effect on saving habits. Subsequently, the t2 value calculated at 5,508 is greater than the t2 value of the table of 1,660 with a significance level of 0.000 < 0.05, so it can be concluded that the second hypothesis is accepted, namely income has a positive and significant effect on saving habits. Then the calculated t3 value of 3,176 is greater than the t3 value of the table of 1,660 with a significance level of 0.000 < 0.05, so it can be concluded that the third hypothesis is accepted, namely that lifestyle has a positive and significant effect on saving habits

Test Results F (Simultaneous)

Table 3. Test Results F (Simultaneous)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1631.544	3	543.848	158.131	.000[b]
	Residual	330.166	96	3.439		
	Total	1961.710	99			

a. Dependent Variable: Saving Habits
b. Predictors: (Constant), Lifestyle, Income, Financial Literacy

In the table above, it can be seen that the calculated F value of 158,131 is greater than the F value of the table of 3,936 with a significance value of 0.000 < 0.05. Based on this, it can be concluded that the fourth hypothesis in this study is also accepted, namely financial literacy, income and lifestyle have a positive and significant effect on the saving habits of generation Z who work for companies throughout Labuhanbatu Regency, both private and BUMD / BUMN.

Determination Coefficient (R2) Test Results

Table 4. Determination Coefficient (R2) Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.912[a]	.832	.826	1.855

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

The summary model table above shows that the Adjusted R Square value is 0.826 which means that the variables of financial literacy, income and lifestyle have an influence of 82.60% on the saving habits of Generation Z who work for companies throughout Labuhanbatu Regency, both private and BUMD / BUMN, while the remaining 14.4% is influenced by other factors that are not studied in this study.

Financial savvy significantly influences the saving behaviours of Generation Z. A solid grasp of financial principles, such as compound interest, the distinction between nominal and real values, and risk diversification, empowers individuals to make more informed financial choices, particularly regarding saving. These results are in line with the results of research conducted by (Ovaska & Sumell, 2017). This study shows that Generation Z who have good financial literacy tend to have healthier financial behaviours, including saving habits. Conversely, a lack of financial literacy can lead to excessive consumptive behaviour and ineffective financial management (Herdyane et al., 2024). Therefore, increasing financial literacy among Generation Z is very important to form good saving habits and ensure financial well-being in the future. With adequate financial literacy, they can manage their income more efficiently, make the right financial decisions, and better manage financial risks (Utama, 2020).

Income plays a significant role in shaping saving habits among Generation Z. However, while higher incomes can increase the ability to save, other factors such as consumptive lifestyle and financial literacy also have a great influence. According to the 2024 Financial Fitness Index survey, 4 out of 10 urban youth have the habit of saving money to shop for branded goods, vacations, and watching concerts (Thangavel et al., 2022). In addition to using savings funds, they also tend to owe money to the closest people to meet the tertiary needs. In addition, data shows that about 16-31% of millennials' income is used to meet their monthly needs, and only a small portion is invested. This shows that despite having an income, without good financial management, the habit of saving is still difficult to form (Lusardi, 2019). Therefore, to encourage better saving habits among Generation Z, it is necessary to increase financial literacy and control of a consumptive lifestyle, in addition to considering income factors.

Lifestyle has a significant influence on saving habits among Generation Z. Trends and consumptive lifestyles can reduce their ability to set aside money (Sari, 2022). Many of them spend money on daily necessities and lifestyle, which often reduces their ability to save (Bai, 2023) ;(Abdillah & Adinugraha, 2024). In addition to using savings funds, they also tend to owe money to the people closest to them to meet their tertiary needs. However, with good financial literacy, Generation Z can manage their income more efficiently (Pokharel & Maharjan, 2024) ;(Tiwari & Yadav, 2022), make informed financial decisions, as well as better manage financial risk (Hopkin, 2018) ;(Utama, 2020). Therefore, it is important for Generation Z to improve financial literacy and adopt a more frugal lifestyle to form healthy saving habits and ensure financial well-being in the future.

CONCLUSIONS AND RECOMMENDATIONS

Based on the analysis and discussion carried out, it can be concluded that the financial literacy, income and lifestyle owned by Generation Z greatly influence them to have the habit of saving both partially and simultaneously. Where a good understanding of financial concepts, income and lifestyle allows individuals to make wiser financial decisions, including when it comes to saving. However, while higher incomes can improve their ability to save, their tendency to follow trends and consumptive lifestyles can reduce their ability to set aside money. Therefore, it is important for Generation Z to improve financial literacy and adopt a more frugal lifestyle to form healthy saving habits and ensure financial well-being in the future.

FURTHER RESEARCH

This research still has limitations so further research is still needed on this topic.

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