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How Financial Literacy, Hedonic Lifestyle, and Love of Money Influence Gen Z Financial Behavior

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ABSTRACT

This study investigates the influence of financial literacy, hedonic lifestyle, and love of money on the financial behavior of Generation Z in Indonesia. As a digitally active generation, Gen Z is frequently exposed to consumption-oriented content but often lacks strong financial planning skills. Understanding their financial behavior is critical for developing relevant educational and policy interventions. A quantitative causal approach was applied, using data from 225 respondents aged 17 to 27 who earn personal income. Data were collected through a structured questionnaire and analyzed using Partial Least Squares Structural Equation Modeling (SEM-PLS). Validity and reliability were confirmed through outer loading, AVE, and composite reliability. Findings reveal that financial literacy significantly and positively affects financial behavior, affirming the role of knowledge in shaping responsible money management. Unexpectedly, hedonic lifestyle also has a positive influence, indicating that lifestyle enjoyment may coexist with financial discipline. Love of money, however, does not show a significant effect. These results suggest that financial behavior among Gen Z is shaped not only by knowledge but also by values and lifestyle, which may not always align with traditional assumptions. Financial education should therefore address both rational and emotional dimensions of youth financial decision-making.

Keywords: financial behavior; financial literacy; Generation Z; hedonic lifestyle; love of money

INTRODUCTION

The financial behavior of young adults has become an increasingly important subject in the digital era, particularly when it comes to Generation Z—those born between 1997 and 2012. Unlike previous generations, Gen Z interacts with money in a vastly different context: mobile banking, digital wallets, instant loans, and viral shopping trends are part of their everyday

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experience. They are the first to grow up entirely in the digital economy, where convenience often overrides caution (Utami & Isbanah, 2023). As a result, traditional values around saving, delayed gratification, and financial planning are being redefined, sometimes even disregarded.

In Indonesia, this shift has brought new challenges. The country's young population is highly active online and has quickly adopted fintech products and e-commerce platforms. But while access to financial tools is widespread, financial capability does not always follow. According to the National Survey of Financial Literacy and Inclusion conducted by the Financial Services Authority (OJK) in 2024, Indonesia’s general financial literacy rate stood at 65.43%. In contrast, the figure for Generation Z was significantly lower at 44.04% (OJK, 2024). This gap is more than a statistical detail—it reflects a broader issue of financial readiness among youth.

It’s not just about knowledge. Behavior is influenced by a wider set of factors, including cultural, emotional, and psychological elements. One such factor is the pervasive hedonic lifestyle among Gen Z. Exposure to social media has not only changed how they communicate, but also how they consume. Many are driven by trends, experiences, and a strong desire for self-expression through material goods. Terms like “treat yourself” and “YOLO” have become cultural slogans that justify impulsive spending. FOMO—the fear of missing out—only amplifies this tendency (Wahyuni, 2024). In this kind of environment, financial choices are often emotional rather than rational.

Another less visible yet equally important driver is the individual's internal relationship with money. Love of money, often misunderstood as mere greed, is in fact a complex construct involving values, motivation, and perceived security. Some individuals who strongly value money may be more disciplined in budgeting and investing (Meisani & Fietroh, 2024). Others, however, may equate money with social status or personal worth, which can result in overconsumption or even risky financial behaviors (Yerianto & Mustaqim, 2024). In either case, money is not just a means of exchange, it becomes a symbol of identity and aspiration.

Research on these issues has grown, but the conclusions are far from unanimous. Studies have alternately confirmed and challenged the role of financial literacy as a predictor of healthy financial behavior (Wiranti et al., 2023; Widyakto et al., 2022). Similar contradictions exist around the impact of lifestyle and value-based factors like hedonic tendencies and love of money. Some scholars have suggested these elements operate independently, while others argue they interact in more dynamic ways.

Yet most existing studies still look at these variables in isolation, often within limited contexts such as university students or regional populations. What is missing is a more holistic understanding that combines knowledge-based, behavioral, and attitudinal components (especially as they apply to Generation Z in the Indonesian setting). The few studies that do attempt integration often lack the statistical robustness or breadth of scope needed for generalization.

This research seeks to fill that gap by examining the combined influence of financial literacy, hedonic lifestyle, and love of money on financial behavior among Indonesian Gen Z. Rather than treating these as separate predictors, this study explores their interrelationships to uncover how they shape the daily financial decisions of a generation navigating rapid change, digital saturation, and economic uncertainty. Understanding these connections is essential—not just for academic inquiry, but also for policymakers, educators, and financial service providers hoping to promote healthier financial habits in the years to come.

LITERATURE REVIEW

Financial Behavior Theory

The concept of financial behavior is often examined through the lens of Behavioral Finance Theory, which emerged as a response to limitations in traditional economic models. Unlike classical theories that assume individuals act rationally in financial decision-making, behavioral finance incorporates psychological insights to explain how people often deviate from rational choices. Kahneman and Tversky (1979), two pioneers in this field, emphasized the influence of heuristics, cognitive bias, and emotions on decision-making processes.

This framework suggests that financial decisions are not made in a vacuum but are shaped by a combination of knowledge, habits, environment, and personal values. For example, individuals may recognize the need to save money, yet still choose to spend impulsively due to social influence or emotional triggers. In the context of youth and emerging adults, these decisions can be even more complex due to limited financial experience and higher exposure to digital consumer culture.

Behavioral finance thus provides a relevant foundation for understanding how antecedent factors such as financial literacy, lifestyle orientation, and personal values like love of money may shape the financial behavior of Generation Z. By acknowledging that decisions are not purely logical, this theory allows researchers to explore the nuanced ways in which knowledge and attitude interact with environmental and emotional factors.

Financial Literacy and Financial Behavior

Financial literacy has long been viewed as a cornerstone of sound financial behavior. It represents a person's capacity to understand and apply basic financial concepts such as saving, budgeting, borrowing, and investing. According to Tsalitsa and Rachmansyah (2016), financial literacy empowers individuals to evaluate risks, weigh alternatives, and plan for both short- and long-term goals. It is often assumed that increased knowledge leads to better decision-making, but in practice, the relationship is not always straightforward.

Numerous empirical studies support the view that financial literacy positively correlates with responsible financial behavior. Wiranti et al. (2023) found that students with higher financial literacy were more likely to maintain personal records, save money regularly, and make informed spending decisions. Purwidianti et al. (2022) further showed that individuals with stronger financial knowledge tend to avoid debt traps and manage their income more effectively. These findings suggest that awareness and understanding play a crucial role in shaping financial outcomes.

However, not all evidence points in the same direction. Widyakto et al. (2022) reported that financial literacy did not significantly impact financial behavior in their sample. They argue that behavior is not only shaped by knowledge but also by motivation, habits, and sometimes even cultural factors. This highlights the need to treat financial literacy as one piece of a larger puzzle, rather than a standalone solution. In this study, financial literacy is examined alongside other variables to understand its unique and combined effects on Gen Z's financial choices.

H_1: Financial literacy has a positive effect on financial behavior

Hedonic Lifestyle and Financial Behavior

A hedonic lifestyle is characterized by a preference for pleasure, excitement, and self-indulgence. It includes behaviors such as purchasing branded goods, following fashion trends, and prioritizing experiences over financial prudence. Kotler and Armstrong (2015)

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describe hedonic consumption as behavior driven by emotional rather than functional needs. Among Generation Z, this tendency is especially visible, as social media amplifies the appeal of trend-following and image-based validation.

From a financial perspective, a hedonic lifestyle may undermine responsible financial behavior. Individuals who frequently indulge in impulsive spending or pursue instant gratification often struggle to save, plan, or invest. Saputri (2024) found that students who strongly identify with a hedonic lifestyle are more likely to make unplanned purchases and neglect long-term financial goals. This lifestyle orientation may conflict with financial management practices, especially in low to moderate-income settings where spending must be carefully balanced.

Despite its often-negative connotation, some scholars argue that a hedonic lifestyle does not always lead to poor financial outcomes. Wahyuni and Prasetyo (2024) observed that in some cases, individuals with hedonic tendencies still managed to budget and save effectively, provided they had sufficient financial literacy and income. This indicates that the relationship between lifestyle and financial behavior may depend on mediating factors. In the present study, a hedonic lifestyle is treated as a potential risk factor that could weaken financial responsibility among young adults.

H_2: Hedonic lifestyle has a negative effect on financial behavior

Love of Money and Financial Behavior

Love of money refers to the extent to which individuals place importance on money in their lives. Tang et al. (2006) conceptualize it as more than a desire for income; it includes the belief that money equates to success, control, and social standing. People with a strong love of money may be highly motivated to accumulate wealth, but their behavior may vary significantly depending on the values and strategies they employ to reach that goal.

In some cases, love of money can encourage disciplined financial behavior. Meisani and Fietroh (2024) found that individuals who valued money were more likely to set financial goals, engage in regular saving, and avoid frivolous spending. They treat money as a resource that must be managed carefully to ensure future stability. This positive orientation can serve as a driver for structured financial decision-making, especially among those seeking independence or upward mobility.

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However, other studies have linked love of money with negative financial patterns. Yerianto and Mustaqim (2024) reported that excessive focus on money can lead to compulsive spending, unethical behavior, or an overreliance on short-term gains. In such cases, money becomes a source of pressure rather than empowerment. This duality makes love of money a complex variable worth exploring further. In this study, it is hypothesized that love of money may contribute positively to financial behavior, though its effect could be nuanced by other psychological or contextual elements.

H_3: Love of money has a positive effect on financial behavior

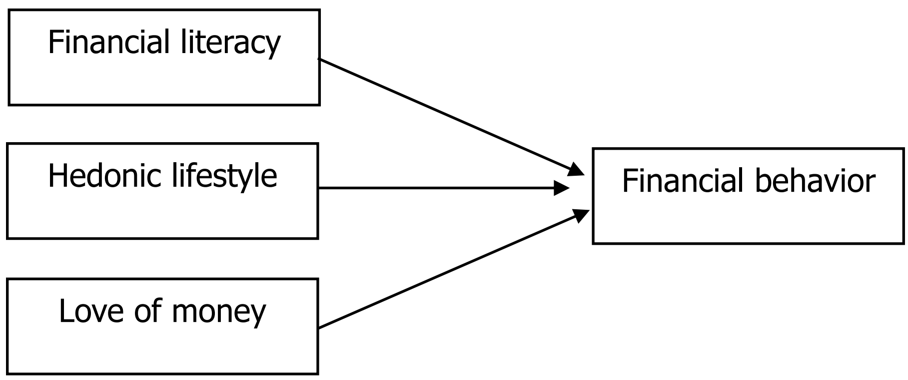

Figure 1. Research Model

METHOD

This study adopts a quantitative approach with a causal research design to examine the influence of financial literacy, hedonic lifestyle, and love of money on financial behavior among Generation Z in Indonesia. The causal design enables the identification of direct effects between variables, facilitating hypothesis testing using statistical modeling.

Population and Sample

The population in this study consists of individuals classified as Generation Z, defined as those born between 1997 and 2012, who currently reside in Indonesia and have a source of monthly income. This criterion ensures that respondents are already involved in financial decision-making. A purposive sampling technique was employed, targeting respondents aged 17 to 27 years with active income, either through employment or business activities.

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Data were collected from 299 individuals through an online questionnaire distributed via Google Forms and Kudata.id. After filtering based on age and employment status, 225 responses were deemed valid for analysis. This number aligns with the minimum sample size recommendations for Structural Equation Modeling (SEM) analysis, which suggests at least 100 to 200 participants for models with multiple constructs (Hair et al., 2010).

Data Collection and Instrument

The research instrument used in this study was a structured questionnaire comprising closed-ended items measured on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). Each item corresponded to a specific indicator of the four research variables: financial literacy, hedonic lifestyle, love of money, and financial behavior. All indicators were adapted from previously validated studies to maintain content validity.

The indicators used for each variable are presented in the following table:

Table 1. Research Variables and Indicators

Variable	Definition	Indicators	Sources
Financial Literacy	The ability to understand and manage financial resources effectively	1. Knowledge of personal finance 2. Credit/saving behavior 3. Understanding of insurance 4. Investment awareness	Trivani & Soleha (2023)
Hedonic Lifestyle	A lifestyle driven by pleasure, trends, and consumption-based enjoyment	1. Following lifestyle trends 2. Use of branded goods 3. Visiting leisure places 4. Frequent outdoor activity 5. Desire for attention	Anggraini (2021); Saputri (2024)
Love of Money	The degree of importance and emotional attachment to money	1. Wealth orientation 2. Money as motivation 3. Perceived importance of money	Tang et al. (2006)
Financial Behavior	Actions and habits related to managing personal finances responsibly	1. Timely bill payment 2. Financial recordkeeping 3. Emergency savings 4. Investment behavior 5. Long-term saving	Wiranti et al. (2023)

RESULT AND DISCUSSION

Instrument Validity and Reliability

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Prior to hypothesis testing, a reliability and validity analysis was conducted to ensure the measurement model met acceptable standards. All constructs demonstrated satisfactory internal consistency, with Cronbach's Alpha and composite reliability values exceeding 0.7. The outer loading values for each indicator also met the threshold (>0.7), indicating convergent validity.

Hypothesis Testing

Table 2 presents the path coefficients, t-statistics, and p-values for each hypothesized relationship.

Table 2. Coefficients of Regression Model

Predictor	Path Coefficient (β)	t-statistics	p-value
Financial Literacy	0.323	4.566	0.000
Hedonic Lifestyle	0.177	2.556	0.011
Love of Money	-0.086	0.951	0.342

Source: Primary data processed (2025)

The results show that financial literacy has a positive and significant effect on financial behavior ($\beta = 0.323$; $p < 0.001$), indicating that individuals with higher financial knowledge are more likely to exhibit responsible financial practices. Hedonic lifestyle also shows a significant but weaker positive influence ($\beta = 0.177$; $p = 0.011$), which is contrary to the initial hypothesis that expected a negative effect. This may suggest that lifestyle-driven spending does not always undermine financial management, especially when moderated by income or planning behavior. Meanwhile, love of money does not show a significant impact ($\beta = -0.086$; $p = 0.342$), indicating that the emotional valuation of money may not directly translate into behavior among this sample.

Model Summary

The explanatory power of the model is shown in Table 3.

Table 3. Model Summary

R	R^2	Adjusted R^2	F-statistic	Sig.
0.385	0.148	0.137	13.930	0.000

Source: Primary data processed (2025)

The model explains approximately 14.8% of the variance in financial behavior, with a statistically significant F-statistic (13.930, $p < 0.001$). This suggests that, while the model is significant, the three predictors only account for a modest portion of the total variability, implying that other variables not included in the study may also play an important role.

Discussion

Financial Literacy and Financial Behavior

This study found that financial literacy has a significant and positive effect on the financial behavior of Generation Z. The result is in line with the findings of Azzahra and Afgani

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(2023), who demonstrated that young adults with higher financial knowledge tend to show stronger discipline in saving and budgeting. Mubarokah et al. (2024) also confirmed that financial literacy, especially in digital contexts, enhances one's ability to manage income and spending effectively.

The implication of this result reflects the view in behavioral finance, which suggests that financial knowledge improves decision-making even when people face uncertainty or emotional pressures. Among Generation Z, who often learn about money through online sources or social influence, structured financial education becomes essential. Understanding fundamental concepts such as financial planning, interest rates, and risk assessment helps them navigate personal finance more effectively.

Moreover, this finding supports the idea that financial literacy should be taught early and consistently. Integrating practical finance topics into formal education, such as through interactive modules or case simulations, may help build lasting habits. For Indonesia, where the digital economy grows rapidly and financial products become more accessible, this insight is particularly urgent and relevant.

Hedonic Lifestyle and Financial Behavior

Contrary to the initial hypothesis, hedonic lifestyle in this study had a positive and statistically significant relationship with financial behavior. This means that individuals who enjoy trends, brand consumption, and leisure activities are not necessarily irresponsible with money. This supports the findings of Panu (2024), who indicated that young people can still maintain financial discipline while pursuing lifestyle-related spending.

One explanation is that some individuals use hedonic spending as a reward mechanism, budgeting specifically for experiences or consumption that bring satisfaction. Hemayanti and Nurabiah (2025) found that many students who spend on leisure also maintain separate savings accounts and track expenses carefully. This shows that enjoyment and responsibility can coexist, especially when guided by awareness and planning.

The sample in this study consists of income-earning respondents, which likely influences this result. When individuals earn and control their own money, they may be better at setting boundaries. Lifestyle choices, in this case, are more deliberate and not purely impulsive. Therefore, instead of viewing hedonic behavior as a financial risk, it may be seen as a personal value that is integrated into broader financial planning.

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Love of Money and Financial Behavior

The analysis shows that love of money does not significantly affect financial behavior among the respondents. This differs from the conclusions of Meisani and Fietroh (2024), who suggested that valuing money often leads to goal-focused behaviors such as saving and investing. However, the present result is more in line with findings by Yerianto and Mustaqim (2024), who observed that love of money alone is not always a strong behavioral driver.

One possible reason is that love of money reflects attitude more than action. A person might express strong emotional attachment to wealth without necessarily translating that into saving or financial control. Among Generation Z, money may be viewed more as a symbol of freedom or identity rather than as a tool for long-term planning. In such cases, the motivational value of money may not be enough to shape actual behavior.

Another consideration is that love of money could work through other variables such as ambition, peer norms, or financial stress. Without these factors, the desire for money might remain abstract. This opens the door for future research to examine how this variable interacts with others in more complex models. Exploring it as a moderator or mediator could reveal more about its indirect effects on financial decision-making.

CONCLUSION

The findings of this study offer meaningful insights into the financial behavior of Generation Z in Indonesia and carry several implications for both practice and future research. Financial literacy emerged as the most influential factor in promoting responsible financial behavior, reinforcing the importance of knowledge-based interventions. At the same time, the study challenges conventional assumptions by showing that hedonic lifestyle, often seen as a risk factor, may also play a constructive role when accompanied by financial awareness. Meanwhile, love of money, despite its conceptual relevance, showed no significant effect, suggesting that values alone may not be sufficient to shape behavior.

From a practical standpoint, these results emphasize the need to expand financial literacy education, not only in formal school curricula but also through informal channels such as social media, digital platforms, and workplace programs. Since Generation Z is highly responsive to digital content, interactive and scenario-based learning may be more effective than traditional lecture-style formats. Furthermore, financial education should not focus

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solely on restriction or control, but rather encourage balance, equipping young adults to plan for enjoyment while maintaining discipline.

Policy-makers and institutions may also consider designing personalized financial tools that reflect young people's values and spending habits. Budgeting apps, saving challenges, or gamified financial planning features could help align hedonic preferences with financial goals. A more nuanced approach that acknowledges lifestyle and emotional motivations may prove more impactful than one-size-fits-all campaigns.

For academic research, this study opens several avenues. First, future research could explore additional behavioral predictors such as financial self-efficacy, peer influence, and personality traits. Second, the role of mediating and moderating variables, especially in the relationship between love of money and behavior, should be examined to better understand indirect effects. Third, expanding the demographic scope beyond income-earning Gen Z to include unemployed youth, students, or individuals in rural areas would improve generalizability.

Lastly, longitudinal studies would be valuable to track how financial behavior evolves as individuals transition from early adulthood into later life stages. Understanding the persistence or fluidity of financial habits over time could enhance both theory development and the design of more adaptive financial education strategies.

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