

## **The Influence Of Lifestyle And Income On The Financial Behavior Of Generation Z In Makassar**

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### **ABSTRACT**

The increasing modernization and digitalization era have shaped the financial behavior of Generation Z, who are often more consumptive and find it challenging to manage their expenditures. This study aims to analyze the influence of lifestyle and income on the financial behavior of Generation Z who are currently working in Makassar. Using a quantitative approach, data were collected through an online questionnaire distributed to 40 respondents aged 15–27 years. The analysis was conducted using Structural Equation Modeling (SEM) with SmartPLS software. The results indicate that lifestyle positively and significantly influences financial behavior, meaning that the more consumptive a person's lifestyle, the more it affects their financial decision-making. Additionally, income also has a positive and significant effect on financial behavior, implying that higher income allows for better financial management and decision-making. However, the coefficient of determination ( $R^2$ ) shows that lifestyle and income explain only 41.3% of the variance in financial behavior, suggesting that other external factors also play a role. These findings emphasize the importance of financial literacy education to help Generation Z develop healthier financial habits. Future research is recommended to explore other influencing factors, such as financial technology and psychological aspects, to gain a more comprehensive understanding of financial behavior among young professionals.

Keywords : Lifestyle, Income, Financial Behavior, Generation Z, Makassar

**INTRODUCTION**

The modernization of society has led to increased consumerism, making it difficult for individuals to control their expenses. Additionally, digitalization has made it easier to fulfill various needs, particularly for Generation Z, who are highly adept at using the internet. Generation Z consists of individuals born between 1997 and 2012. According to the Central Statistics Agency (BPS) in 2023, there are approximately 60 million members of Generation Z in Indonesia. This generation has grown alongside technological advancements, globalization, and significant social changes, making access to financial information easier and shaping their unique lifestyle compared to previous generations.

A 2023 study conducted on Generation Z students in the Management Program at Universitas Mahasaraswati Denpasar found that lifestyle positively influences financial behavior. Additionally, income was also found to have a positive impact on their financial behavior.

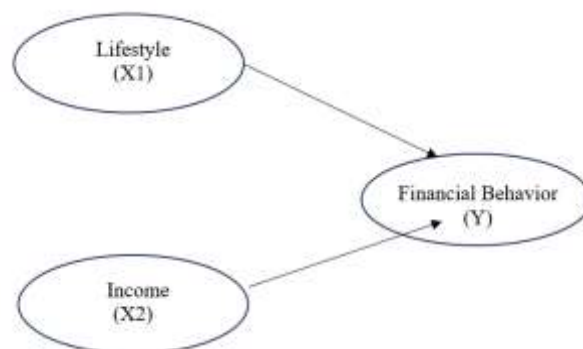
Lifestyle, as defined by Putri Wulan Dwi et al. (2023), refers to a person’s pattern of living, including how they spend money, allocate time, and make daily decisions. It can be observed through routine activities, thoughts about surrounding events, and self-perception. In economic terms, income is the maximum value a person can consume within a period while maintaining their initial financial condition (Hidup, 2023). Income is a crucial factor that influences purchasing decisions and lifestyle choices.

The financial behavior of Generation Z tends to prioritize present needs over future financial security. According to Generasi et al. (2022), financial behavior is an individual's ability to manage money through planning, budgeting, controlling, and saving. Financial decisions are often influenced by cognitive biases, leading to irrational spending patterns. The working age in Indonesia is defined as 15-64 years (Tirto.id), meaning that working Generation Z individuals are between 15 and 27 years old.

The growing lifestyle trends among working Generation Z are often driven by social media influence and societal norms, leading to unhealthy financial behaviors such as a lack of savings and increasing debt. Poor income management further exacerbates this issue, making it essential to understand how these factors impact their financial well-being. This research aims to provide deeper insights into the relationship between lifestyle and income management among young people while offering recommendations to improve financial literacy and awareness

**Framework of Thought**

Figure 1. Research Model Framework



Source : Author’s Personal Conception (2024)

## **Hipotesis**

H1: It is suspected that there is a positive and significant relationship between lifestyle and financial behavior of generation Z in Makassar.

H2: It is suspected that there is a positive and significant relationship between income and financial behavior of generation Z in Makassar

## **METHOD**

### **Sample**

In quantitative research, the population is defined as the generalization area consisting of objects/subjects with specific qualities and characteristics determined by the researcher for study and conclusion (Suriani et al., 2023). The population in this study consists of the working-age population in Makassar, aged 15-27 years, born between 1997 and 2009. According to data obtained from the website of the Central Statistics Agency of Makassar (bps.go.id), the number of working Generation Z individuals in Makassar is approximately 384,844 people.

A sample is a subset of the population (Purwanza et al., 2022). The researcher determines the sample by considering various factors, such as the research problem, objectives, hypotheses, methodology, and research instruments. This study **employs purposive sampling**, a technique in which the researcher selects samples based on specific criteria. The total sample used in this study is 30 respondents.

### **Data Collection**

The research method used in this study involves obtaining data from the website of the Central Statistics Agency of Makassar to determine the number of working Generation Z individuals in the city. Additionally, data collection was conducted by distributing questionnaires via Google Forms to respondents who met the research criteria. The questionnaire responses were measured using a **Likert scale**, ranging from 1 to 5, with statements ranging from "**strongly disagree**" to "**strongly agree**."

### **Data Analysis Technique**

Based on the data analysis results, this study employs various statistical tests using the SmartPLS 4 application. Validity testing is conducted using Convergent Validity to ensure that the indicators accurately measure the intended latent variables. Reliability testing is performed with Cronbach's Alpha and Composite Reliability to assess the internal consistency of the research variables. Normality testing is used to evaluate the data distribution, while multicollinearity testing identifies correlations among independent variables to avoid redundancy issues in the model. Additionally, heteroscedasticity testing is carried out to detect whether there is non-constant variability in the regression model errors. Multiple linear regression analysis is used to measure the influence of independent variables on the dependent variable. Finally, hypothesis testing is conducted using the t-test to assess the individual impact of independent variables and the F-test to examine the overall significance of the model.

### **Variable Operationalization**

This study utilizes data from the Badan Pusat Statistik (BPS) Kota Makassar website and a Google Form questionnaire distributed to respondents based on the research criteria. The questionnaire measurement uses a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) :

Table 1. Likert Scale

Response Option	Scale
Strongly Agree	5
Agree	4
Neutral/Somewhat Agree	3
Disagree	2
Strongly Disagree	1

Source : (Kurniawati & Judisseno, 2020)

Table 2. Operational Definition of Variables

Variabel	Indicator	Scale	Reference
Lifestyle (X1)	X1.1 Activity	Likert Scale	(Putri Wulan Dwi et al., 2023)
	X1.2 Interest		
	X1.3 Character		
	X1.4 Perspective		
	X1.5 Consumption Style		
Income (X2)	X2.1 Type of Job	Likert Scale	(ARTAMEVIAH, 2022)
	X2.2 Salary or Wage		
	X2.3 Bonus or Commission		
	X2.4 Allowance		
Financial Behavior (Y1)	X3.1 Consumption	Likert Scale	(Ramandati et al., 2021)
	X3.2 Management		

Source : Processed Data Using SmartPLS, 2025

## RESULT

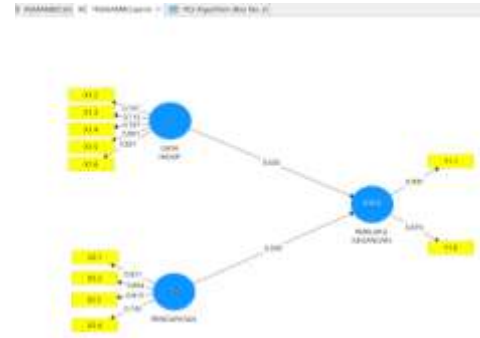
### Outer Model Testing

The outer model test is conducted to ensure that the measurement model used is valid and reliable as an assessment tool. This analysis evaluates the relationship between latent variables and their indicators, defining how each indicator is associated with its corresponding latent variable.

### Convergent Validity Testing

Convergent validity testing in this study was conducted to ensure that the indicators used accurately measure the intended latent variables. This validity is assessed through the loading factor value, which indicates how well an indicator explains its latent variable. According to Hair et al. (2019), an indicator meets convergent validity if its loading factor is above 0.70. However, if the loading factor is below 0.70, the indicator may be considered for removal if doing so improves the Average Variance Extracted (AVE) value. The AVE value must be greater than 0.50 to be considered valid, meaning that more than 50% of the variance in the indicators can be explained by the latent variable, ensuring that the indicators are strong enough to measure the studied construct.

Figure 2. Research Model Framework



Source : Processed Data Using SmartPLS, 2025

The validity test results are presented in the following table:

Table 3. Item Validity Test Results (Convergent Validity)

Variable	Item	Outer Loading Value	Threshold ( $\geq 0.7$ )	Decision
Lifestyle (X1)	Item 1	0.707	0.7	Valid
	Item 2	0.715	0.7	Valid
	Item 3	0.797	0.7	Valid
	Item 4	0.891	0.7	Valid
	Item 5	0.821	0.7	Valid
Income (X2)	Item 1	0.831	0.7	Valid
	Item 2	0.894	0.7	Valid
	Item 3	0.815	0.7	Valid
	Item 4	0.734	0.7	Valid
Financial Behavior (Y1)	Item 1	0.900	0.7	Valid
	Item 2	0.879	0.7	Valid

Source: Processed Data Using SmartPLS, 2025

From the table above, it can be seen that all items have outer loading values above 0.7, indicating that all items are valid.

Table 4. Reliability Testing Results

Variable	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
Lifestyle (X1)	0.854	0.950	0.891	0.623
Income (X2)	0.845	0.871	0.893	0.676
Financial Behavior (Y1)	0.736	0.740	0.883	0.791

Source: Processed Data Using SmartPLS, 2025

### Reliability Testing Results

The reliability test results, as shown in the table above, indicate that the Composite Reliability and Cronbach's Alpha values for each research variable exceed the 0.70 threshold. This confirms that the research instrument has high consistency and stability, making it a reliable tool for measuring the studied constructs.

Reliability is crucial in research to ensure that the instrument used provides consistent results, even when applied under different conditions. In this study, the high reliability values demonstrate that each indicator within the Lifestyle (X1), Income (X2), and Financial Behavior (Y1) variables has a strong correlation with its respective construct. In other words, the questionnaire items have been well-designed to measure the intended concepts accurately and consistently. Furthermore, the Composite Reliability values above 0.70 indicate strong internal correlation among the indicators. This suggests that respondents provided consistent answers to questions measuring the same construct. As a result, the questionnaire used in this study can be considered a valid and reliable measurement tool. Based on these findings, it can be concluded that all constructs in this study meet the reliability standards. The research instrument is fit for use and capable of measuring variables consistently and accurately. Therefore, the questionnaire is appropriate for analyzing the influence of lifestyle and income on the financial behavior of Generation Z in Makassar.

**Average Variance Extracted (AVE) Test Results**

Based on the data processing results presented in Table 5.5, all research variables have AVE values greater than 0.50. This indicates that each research construct meets the criteria for good convergent validity, meaning that the indicators used in this study effectively represent the measured latent variables.

Thus, it can be concluded that the variables Lifestyle (X1), Income (X2), and Financial Behavior (Y1) demonstrate strong convergent validity. This confirms that the measurement instrument used in this study is well-structured, reliable, and capable of accurately describing the relationships between the research variables.

Table 5. Average Variance Extracted (AVE) Test Results

Variable	AVE Value	Threshold ( $\geq 0.50$ )	Decision
Lifestyle (X1)	0.623	0.500	Met
Income (X2)	0.676	0.500	Met
Financial Behavior (Y1)	0.791	0.500	Met

Source: Processed Data, 2025

These results confirm that the research variables have sufficient discriminant and convergent validity, ensuring that the measurement model is appropriate and reliable for further analysis.

**Uji Inner Model**

**R-Square Analysis Results**

The R-Square ( $R^2$ ) value output is presented in Table 4.

Table 6 : R-Square ( $R^2$ ) Value Output

Variabel	R-Square	R-Square Adjusted
Lifestyle	0.413	0.382

Source: Processed Data, 2025

According to the R-Square table analysis, the  $R^2$  value for the Financial Behavior (Y1) variable is 0.413. This means that 41.3% of the variability in Financial Behavior can be explained by the combination of Lifestyle (X1) and Income (X2). The remaining 58.7% is influenced by other factors that are not included in this research model.

Based on this R-Square value, the model has a moderate predictive power in explaining Financial Behavior among Generation Z in Makassar. This result indicates that while Lifestyle and

Income contribute to shaping financial behavior, other external factors also influence financial decision-making.

To gain a more comprehensive understanding of Generation Z's financial behavior, future research could consider incorporating additional variables, such as:

1. Financial Education (knowledge and awareness of financial management),
2. Psychological Factors (attitudes, emotions, and self-control in financial decisions),
3. Social Environment Influence (peer pressure, family financial habits, and societal norms).

By including these factors, future studies could provide deeper insights into the financial decision-making patterns of young individuals and help design better financial literacy programs.

### Effect Size ( $f^2$ ) Analysis Results

Table 7 : Effect Size (F-Square) Analysis Results

Variable	Lifestyle (X1)	Income (X2)	Financial Behavior (Y1)
Lifestyle (X1)			0.226
Income (X2)			0.120
Financial Behavior (Y1)			

Source: Processed Data, 2025

Based on the analysis results, the effect size ( $f^2$ ) values obtained are:

1. The influence of Lifestyle (X1) on Financial Behavior (Y1): 0.226 (moderate effect).
2. The influence of Income (X2) on Financial Behavior (Y1): 0.120 (small effect).

These findings indicate that Lifestyle has a stronger influence on Financial Behavior compared to Income among Generation Z in Makassar. This suggests that spending habits, consumption patterns, and lifestyle choices play a more significant role in shaping financial behavior than income level alone.

### Implications and Recommendations

Given that Lifestyle has a greater impact, financial education efforts should focus more on promoting responsible spending habits and budget management rather than just increasing income. To enhance financial awareness among Generation Z, it is recommended to:

1. Strengthen Financial Literacy Programs – Incorporate lessons on financial responsibility, budgeting, and long-term saving habits in schools and workplaces.
2. Encourage Mindful Consumption – Educate young individuals on distinguishing between needs and wants to prevent impulsive spending driven by social influences.
3. Develop Targeted Financial Policies – Create incentive-based programs, such as savings rewards or investment education, to guide young professionals toward better financial decisions.

## DISCUSSION

### The Influence of Lifestyle on Financial Behavior (H1)

To answer the research question and the first hypothesis, the analysis results in Table 5.6 can be observed. The study found that Lifestyle has an influence on Financial Behavior. This is supported by the fact that the t-value is greater than the t-table value ( $3.148 > 2.023$ ) and the p-value is less than 0.05 ( $0.002 < 0.05$ ). Thus, the first hypothesis, which states, "It is suspected that Lifestyle has

a positive influence on the Financial Behavior of Generation Z in Makassar," is proven and accepted.

### **The Influence of Income on Financial Behavior (H2)**

To answer the research question and the second hypothesis, the analysis results in Table 5.6 can be observed. The study found that Income influences Financial Behavior. This is supported by the fact that the t-value is greater than the t-table value ( $2.277 > 1.96$ ) and the p-value is less than 0.05 ( $0.006 < 0.05$ ). Thus, the second hypothesis, which states, "It is suspected that Income influences the Financial Behavior of Generation Z in Makassar," is proven and accepted.

## **CONCLUSION**

Based on the discussion presented in the previous chapters, several conclusions can be drawn as follows:

1. The study results indicate that Lifestyle influences the Financial Behavior of Generation Z in Makassar. This suggests that the more consumer-oriented a person's lifestyle is, the higher the likelihood of poor financial management patterns. Conversely, a more controlled lifestyle that aligns with financial capabilities can contribute to healthier financial behavior. Therefore, it is essential for Generation Z to enhance their awareness of good financial management to achieve financial stability in the future.
2. Secondly, Income influences the Financial Behavior of Generation Z in Makassar. This means that a higher income level tends to allow individuals to have greater spending habits, whether for primary needs or lifestyle consumption. On the other hand, individuals with lower incomes tend to have financial management constraints and must be more selective in managing their expenses. These findings confirm that income plays a crucial role in determining financial management patterns, highlighting the importance of financial literacy to ensure income is managed wisely, regardless of its amount.

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