

The Effect of Financial Anxiety, Financial Literacy, and Consumptive Lifestyle on the Welfare of Generation Z in Greater Jakarta

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ABSTRACT

Generation Z in Indonesia faces mounting financial pressures, including rising living costs, housing unaffordability, and economic uncertainty, which threaten their financial well-being. This study examines the influence of financial anxiety, financial literacy, consumptive lifestyle, and parental financial support on the financial well-being of Generation Z in Greater Jakarta. Financial literacy is operationalized into knowledge, attitudes, and behaviors. Data were collected through an online survey using purposive self-selection techniques, yielding five hundred respondents aged fifteen to thirty. The instruments include financial anxiety scales, financial well-being measures, financial behaviors, and consumptive lifestyle indicators that have been adapted and tested for reliability. Exploratory factor analysis shows that financial anxiety, financial literacy behavior, consumptive lifestyle, and financial well-being each form unidimensional and reliable constructs. The results of multiple linear regression reveal that financial literacy behavior has the strongest positive effect on financial well-being, while financial anxiety has a significant negative effect. A high level of parental financial support is negatively related to financial well-being. On the other hand, knowledge of financial literacy and consumptive lifestyle do not show meaningful influence. These findings confirm that practical financial habits and money-related emotional states determine financial well-being more than theoretical financial knowledge or consumption patterns.

KEYWORDS



financial well-being; financial literacy behavior; financial anxiety; Generation Z Indonesia; Parental Financial Support

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INTRODUCTION

Generation Z, born between 1996 and 2010, represents more than a quarter of Indonesia's population, making this generation a significant player in national economic activities (Otoritas Jasa Keuangan, 2021). While digital access and technological innovation offer economic opportunities, the dynamic and competitive macroeconomic environment complicates their financial journey (Gignac et al., 2023; Lee et al., 2023; Skagerlund et al., 2018).

Globally, Generation Z faces tougher financial challenges than previous generations. According to HousingWire (2023), Gen Z has a lower retirement savings balance compared to other generations, with an average retirement savings of only 12,000 USD, compared to Millennials who have 62,000 USD. Investopedia (2024) also reports that in terms of daily savings balances, this gap is evident, with Gen Z having lower balances than Millennials.

In Indonesia, this situation is intensified by the housing crisis, where house prices far exceed average incomes. Indonesia ranks fourth worldwide for the ratio of income to house prices, making homeownership difficult for many young people (Liputan 6, 2025). Furthermore, the rising cost of living in big cities such as Jakarta is not matched by increases in the minimum wage (Merdeka, 2025).

The urgency of this research stems from the complex financial challenges faced by Generation Z. According to Fintech Nexus (2024), the financial difficulties experienced by

Gen Z are more severe and challenging than those faced by the millennial generation at the same age, exacerbated by income disparities and inflation. Digital life adds social pressure, as some Gen Z often compare their financial situations with others on social media, potentially triggering financial anxiety (GoodStats, 2024).

Previous research has identified several factors influencing financial well-being. Archuleta et al. (2013) found that financial anxiety has a significant impact on long-term financial decision-making. Brügger et al. (2017) emphasize the importance of a multidimensional approach to understanding financial well-being. Meanwhile, Henager & Mauldin (2015) reveal a complex relationship between financial literacy and saving behavior.

The novelty of this research lies in its comprehensive approach that integrates psychological (financial anxiety), cognitive (financial literacy), behavioral (consumptive lifestyle), and social (parental support) dimensions into one model for the Generation Z population in Indonesia's urban context. Unlike previous studies that focus on one or two aspects, this study employs a holistic framework to examine the interaction between internal and external factors (Gerrans & Hershey, 2017; Pijoh et al., 2020).

The purpose of this study is to analyze the influence of financial anxiety, financial literacy, and consumptive lifestyle on financial well-being among Generation Z in Greater Jakarta, as well as to test their simultaneous effects. This research contributes theoretically to the development of the concept of financial well-being in the digital generation context and offers practical insights for financial institutions and governments to design more effective financial education programs. The findings are expected to assist stakeholders in devising strategies to improve financial well-being tailored to the specific characteristics and needs of Generation Z, especially in urban areas with high economic pressure.

METHOD

This study used a quantitative approach with a survey method, following Zikmund et al. (2009), who emphasized the importance of numerical scales for concept measurement to enable statistical analysis and hypothesis testing. This approach allowed measurement of variables related to financial literacy, consumptive lifestyle, financial anxiety, and financial well-being among Generation Z numerically.

The study population consisted of working Generation Z individuals born between 1995 and 2010 and residing in urban areas of Greater Jakarta. Based on the 2020 Population Census data (BPS, 2021), the population size was estimated at around 8.7 million. The sample size was calculated using the Slovin formula with a 5% error rate, resulting in a minimum of 399 respondents. To account for invalid responses, the sample was increased to 500 respondents.

Non-probability purposive sampling with self-selection was used, with inclusion criteria of: (1) age 15 to 30 years (born 1995–2010), and (2) residence in Greater Jakarta. Questionnaires were distributed through digital platforms such as Instagram, LinkedIn, and WhatsApp groups between May and July 2025.

Independent variables in this study include:

1. Financial Anxiety was measured using the Financial Anxiety Scale (FAS-7) from Archuleta et al. (2013) with 7 items on a 5-point Likert scale.
2. Financial Literacy is adapted from the OECD/INFE Adult Financial Literacy Questionnaire (2020) which consists of three components:

- Knowledge: 5 true/false items
 - Attitude: 2 items 5-point Likert scale
 - Behavior: 3 items of the 5-point Likert scale
3. Consumptive Lifestyle is adapted from the Sumartono (2002) indicator with 5 items on a 5-point Likert scale.
 4. Parental Financial Support as a control variable, measured based on the proportion of parental funds contribution to monthly expenses.

The dependent variable of Financial Well-Being was measured using the CFPB adaptation of the Financial Well-Being Scale (2017) with 5 items on a 5-point Likert scale.

Data collection was conducted using an online survey method. The research instrument was a structured questionnaire developed in Google Forms and distributed through various digital platforms to reach the targeted Generation Z population in Greater Jakarta. The questionnaire consisted of six main sections: (1) demographic profile, (2) financial anxiety scale, (3) financial literacy assessment (knowledge, attitude, and behavior), (4) consumptive lifestyle indicators, (5) parental financial support measurement, and (6) financial well-being scale.

To ensure data quality, several measures were implemented. First, a pre-test was conducted with 30 respondents to assess the clarity and reliability of the instrument. Second, attention-check questions were embedded throughout the survey to identify inattentive respondents. Third, the survey included an informed consent section at the beginning, explaining the research purpose and ensuring respondent anonymity. Data collection occurred over a three-month period from May to July 2025, with regular monitoring of response rates and demographic distribution to ensure sample representativeness.

Data analysis was carried out in two stages: (1) Exploratory Factor Analysis (EFA) to test the validity, reliability, and unidimensionality of each variable, and (2) Multiple linear regression analysis to test the influence between variables. Before the regression analysis, classical assumption tests were carried out including normality, linearity, multicollinearity, and heteroscedasticity tests.

RESULTS AND DISCUSSION

Respondent Characteristics

A total of 500 Gen Z respondents in Greater Jakarta participated in this study. The majority were in the age range of 25-30 years (41.2%), followed by 20-24 years (34.4%) and 15-19 years (23.8%). The gender composition is quite balanced with 55% women and 45% men. Almost half of the respondents were domiciled in Jakarta (46.6%), while the rest were spread across Bekasi (22.4%), Bogor (14.2%), Tangerang (11.2%) and Depok (5.6%).

Table 1. Respondent Characteristics

Variable	Category	Frequency	Percentage
Age Group	25-30 years	206	41,2%
	20-24 years old	172	34,4%
	15-19 years old	119	23,8%
Gender	Woman	275	55,0%
	Man	225	45,0%
Domicile	Jakarta	233	46,6%

	Bekasi	112	22,4%
	Bogor	71	14,2%
	Tangerang	56	11,2%
	Depok	28	5,6%
Employment Status	Private Employees	183	36,6%
	Student	106	21,2%
	Freelancers	105	21,0%
Income	Not Working	63	12,6%
	< IDR 1 million	175	35,0%
	IDR 1-3 million	129	25,8%
	IDR 3-6 million	127	25,4%
	> IDR 6 million	69	13,8%

Source: Primary data processed (2025)

Reliability and Validity Test

All variables show adequate reliability based on Cronbach's Alpha values:

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Number of Items	Information
Financial Anxiety	0,934	7	Highly Reliable
Financial Literacy (Behavior)	0,725	2	Reliable
Consumptive Lifestyle	0,788	5	Reliable
Financial Prosperity	0,752	4	Reliable

Source: Primary data processed (2025)

Note: Financial Literacy Attitude section is excluded because $\alpha = 0.335$ (unreliable)

Exploratory Factor Analysis (EFA)

The results of the KMO test and Bartlett's Test show the feasibility of the data for factor analysis:

Table 3. KMO and Bartlett's Test Results

Variable	SME	Bartlett's Test	Sig.	Conclusion
Financial Anxiety	0,933	2664,864	0,000	Proper
Financial Literacy (Behavior)	0,500	194,352	0,000	Proper
Consumptive Lifestyle	0,792	672,181	0,000	Proper
Financial Prosperity	0,745	742,215	0,000	Proper

Source: Primary data processed (2025)

All variables form a unidimensional construct with an eigenvalue of > 1 and a total variance explained ranging from 44.6% to 71.7%. The loading factor of all items is above 0.50, indicating good construct validity.

Classic Assumption Test

The classic assumption test shows that the model meets most of the requirements:

1. Normality: The residual histogram shows a distribution that is close to normal with a mean of ≈ 0 and a standard deviation of ≈ 1 .
2. Multicollinearity: Multicollinearity does not occur with a VIF value ranging from 1.008-1.095 (< 10) and a tolerance of 0.913-0.992 (> 0.1).
3. Linearity: Partial regression plots show the linear relationship between independent and dependent variables.

4. Heteroscedasticity: There is an indication of heteroscedasticity based on residual scatterplots, which is recognized as a limitation of the study.

Multiple Linear Regression Analysis

The results of multiple linear regression analysis produce the following equations:
 Financial Well-Being = 0.148 - 0.126(Financial Anxiety) - 0.023(Literacy Knowledge) + 0.362(Literacy Behavior) + 0.021(Consumptive Lifestyle) - 0.163(Parental Support) + e

Table 4. Multiple Linear Regression Results

Variable	Coefficient	t-count	Sig.	Results
Constanta	0,148	4,234	0,000	-
Financial Anxiety	-0,126	-3,213	0,001	Significant
Literacy Knowledge	-0,023	-0,765	0,445	Insignificant
Literacy Behavior	0,362	8,415	0,000	Significant
Consumptive Lifestyle	0,021	0,496	0,620	Insignificant
Parent Support	-0,163	-2,203	0,028	Significant

$R^2 = 0,158$; Adjusted $R^2 = 0,149$; $F = 18,493$ ($p < 0,001$)

Source: Primary data processed (2025)

The results of the study reveal three main findings that are significant in influencing the financial welfare of Generation Z in Greater Jakarta.

First, financial literacy behavior was proven to be the strongest predictor with a positive coefficient of 0.362 ($p < 0.001$). These findings are consistent with the research of Henager & Mauldin (2015) which emphasizes the importance of practical implementation of financial knowledge. These results confirm the theory that daily financial habits such as budgeting and recording expenses have more effect on well-being than theoretical knowledge alone. This shows that there is a "knowledge-behavior gap" where conceptual understanding does not automatically translate into real action.

Second, financial anxiety showed a significant negative influence with a coefficient of -0.126 ($p = 0.001$). These findings support the research of Archuleta et al. (2013) that identified the destructive impact of financial anxiety on financial decision-making. In the context of Generation Z facing high economic stress and intensive social media exposure, financial anxiety can trigger doom spending behaviors and reduce long-term planning skills.

Third, parental financial support as a control variable showed a negative influence with a coefficient of -0.163 ($p = 0.028$). These findings are in line with recent research on intergenerational transfers that suggests that excessive financial dependence can lower a sense of mastery and self-efficacy (White et al., 2023). This indicates the importance of a gradual transition to financial independence to improve welfare.

Interestingly, knowledge of financial literacy and consumptive lifestyle did not show a significant influence. These findings support the argument that theoretical knowledge without practical implementation has a limited impact on financial well-being. Similarly, consumptive lifestyles do not seem to directly affect perceptions of well-being, perhaps due to other factors such as financial ability or personal values that moderate the relationship.

The research model was able to explain the 15.8% variation in financial well-being ($R^2 = 0.158$), suggesting that there are still other factors that affect the financial well-being of

Generation Z. Other potential factors may include social support, financial self-efficacy, macroeconomic conditions, and personality characteristics.

The results of this study have important theoretical implications in the development of a more comprehensive financial welfare model. In practical terms, these findings show the need to reorient financial literacy programs from a knowledge-based approach to a habit-based approach and financial emotion management.

CONCLUSION

This study succeeded in identifying key factors that affect the financial well-being of Generation Z in Greater Jakarta. Financial literacy behavior was shown to be the strongest predictor, while financial anxiety exerted significant negative influences. Excessive parental financial support is also negatively correlated with well-being. In contrast, knowledge of financial literacy and consumptive lifestyle did not show a meaningful influence. These findings emphasize the importance of a holistic approach that integrates the formation of practical financial habits, the management of financial anxiety, and the gradual transition to financial independence. Financial literacy programs should focus on practical implementation and psychological support rather than mere theoretical knowledge transfer. The limitations of research in the form of non-probability sampling and residual heteroscedasticity open up opportunities for further research with a more robust design and wider geographical coverage. Future research is suggested using longitudinal design to capture the dynamics of changes in financial behavior, add psychological variables such as self-efficacy and locus of control, and explore the role of mediation and moderation in financial well-being models. Practically, stakeholders need to develop programs that emphasize the formation of concrete habits, the provision of financial stress management support, and a structured self-reliance transition mechanism to improve the financial well-being of Generation Z in a sustainable manner.

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