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The Influence of Financial Literacy on the Consumptive Behavior of Generation Z: A Systematic Literature Review

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ABSTRACT

In this article, we explore the significance of financial literacy in shaping the consumer behavior of Generation Z. Growing up in a world of technology and the internet, this generation faces unique challenges when managing their finances. Despite having access to vast information, they often struggle with impulsive and unplanned consumer behavior, leading to excessive spending. We aim to investigate the impact of financial literacy on the consumer behavior of Generation Z, with a particular focus on college students. To achieve this, we conducted a systematic literature review using secondary data from articles published on Google Scholar between 2020-2023. Our findings revealed three relevant articles that demonstrate a significant positive relationship between financial literacy and prudent consumptive behavior among Generation Z students. While lifestyle and income also play a role in financial management, financial literacy remains a critical predictor of wasteful behavior. We conclude that educational institutions and policymakers should prioritize financial literacy initiatives to equip Generation Z with the necessary skills to manage their finances effectively. Finally, our research highlights the need for comprehensive follow-up studies to compare literacy levels and consumer behavior across different tertiary institutions, providing valuable insight into developing trends and overall financial management among Generation Z.

INTRODUCTION

Financial literacy, which refers to the ability to comprehend and handle finances, is a crucial aspect that shapes consumer behavior. The level of financial literacy is gauged by one's knowledge of personal financial management, which is based on the utilization of available information (Sustiyo, 2020). Generation Z, born between 1995 and 2012, is known for their insatiable appetite for knowledge and high curiosity levels (Kurnia Erza, 2020). Growing up in the digital age, they have been shaped by technology and the internet, which has influenced their lifestyle and how they access information. Technological advancements and easy access to information have resulted in changes in consumer behavior, particularly among Generation Z. This generation has a distinct consumption pattern that is characterized by a need for complex and extensive information, which affects their financial decisions and overall consumer behavior. However, despite the abundance of information available, Generation Z occasionally makes impulsive purchases without adequate planning, resulting in wasteful and excessive consumer behavior. This article's objective is to explore how financial literacy affects Generation Z's consumer behavior to provide insights into the factors that influence their financial decisions.

Literature Review

Financial literacy encompasses the knowledge, skills, and confidence that shape an individual's attitudes and decision-making behaviors regarding financial management (Maulana et al., 2022). It comprises fundamental concepts required for making prudent savings and investment choices in the economic domain (Ariyani, 2018). In essence, financial literacy entails a sequence of processes that facilitate effective financial management and engagement in the economic sphere (Kusumaningtyas et al., 2017). From these definitions, it is evident that financial literacy extends beyond comprehending individual financial management to making informed and sustainable financial decisions.

Personality refers to the intricate and distinct characteristics that define an individual's cognitive, behavioral, and emotional patterns. It encompasses a vast array of traits and tendencies that shape how a person interacts with their surroundings and the individuals in their environment (Setiawan, 2024). Consumptive behavior, on the other hand, refers to the act or process of consuming goods and services by consumers. Specifically, consumer behavior pertains to the conduct of individuals who purchase unnecessary goods without comprehending their primary function. This definition indicates that individuals with consumptive behavior tend to purchase items based on their wants rather than their needs (Natasha Luas et al., 2023). In line with the previous definition, consumer behavior denotes a buying pattern that is no longer based on rational considerations, but rather on desires that have surpassed a rational level (Haryono, 2014). According to Lestari (2018: 2) individuals consistently seek satisfaction by purchasing things that they do not necessarily need, but rather to fulfill their desires. This phenomenon is commonly referred to as consumer behavior (Mujahidah, 2020).

In general, consumptive behavior refers to excessive and wasteful consumption habits that prioritize wants over needs, and can be indicative of a luxurious lifestyle (Fitriyani et al., 2013). This aligns with impulsive buying, which can be characterized by spontaneous, reflexive, and less thought-out purchases made on the spot. Individuals who exhibit a high level of inclusivity tend to be more susceptible to impulsive buying behavior, as they are more likely to be swayed by spontaneous purchase prompts and unplanned purchase ideas (Ningrum, 2015).

A generation is defined as a cohort of individuals who share a common birth year, age, geographic location, and significant life events that shape their growth (Putra, 2016). Human generations are typically classified into five based on year of birth: the baby boomer generation born between 1946-1964, the X generation born between 1965-1980, the Y generation born between 1981-1999 or the millennial generation, the Z generation born between 1995-2010 or the internet generation, and the alpha generation born between 2011-2025. These five generations display differences in their personality development (Irham Rifans, 2016).

According to Stillman's (2017) research, Generation Z, also known as the net generation or online generation, is a new cohort of workers born between 1995 and 2012. This generation differs from their predecessors, the Millennials or Generation Y. Stillman's book, "How the Next Generation is Transforming the Workplace," outlines the differences between these two generations. The most notable distinction between them is that Generation Z utilizes technology in a more sophisticated manner, while Generation Y tends to have less rigid workplace norms (Nusaibah, 2023).

The present-day youth is often referred to as Generation Z, or simply Gen Z. This group has been raised with constant exposure to technological advancements, with technology and the internet playing a significant role in their upbringing. Born between 1995 and 2012, Gen Z has never known a world without these tools (Hastini, 2020). This study will enhance previous research on post-pandemic behavior of Generation Z students (Setiawan et al., 2023). According to Kurnia Erza (2020), the members of Generation Z exhibit a strong curiosity and an insatiable appetite for knowledge, leading to a significant demand for complex information. As a result, it has become increasingly important to ensure that they possess a sufficient level of financial literacy that can inform their consumer behavior. The focus of this article, therefore, is to explore the impact of financial literacy on the consumptive behavior of Generation Z through a systematic literature review..

METHOD

This particular research methodology involves analyzing publicly available secondary data on the Google Scholar platform. The publication years of the data analyzed range from 2020 to 2023. By utilizing the research keyword "How Big is the Influence of Financial Literacy on Generation Z's Consumptive Behavior," the study was able to identify a total of 14 articles, with 3 articles being the most relevant to the topic at hand.

RESULTS

As outlined in the methods chapter, this research involved secondary data analysis sourced from Google Scholar:

Keywords: Financial Literacy, Consumptive Behavior, Generation Z, Systematic Literature Review (2020-2023)

n=14

↓

Which really fits the topic

n=3

Article Review Table

No	Writer	Title	Journal	Research result
1.	Joko Sustiyo (2020)	Does Financial Literacy Influence Generation Z's Consumption Behavior?	Saburai Independent Management Journal	The research results show the following two things: (1) the achievement level of student financial literacy is 62%, (2) financial literacy has a significant negative effect on consumer behavior.
2.	Luh Buderini et al., (2023)	The Influence of Financial Literacy, Lifestyle, and Income on the Personal Financial Management Ability of Generation Z Students	KRISNA Journal: Collection of Accounting Research	The research results show that financial literacy, lifestyle and income have a positive and significant effect on the personal financial management abilities of generation Z students.
3.	Oktaviani et al., (2021)	The Influence of Financial Literacy on Generation Z Consumptive Behavior in Students	Social Sciences Scientific Journal	The research results show that financial literacy has a significant effect on generation Z consumption behavior among students.

Source: Previous Research, 2020-2023

In summary, the three aforementioned studies have provided compelling evidence for the significant role of financial literacy in shaping the financial and consumptive behavior of students, particularly those from Generation Z. While there remains scope for enhancing financial literacy, the research findings strongly indicate that it has a favorable impact on students' financial management and consumptive habits.

Discussion

The findings from these three studies reveal significant insights about the financial literacy of students and the consumption patterns of the Gen Z demographic. It is clear that financial education plays a crucial role in shaping the financial and shopping behaviors of students, particularly those in the Gen Z age group. This conclusion aligns with the views of Tribuana (2020), who emphasizes the importance of financial literacy in helping students avoid financial hardships (Kenale Sada, 2022).

Preliminary research suggests that there is room for improvement in student financial literacy, as the average score hovers around 62%. Ramadhani (2019) has noted that while financial literacy has a negative effect on consumer behavior, it is not significant (Putriasih et al., 2022). However, Sustiyo's (Sustiyo, 2020), research has found a significant negative impact. This aligns with studies that have evaluated the link between financial literacy and student consumer behavior (Kanserina, 2015). The findings indicate that financial literacy has a negative and significant effect on student consumption behavior, as financially literate students tend to make more rational consumption decisions (Pulungan et al., 2018). This research is also in line with Azjen's (2012) Theory of Planned Behavior, which suggests that a person's behavior is influenced by various determinants, including knowledge and the consequences of their actions (Sustiyo, 2020). Evidently, there is an opportunity to enhance students' financial understanding and skills, particularly in certain study programs such as DIII Accounting PKN STAN Semester 4.

According to recent research, there exists a correlation between the financial literacy of Generation Z students and their consumption behavior. Findings reveal that students with higher financial literacy exhibit better consumption behavior. This is supported by a study conducted by Ningtyas (2019) which suggests that financial literacy has a positive impact on financial behavior (Luh Buderini et al., 2023). Further research also suggests that students with sound financial literacy are less likely to mismanage their finances as they are aware of their priority needs (Zulaika et al., 2020). Financial literacy encompasses the aspects of basic financial knowledge, insurance, savings, loans, and investment. Individuals who are well-versed in these aspects can enhance their financial literacy and manage their finances competently (Ramadhani et al., 2023). Consistent with prior research, financial literacy has a positive relationship with financial management behavior (Baptista, 2021). Additionally, research shows that financial management is positively influenced by financial literacy (Yusuf et al., 2023). In this regard, financial literacy plays a crucial role in making informed and responsible consumption decisions. It is also important to note that lifestyle and income level are two factors that significantly influence consumer behavior. Studies indicate that an improvement in lifestyle leads to better financial management skills in Generation Z students Gunawan et al. (2020) while an increase in income has a positive effect on personal financial management (Luh Buderini et al., 2023) and Herlindawati (2017).

According to the third research conducted at FKIP Palangka Raya University, financial literacy has a significant and positive impact on the consumer behavior of Gen Z students enrolled in Economic Education. These findings align with previous studies, such as the research conducted by Wahyuni (2022) that highlights the positive influence of financial literacy on the financial behavior of Generation Z (Oktaviani et al., 2021). Additionally, Dzakiyyah's (2022) research emphasizes the direct and positive impact of financial literacy on consumption behavior (Oktaviani et al., 2021). These results suggest that enhancing financial literacy could play a crucial role in curbing excessive or unhealthy spending habits among students. Furthermore, financial literacy has been linked to adolescent consumptive behavior, where increasing financial literacy can help reduce such behavior (Imawati, 2013). Similar conclusions were drawn by Fattah et al. (Fattah et al., 2018) who found that boosting financial literacy can reduce adolescent consumerist behavior. By promoting good financial management, financial literacy can guide individuals to make informed and wise consumption decisions that take into account the risks and benefits. In fact, Oktafikasari et al. (Oktafikasari et al., 2017) concluded that increased economic and financial literacy is associated with decreased consumer behavior. Overall, financial literacy plays a crucial role in managing personal finances and directing spending behavior towards a more planned and efficient approach. As Ramly et al (Ramly et al., 2022) suggest, better financial knowledge can influence one's thinking patterns and financial decision-making skills, leading to more prudent spending behavior that aligns with previously established budgets and goals.

CONCLUSION

Based on the findings of these three studies, it can be concluded that while students' financial literacy needs improvement, increasing financial literacy has a positive impact on Generation Z's consumer behavior. The level of financial literacy is significantly related to students' ability to manage personal finances and make smarter shopping decisions. While lifestyle and income also play a role in Generation Z's financial management skills, financial literacy remains a crucial variable in predicting consumer behavior. Thus, an increase in financial literacy among students, especially Generation Z, is a critical first step towards developing more responsible financial behavior in the future. This is true for both those already working and those receiving pocket money from their parents. With good financial literacy implementation, it is hoped that students will become wiser in managing their finances. Overall, the review of several studies mentioned above indicates that financial literacy plays a fundamental role in shaping students' financial and consumption behavior. The studies show that increasing financial literacy can help students better manage their finances, make wiser spending decisions, and reduce excessive spending behavior. Therefore, it is crucial for educational institutions and governments to intensify their efforts to instill financial literacy at secondary and tertiary levels. This way, the younger generation, especially Gen Z, will have a deeper understanding of finance and be better prepared to face financial challenges in the future.

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