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THE INFLUENCE OF ECONOMIC, PSYCHOLOGICAL, AND SOCIAL ASPECTS ON FINANCIAL MANAGEMENT BEHAVIOR AMONG GENERATION Z IN DKI JAKARTA: THE MODERATING ROLE OF INCOME CHARACTERISTICS

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ABSTRACT

This study explores the influence of economic, psychological, and social aspects on the financial management behavior of Generation Z in DKI Jakarta, emphasizing the moderating role of income characteristics. A quantitative approach was employed, utilizing a survey distributed to 248 respondents, adhering to the rule of thumb of at least 10 times the number of latent variables analyzed in Partial Least Squares Structural Equation Modelling (PLS-SEM). The findings reveal that economic factors, including financial literacy and income management, significantly impact financial behavior. Psychological factors, such as self-efficacy and self-control, also play a pivotal role, fostering prudent financial decision-making. Social influences, including familial and peer norms, were found to shape financial habits significantly. However, income characteristics as a moderating variable exhibited mixed results. While they negatively moderated the relationship between economic factors and financial behavior, no significant moderating effect was observed for psychological and social factors. These results underscore the complex interplay between intrinsic and extrinsic influences on financial management within an urban, fast-paced setting like Jakarta. The study highlights the necessity of comprehensive financial literacy programs tailored to the unique needs of Generation Z. Moreover, the findings suggest practical strategies for educators, policymakers, and financial institutions to enhance financial independence and resilience among young urban dwellers.

KEYWORDS *Financial Behavior, Generation Z, Economic Aspects, Psychological Aspects, Social Influences*

INTRODUCTION

The evolving financial behavior of Generation Z (Gen Z), defined as individuals born between 1996 and 2010, has attracted considerable attention from researchers and policymakers due to its significance in shaping economic, social, and technological trends. As digital natives, Gen Z is characterized by its adaptability to rapid technological advancements and a unique approach to financial management, influenced by economic uncertainty, social dynamics, and psychological attributes (Jayatissa, 2023; McKinsey, 2018). In Indonesia, this cohort comprises 27.94% of the population, equating to approximately 74.93 million individuals (IDN Research Institute, 2024), underscoring their pivotal role in the nation's economy.

Jakarta, Indonesia's political and economic nucleus, provides an ideal lens to examine Gen Z's financial behavior. The city's Gen Z population of 2,678,252, or 25% of its residents, highlights their substantial contribution to consumption patterns, technological adoption, and lifestyle trends (BPS, 2020; IDN Research Institute, 2024). However, despite their significant presence and awareness of financial literacy, Gen Z in Jakarta often grapples with challenges such as limited income, consumption-driven habits fueled by social media, and a heavy reliance on family financial support, with over 62% still receiving assistance from parents (McKinsey, 2018).

Existing studies have identified various factors influencing financial behavior, including economic conditions, psychological traits, and social influences (Nofsinger, 2016). The economic dimension encompasses income, savings, and expenditures, influenced by both global and family-level economic dynamics (Nyoto et al., 2020). Psychologically, self-efficacy and emotional resilience play critical roles in financial decision-making, while social factors such as familial guidance and peer influence shape financial attitudes (Gudmonson & Danes, 2011). Yet, research has predominantly focused on broader youth demographics or students without distinguishing the unique financial traits and challenges faced by Gen Z, particularly in urban settings like Jakarta.

This research addresses the paucity of studies that explore the interplay between economic, psychological, and social factors on Gen Z's financial behavior while considering the moderating role of income source characteristics. Gen Z's diverse income streams, ranging from full-time employment to freelance and digital economy activities, potentially influence their financial strategies, yet remain underexplored in existing literature. The study aims to analyze how economic, psychological, and social factors impact Gen Z's financial management in Jakarta, and investigate the moderating role of income characteristics, such as stability and variability, in shaping these relationships (Reifman 2017).

This research offers a nuanced understanding of Gen Z's financial behaviour in an urban Indonesian context, contributing to both academic discourse and practical policymaking. Findings will provide valuable insights for educators, policymakers, and financial institutions to design targeted financial literacy programs and interventions tailored to Gen Z's needs. Moreover, the study has implications for addressing urban financial challenges and fostering financial independence among young Indonesians.

While prior research has illuminated various dimensions of financial behaviour, limited attention has been given to the intersection of urban socio-economic contexts, generational characteristics, and income variability in shaping financial practices. By focusing on Jakarta's Gen Z, this study fills a critical gap, offering a comprehensive analysis of economic, psychological, and social influences moderated by income diversity.

METHOD

This research employed a quantitative approach with a survey design to analyze the influence of economic, psychological, and social factors on the financial behavior of Generation Z in Jakarta. Additionally, the moderating role of income source characteristics was explored to understand its effect on the relationships among the variables. The methodology was designed to ensure replicability and provided sufficient detail to validate the findings.

The study utilized a cross-sectional survey design, which was effective for capturing relationships between variables at a single point in time (Sugiyono, 2017). The research instrument, a structured questionnaire, was designed and pre-tested to ensure validity and reliability. The questionnaire was distributed online using platforms such as Google Forms and social media to maximize respondent reach.

The study population comprised Generation Z individuals, defined as those born between 1996 and 2010, who resided or actively engaged in activities in Jakarta. The sample was selected using purposive and quota sampling techniques. Purposive sampling targeted respondents who met specific inclusion criteria, while quota sampling ensured proportional represenatation across demographic subgroups (Sugiyono, 2016).

The inclusion criteria required respondents to be between 14 and 28 years of age. They had to reside in Jakarta or routinely engage in activities within the city. Additionally, respondents needed to have at least one source of income.

The exclusion criteria ruled out respondents who were outside the defined age range. Those without a stable or part-time income were also excluded. Furthermore, individuals who did not regularly engage in Jakarta-based activities were not considered for the study.

A total sample size of 248 respondents was targeted, adhering to the rule of thumb of at least 10 times the number of latent variables analyzed in Partial Least Squares Structural Equation Modelling (*PLS-SEM*) (Hair et al., 2021).

RESULT AND DISCUSSION

Reliability and Validity Testing

Initial reliability testing using outer loadings showed that all indicators met the threshold of 0.708, with values ranging from 0.758 to 0.912 for the economic aspect, 0.769 to 0.859 for the psychological aspect, and 0.730 to 0.887 for the social aspect.

Table 1: Reliability Test

Full Survey	Outer loadings
AE1 <- AE	0,858
AE2 <- AE	0,866
AE3 <- AE	0,911
AE4 <- AE	0,918
AE5 <- AE	0,871
AP1 <- AP	0,844
AP2 <- AP	0,877
AP3 <- AP	0,899
AP4 <- AP	0,862
AP5 <- AP	0,873
AS1 <- AS	0,844
AS2 <- AS	0,850
AS3 <- AS	0,902
AS4 <- AS	0,860
AS5 <- AS	0,919
PPK1 <- PPK	0,878
PPK2 <- PPK	0,817
PPK3 <- PPK	0,785
PPK4 <- PPK	0,827
PPK5 <- PPK	0,823
SP1 <- SP	0,919
SP2 <- SP	0,898
SP3 <- SP	0,899

Full Survey	Outer loadings
SP4 <- SP	0,914
SP x AP -> SP x AP	1,000
SP x AE -> SP x AE	1,000
SP x AS -> SP x AS	1,000

Source: Data processed

These results indicate that the indicators used in the survey reliably represent the latent variables. Additionally, Cronbach's Alpha, rho_A, and Composite Reliability (rho_c) all exceeded the recommended threshold of 0.7, confirming the internal consistency of the constructs in the model.

Table 2: Composite Reliability Test

Full Survey	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)
AE	0,931	0,933	0,948
AP	0,921	0,922	0,940
AS	0,924	0,945	0,942
PPK	0,885	0,900	0,915
SP	0,929	0,929	0,949

Source: Data processed

Convergent validity was assessed using Average Variance Extracted (AVE), where all constructs exceeded the threshold of 0.5. For example, the economic aspect had an AVE of 0.732, while financial management behavior had an AVE of 0.792, confirming the validity of the measurement model.

Furthermore, discriminant validity was ensured by checking the Heterotrait-Monotrait Ratio (HTMT), with most pairs of constructs showing values below 0.9, indicating sufficient discrimination between constructs.

Table 3. Average Variance Extracted (AVE)

	Average variance extracted (AVE)
AE	0,783
AP	0,759
AS	0,766
PPK	0,683
SP	0,823

Source: Data processed

Table 4. Heterotrait-monotrait ratio (HTMT)

Full Survey	Heterotrait-monotrait ratio (HTMT)
AP <-> AE	0,659
AS <-> AE	0,435
AS <-> AP	0,333
PPK <-> AE	0,742
PPK <-> AP	0,721
PPK <-> AS	0,369
SP <-> AE	0,744

Full Survey	Heterotrait-monotrait ratio (HTMT)
SP <-> AP	0,629
SP <-> AS	0,255
SP <-> PPK	0,765

Source: Data processed

Descriptive Statistics

Out of the 248 respondents, 52.4% were female and 47.6% were male. The majority of respondents (62.1%) were aged between 23 and 28 years, with the next largest group (36.3%) aged between 18 and 22 years. The respondents' education levels were predominantly bachelor's degree holders (50%), followed by those with high school diplomas (36.7%). A significant portion (80.2%) of respondents resided in DKI Jakarta, while the remaining 19.8% were active in Jakarta for work, study, or other activities. Regarding employment, 44.8% of respondents were students, while 41.5% were employed full-time, and 4.4% worked as freelancers. In terms of income, 34.3% of respondents earned less than IDR 2.5 million per month, while 31.9% earned between IDR 5 million and IDR 10 million. Income diversity was evident, with the majority of respondents having one primary source of income, though some had additional sources, including freelance work, part-time jobs, or parental support.

Hypothesis Testing

1. Economic Aspect: The relationship between the economic aspect and financial management behavior was found to be positive and significant (T-statistic = 2.268, P-value = 0.023), confirming that economic factors influence Gen Z's financial behavior in Jakarta.
2. Psychological Aspect: The psychological aspect showed a strong positive influence on financial management behavior (T-statistic = 5.478, P-value = 0.000). This result supports the theory that self-efficacy enhances financial decision-making and responsible behavior.
3. Social Aspect: The social aspect, including influences from family and peers, was also positively related to financial management behavior (T-statistic = 2.220, P-value = 0.026). This indicates the important role of social networks in shaping financial practices.
4. Income Sources as a Moderating Variable: The moderating effect of income sources on the relationship between the economic aspect and financial behavior was significant (T-statistic = 2.047, P-value = 0.041), indicating that income sources can weaken the effect of economic factors on financial management. However, income sources did not significantly moderate the relationships between psychological and social aspects and financial behavior (P-value = 0.174 and P-value = 0.478, respectively).

Table 5. Moderating Variable

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
AE-> PPK	0,188	0,189	0,083	2,268	0,023
AP-> PPK	0,289	0,286	0,061	4,760	0,000
AS -> PPK	0,114	0,118	0,051	2,220	0,026
SP-> PPK	0,344	0,346	0,071	4,866	0,000

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
SPx AE-> PPK	-0,137	-0,145	0,067	2,047	0,041
SPx AP-> PPK	0,098	0,107	0,072	1,360	0,174
SPx AS -> PPK	-0,034	-0,037	0,048	0,710	0,478

Source: Data processed

Explained Variance

The model was able to explain 64.7% of the variance in financial management behavior (R-square = 0.647), which indicates a strong predictive power of the model. However, the moderating effect of income sources on the relationships between social and psychological factors and financial behavior was not significant, suggesting that the primary impact on financial behavior comes from economic and psychological factors rather than income diversification.

Influence of Economic, Psychological, and Social Aspects on Financial Management Behavior

Economic, psychological, and social factors significantly shape financial management behavior among Generation Z in DKI Jakarta. Economic aspects contribute through financial literacy and income management, psychological aspects through self-confidence and control, and social aspects via family, peer, and societal influences. Together, these aspects define financial decision-making patterns, aligning with the study's objectives.

Economic Aspects: Economic factors significantly influence financial behavior (coefficient: 0.188, t-value: 2.268, p-value: 0.023). Financial literacy, expense control, and income management enhance financial management, reflecting behavioral finance theory (Kahneman & Tversky, 1979). The Indonesia Gen Z Report 2024 highlights the relevance of economic stability for Generation Z, most of whom earn under IDR 2.5 million/month. Financial literacy remains crucial, with 34% seeking additional income for stability and 29% for daily needs.

Psychological Aspects: Psychological factors (self-efficacy and self-control) significantly impact financial behavior (coefficient: 0.189, t-value: 3.729, p-value: 0.000). High self-efficacy supports effective financial decisions, even under pressure. Generation Z's confidence in creative income generation underscores this intrinsic strength, as noted in the Indonesia Gen Z Report 2024. Survey data show self-efficacy drives both daily financial management and personal growth.

Social Aspects: Social factors significantly affect financial behavior (coefficient: 0.114, t-value: 2.220, p-value: 0.026). Family and societal norms strongly influence financial habits, as explained by Moschis' consumer socialization theory. Many Generation Z individuals live with families, emphasizing solidarity. The Indonesia Gen Z Report 2024 shows social norms' significant role, with respondents scoring 4.2/5 on urban influences.

Income Characteristics as Moderators

Income characteristics variably moderate relationships between these aspects and financial behavior. They weaken the influence of economic aspects but do not significantly affect psychological or social aspects.

Economic Aspects: Income characteristics negatively moderate economic aspects' influence (coefficient: -0.137, t-value: 2.047, p-value: 0.041). Stable income reduces the urgency of financial literacy and expense control, shifting focus to self-development. The Indonesia Gen Z Report 2024 highlights this reduced reliance on financial management among those with stable incomes.

Psychological Aspects: Income characteristics do not moderate psychological aspects (p-value: 0.478). Self-efficacy and self-control are intrinsic and independent of income stability. These traits support resilience and effective financial behavior, even under financial constraints.

Social Aspects: Income characteristics do not moderate social aspects' influence. Social norms and family values dominate financial behavior irrespective of income. The reault of thi survey underscores the priority of social obligations over financial conditions, with respondents scoring 4.2/5 on urban influences.

In conclusion, economic, psychological, and social aspects play interconnected roles in shaping Generation Z's financial management behavior, with income characteristics acting as a nuanced moderator.

CONCLUSION

This study demonstrates that economic, psychological, and social factors significantly influence the financial management behavior of Generation Z in DKI Jakarta, with income characteristics serving as a complex moderating variable. Economic factors like financial literacy and income stability promote prudent financial management, though irregular or additional income can weaken this positive effect. Psychological traits such as self-efficacy and self-control critically support rational financial decisions, unaffected by income variability, while social influences from family, peers, and societal norms strongly shape financial behavior independent of income stability. These findings highlight the multifaceted nature of financial well-being among Generation Z and underscore the need for integrated approaches addressing financial literacy, psychological resilience, and social support. Future research should further investigate the nuanced moderating role of diverse income sources and explore longitudinal effects to better understand how income variability interacts with these factors over time.

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