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Exploring The Relationship between Financial Awareness and Lifestyle Indulgence in Influencing Personal Finance Strategies and Investment Decisions Among Generation Z

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ABSTRACT

This study examines the influence of financial literacy and a hedonistic lifestyle on personal financial management and investment decisions among Generation Z. Using a quantitative approach and purposive sampling technique, data were collected from 172 respondents aged 17–27 who manage their own finances and have investment experience. The data were analyzed using SmartPLS 3.0, which included tests for measurement models, structural models, and hypotheses. The results show that financial literacy and personal financial management positively and significantly affect investment decisions. On the other hand, a hedonistic lifestyle has a negative and significant impact on both personal financial management and investment behavior. The study also found that personal financial management mediates the relationship between financial literacy and investment decisions, as well as between hedonistic lifestyle and investment decisions. These findings highlight the importance of financial education and lifestyle control in improving investment outcomes among Gen Z. Encouraging better financial knowledge and responsible money habits can lead to more effective and informed investment decisions.

Keywords: Financial Literacy; Financial Management; Hedonistic; Investment Decisions

INTRODUCTION

In today's era, more and more changes are happening to the younger generation. Changes that occur include a decline in financial literacy and lifestyles that make the younger generation begin to deviate, often neglecting the management of their personal finances. Generation Z serves as a prime example of today's youth. Generation Z, born between 1997 and 2012, is known for being highly immersed in digital technology and having effortless access to extensive information. As many of them transition into adulthood, they begin to assume full responsibility for managing their personal finances. With this new phase of life comes the necessity to make independent financial decisions. Consequently, Gen Z must pay close attention to critical elements such as financial knowledge, lifestyle choices, and future-oriented investment planning to ensure effective financial management.

For Generation Z, financial literacy serves as an essential competency that enables them to manage their finances wisely, promoting better personal well-being and more informed investment decisions. Having strong financial knowledge enhances one's capability to manage money wisely, which in turn supports greater financial stability and overall quality of life ould be at least 0.5(Dewi et al., 2020). Financial literacy also plays a vital role in helping Generation Z make informed investment decisions, including identifying investment options that align with their needs. A strong understanding of financial concepts is linked to more prudent investment choices, which can enhance the potential for wealth accumulation while minimizing the risk of financial loss (Kumari, 2020).

The rapid pace of technological advancement has significantly influenced and reshaped modern lifestyle trends. One such technological advancement is the development of data technology. Lifestyle is inherent in every individual, regardless of gender, age, or income level, including students. Generation Z is often associated with a hedonistic lifestyle. A hedonistic lifestyle refers to a way of living in which individuals seek pleasure above all else. This evolving lifestyle fosters excessive consumer behavior, which can contribute to financial difficulties in the future. The increasing availability of shopping centers and nearby cafes has made it common for many members of Generation Z to spend their leisure time outside the home, particularly during breaks or after classes—by going to malls or cafes to hang out, eat, work on assignments together, or shop for non-essential items. Indirectly, this leads to more extravagant and hedonistic spending. As a result, many members of Generation Z remain unaware of their actual level of understanding when it comes to managing personal finances. A hedonistic lifestyle has both positive and negative impacts on an individual's personal financial management. Positive impacts include motivation to earn money and increased awareness of the importance of money. Meanwhile, negative impacts involve excessive spending, lack of financial planning, and impulsive decision-making. The more dominant a hedonistic lifestyle becomes, the harder it is for individuals to manage their personal finances efficiently (Sylvia et al., 2023a).

Personal financial management refers to the process of managing finances carried out by an individual to achieve life goals. Sound personal financial management can help individuals attain financial stability and security. Personal finance is a fundamental aspect of daily life, as the ability to manage finances plays a crucial role in achieving life goals and enhancing overall well-being. Effective personal financial management involves several key steps, including financial planning, money management, and debt management. Financial planning helps individuals anticipate and prepare for future expenses. Once a plan is established, financial management is carried out to ensure spending aligns with the outlined goals. Debt management follows, ensuring financial obligations are handled responsibly and no critical aspects are neglected. Together, these three steps reflect the practical application of financial knowledge, skills, and attitudes to manage finances more efficiently.

LITERATURE REVIEW

Financial Literacy

Financial literacy involves a combination of knowledge, skills, attitudes, and behaviors essential for effectively managing personal financial matters (Anwar et al., 2023; Astiti et al., 2019; Hwang & Park, 2023; Shaharoni & Colline, 2023) stated that financial literacy is highly important when an individual faces problems. Financial literacy goes beyond merely understanding financial information or advice; it also includes how individuals obtain and utilize financial resources efficiently to achieve better personal goals (Chettri et al., 2024).

Financial literacy plays a crucial role in shaping investment decisions. As individuals enhance their financial knowledge, they are more likely to make well-informed and strategic investment choices. Based on studies conducted by Kaur & Maheshwary, (2020); Oppong et al. (2023). It has been established that financial literacy positively impacts investment decisions. The relationship between financial literacy and investment decision-making is crucial and deserves focused attention in this research. A significant body of literature has examined how financial knowledge influences investment behavior, consistently finding a positive and statistically significant correlation between the two variables (Amelinda & Ongkowidjaja, 2022; Cahyani & Helliana, 2023; Kumari, 2020).

Financial literacy cannot be studied independently from its relationship with personal financial management, as the two are closely interconnected. According to research by Chettri et al. (2024); Oppong et al. (2023) financial literacy has a positive impact on personal financial management, highlighting the importance of financial knowledge in making informed financial decisions.

H1: Financial literacy has a positive effect on investment decisions
H2: Financial literacy has a positive effect on personal financial management

Hedonistic Lifestyle

Lifestyle refers to an individual's way of living, which is shaped by their interests, values, and behaviors in relation to their social and economic (Petrovic et al., 2018). A person's lifestyle influences their behavior, which in turn affects their consumption habits (Ritakumalasari & Susanti, 2021). One type of lifestyle that can have a negative impact is the hedonistic lifestyle, in which individuals focus solely on pleasure and ignore the need to fulfill their desires responsibly. The inability to manage finances and the lack of financial knowledge are two primary factors that drive a hedonistic lifestyle.

Lifestyle can be one of the factors that influence investor behavior as a foundation for initiating investment (Khatimah et al., 2024). Along with the advancement of technology that facilitates the spread of information and access to others' lifestyles, the resulting increase in expenses due to excessive lifestyle practices can hinder investment decisions as well. According to research by Makkulau et al. (2024); Ramadhan & Sutrisno (2022), lifestyle has a negative effect on investment decisions. An unregulated lifestyle can result in negative consequences for investment decisions by reducing financial capacity for investment, diverting focus from long-term financial goals, and increasing the risk of future financial difficulties.

A hedonistic lifestyle, centered on the pursuit of pleasure and immediate gratification, often leads to impulsive spending and a lack of long-term financial planning. Consequently, individuals adopting this lifestyle may find it difficult to manage their personal finances effectively, leading to financial instability. Based on studies by Sylvia et al. (2023), It has been stated that a hedonistic lifestyle negatively impacts personal financial management, as the focus on immediate pleasure and gratification often leads to impulsive spending and poor financial planning, making it harder to achieve long-term financial stability. Individuals who adopt a hedonistic lifestyle tend to lack discipline in managing their finances, which may result in unplanned expenditures and financial problems.

H3: A hedonistic lifestyle has a negative effect on investment decisions
H4: A hedonistic lifestyle has a negative effect on personal financial management

Personal Financial Management

Effective financial management requires a solid understanding of financial principles. Individuals who manage their finances well demonstrate a high level of responsibility towards their money (Baptista, 2021). On the other hand, poor financial management can lead to long-term negative consequences. Key practices such as controlling spending, managing budgets, and saving money are essential indicators of an individual's financial responsibility (Putri et al., 2021; Ramadhan & Asandimitra, 2019)

Good financial management can significantly influence and improve the quality of investment decisions. Research by Oppong et al. (2023) shows that personal financial management positively impacts investment decisions. Investment choices are shaped by personal financial management practices, as financial behaviors directly affect the decision-making process. Financial literacy, personal financial management, and investment decisions are closely interconnected and mutually influence each other. Individuals with higher financial literacy are generally better at managing their finances and making informed investment choices. Research by (Kaur & Maheshwary (2020); Oppong et al. (2023); Sharmila & Perumandla (2023) indicates that financial literacy positively affects investment decisions. Additionally, studies by Chettri et al. (2024); Oppong et al. (2023) highlight that financial literacy has a positive impact on personal financial management. Furthermore, Oppong et al. (2023) also found that personal financial management positively influences investment decisions. Therefore, it can be concluded that personal financial management acts as a mediating factor between financial literacy and investment decisions.

A hedonistic lifestyle can hinder effective personal financial management and negatively affect investment decisions. Research by Sylvia et al. (2023) suggests that a hedonistic lifestyle adversely impacts personal financial management. Additionally, Oppong et al. (2023) confirms that good personal financial management positively influences investment decisions. Therefore, it can be concluded that personal financial management acts as a mediator in the relationship between a hedonistic lifestyle and investment decisions.

H5: Personal financial management has a positive effect on investment decisions
H6: Personal financial management mediates the influence of financial literacy on investment decisions
H7: Personal financial management mediates the influence of a hedonistic lifestyle on investment decisions

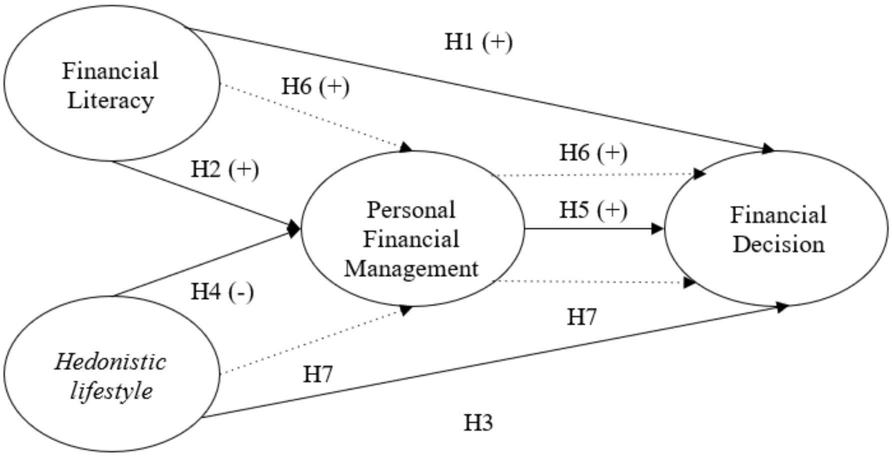
Investment Decisions

Investment decisions refer to the process of selecting investments that are expected to yield returns exceeding the minimum interest rate. These decisions are influenced by a variety of factors, including policy reforms and economic developments. The interplay between potential returns and external factors plays a significant role in determining where and how an individual chooses to invest (Lusardi, 2019). Investment decisions involve allocating resources to assets with the intention of generating future returns. To make informed investment choices, individuals must possess adequate information; the more knowledge they have, the better their decision-making can be (Magdalena et al., 2023). This process includes gathering relevant information from multiple sources, assessing investment risks, and striving to minimize those risks. Investment decisions may involve both short-term and long-term resource allocation, always aiming for the optimal returns on investment (Kareem et al., 2023; Makkulau et al., 2024).

Conceptual Framework

The study framework model is depicted in Figure 1.

Figure 1. Research Framework



RESEARCH METHOD

This study aims to examine the influence of financial literacy and a hedonistic lifestyle on financial management and investment decisions. Additionally, the study seeks to determine whether personal financial management mediates the relationship between financial literacy, hedonistic lifestyle, and investment decisions. Primary data were collected through questionnaires distributed to respondents aged 17–27 years who manage their own finances. The variables of financial literacy, hedonistic lifestyle, personal financial management, and investment decisions were measured using an interval scale with a 5-point Likert scale. The questionnaire statements in this study were designed by referring to several previous studies, as shown in Table 1.

Table 1. Variable, Indicator & Source

Construct	Indicator	Code	Source
Financial Literacy	General Financial Knowledge	LK1	(Bado et al., 2023)
	Understanding of Loans	LK2	
	Understanding of Savings	LK3	
	Understanding of Investment	LK4	

Hedonic Lifestyle	Dominant Spending for Entertainment	HL1	(Sylvia et al., 2023)
	Spending on Luxury Goods	HL2 HL3	
	Priority on Pleasure and Enjoyment	HL4 HL5	
	Tendency to Shop Impulsively	HL6 HL7	
	Influence of Social Media and Trends	HL8 HL9	
Financial Literacy Management	Financial Planning	PKP1 PKP2	(Bado et al., 2023)
	Savings	PKP3	
	Debt Management	PKP4	
	Financial Decision-Making	PKP5	
Investment Decisions	Selection of Investment Instruments	KI1 KI2	(Kumari, 2020)
	Risk Analysis	KI3	
	Investment Management	KI4 KI5 KI6	

The questionnaires in this study were distributed using a non-probability sampling technique, specifically purposive sampling. The targeted respondents were individuals who have investment experience or are currently engaged in any investment instrument. A total of 172 respondents completed the questionnaire. To analyze the data, an initial step was conducted through a pilot test, which involved testing the validity and reliability of the instruments using responses from 30 individuals. The results of the pilot test confirmed that the indicators used to measure the variables in this research model were both valid and reliable.

RESULTS

The comprehensive data analysis in this study was carried out through outer model testing, inner model testing, and hypothesis testing using the SEM (Structural Equation Modeling) method with SmartPLS 3.0 software. The outer model test ensures that the measurements used for data analysis are both valid and reliable. It includes validity testing (such as convergent validity, AVE, and discriminant validity) and reliability testing (such as Cronbach's alpha). The inner model test assesses the relationships between the constructs, with the R-square value used to measure the explanatory power of the model. Hypothesis testing is conducted to determine whether the predicted relationships between variables are supported by the data. A hypothesis is considered supported if the p-value is below the predetermined significance level (α), typically set at 5%.

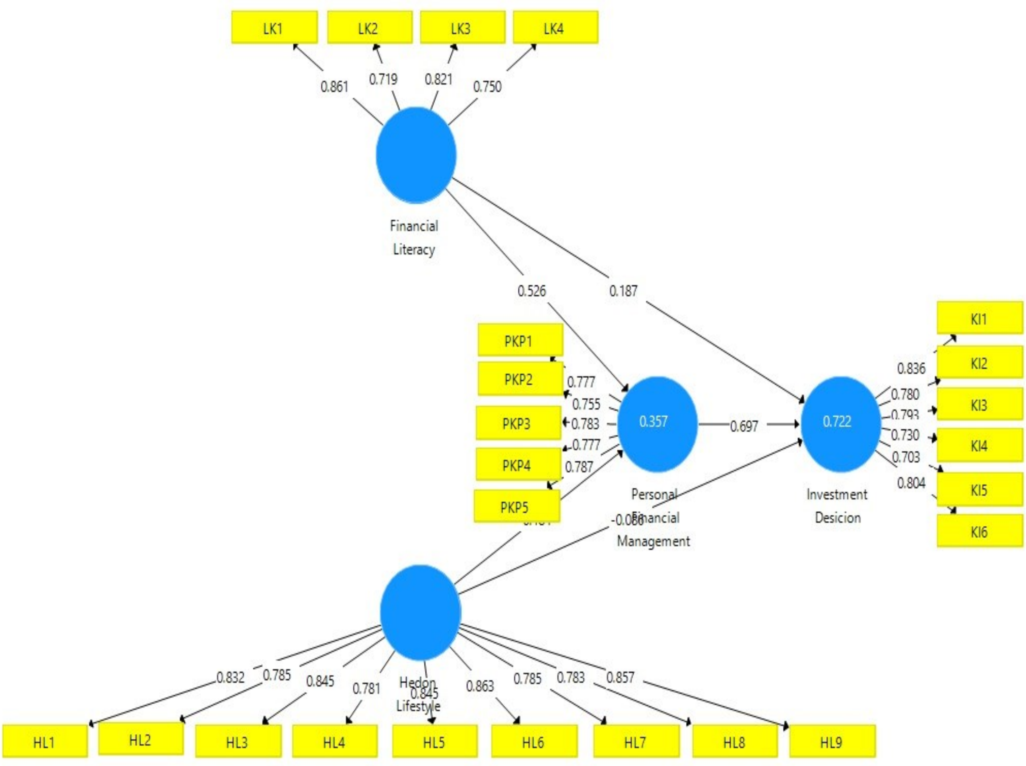
Table 2. Respondents Demographic

Category	Subcategory	Frequency (n)	Percentage (%)
Age	17 – 20 Years Old	48	27.9%
	21 – 23 Years Old	76	44.2%
	24 – 27 Years Old	48	27.9%
Gender	Male	61	35.5%
	Female	111	64.5%
City of Residence	Jakarta	68	39.5%
	Bogor	24	14.0%

	Depok	21	12.2%
	Tangerang	21	12.2%
	Bekasi	16	9.3%
	Non-Jabodetabek	22	12.8%
Investment Experience	Yes	172	100%
	No	0	0%

The respondents in this study were predominantly female (64.5%), with the majority being between the ages of 21 and 23 years (44.2%). This suggests that Generation Z has already begun investing or has prior experience with investments. In terms of domicile, the majority of respondents resided in Jakarta (39.5%). Notably, all respondents (100%) reported having investment experience.

Outer Model Test
This measurement model test was conducted to determine whether the constructed model is valid or not.



Validity Test
Table 3. Outer Loading

	Financial Literacy	*Hedonistic Lifestyle*	Personal Financial Management	Investment Decision
LK1	0.861			
LK2	0.719			
LK3	0.821			
LK4	0.750			
HL1		0.832		
HL2		0.785		

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HL3		0.845		
HL4		0.781		
HL5		0.845		
HL6		0.863		
HL7		0.785		
HL8		0.783		
HL9		0.857		
PKP1			0.777	
PKP2			0.755	
PKP3			0.783	
PKP4			0.777	
PKP5			0.787	
KI1				0.836
KI2				0.780
KI3				0.793
KI4				0.730
KI5				0.703
KI6				0.804

Convergent validity measures how well a construct correlates with alternative measures of the same concept. In this study, for a construct to be considered valid, its loading value must exceed 0.7. According to Table 3, all variables in this study are declared valid because their loading values are greater than 0.7, indicating strong convergent validity (Hair et al., 2022; Sarstedt et al., 2021).

Table 4. AVE Results

Construct	Average Variance Extracted (AVE)
Financial Literacy	0.624
Hedonistic Lifestyle	0.673
Personal Financial Management	0.602
Investment Decision	0.601

Average Variance Extracted (AVE) measures the average amount of variance captured by a construct from its indicators. For a construct to be considered valid, its AVE value should be at least 0.5 (Hair et al., 2022; Sarstedt et al., 2020). Based on Table 4, it is evident that all constructs in this study are valid, as each variable has an AVE value greater than 0.5, making them suitable for use in the research.

Table 5. Cross Loading Results

	Hedonistic Lifestyle	Investment Decision	Financial Literacy	Personal Financial Management
HL1	0,832	-0,280	-0,152	-0,249
HL2	0,785	-0,155	-0,057	-0,177
HL3	0,845	-0,347	-0,295	-0,295
HL4	0,781	-0,178	-0,096	-0,124
HL5	0,845	-0,301	-0,257	-0,298
HL6	0,863	-0,358	-0,245	-0,323
HL7	0,785	-0,247	-0,181	-0,222
HL8	0,783	-0,253	-0,106	-0,229
HL9	0,857	-0,314	-0,234	-0,257
KI1	-0,325	0,836	0,511	0,676

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KI2	-0,226	0,780	0,398	0,598
KI3	-0,193	0,793	0,554	0,646
KI4	-0,285	0,730	0,439	0,644
KI5	-0,203	0,703	0,484	0,619
KI6	-0,366	0,804	0,421	0,674
LK1	-0,231	0,554	0,861	0,512
LK2	-0,217	0,419	0,719	0,424
LK3	-0,186	0,483	0,821	0,445
LK4	-0,113	0,443	0,750	0,412
PKP1	-0,289	0,641	0,396	0,777
PKP2	-0,214	0,639	0,381	0,755
PKP3	-0,324	0,637	0,448	0,783
PKP4	-0,144	0,612	0,434	0,777
PKP5	-0,223	0,687	0,538	0,787

Discriminant validity is assessed by comparing the cross-loading values of indicators with other constructs. For a construct to have good discriminant validity, the cross-loading values of its indicators should be higher for their own constructs compared to other constructs. As shown in Table 5, the cross-loading values for the hedonistic lifestyle construct are valid, as each indicator's value is greater than that of other constructs. This pattern is observed across all other variables, where the indicator loadings are highest within their respective constructs, confirming strong discriminant validity.

Reliability Test

Table 6. Cronbach's Alpha and Composite Reliability Results

	Cronbach's Alpha	*Composite Reliability*
Hedonistic Lifestyle	0,940	0,949
Investment Decision	0,866	0,900
Financial Literacy	0,797	0,868
Personal Financial Management	0,835	0,883

Reliability refers to the consistency and stability of a measurement instrument over time. In this study, reliability was assessed using Cronbach's Alpha, with a minimum threshold of ≥ 0.6 indicating that the measurement is considered reliable (Sarstedt et al., 2020). According to the results in Table 6 for both Cronbach's Alpha and Composite Reliability, all constructs have values above 0.6, confirming that the data used in this study are reliable and that the measurement instruments used consistently measure the intended constructs.

Structural Model Test (Inner Model)

Table 7. R-Square Test Results

Construct	R-Square	R-Square Adjusted
Investment Decision	0.722	0.717

The Inner Model is evaluated by first examining the R-square value for each dependent latent variable. The R-square value indicates how well the independent variables explain the variability in the dependent variable. (Hair et al., 2021). As seen in Table 7, the R-square value for this study is 0.722. This indicates that the variables studied explain 72.2% of the variation in investment decisions, with the remaining 27.8% being influenced by other variables not included in the model

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Hypothesis Test
The P-value is a critical statistical measure used to assess the significance of the results in a study, with values below 0.05 indicating that the findings support the proposed hypotheses (Hair et al., 2021). In this study, all hypotheses were statistically significant, as all p-values were below 0.05.

The first hypothesis, which posits that financial literacy has a positive and significant impact on investment decisions, was validated with an original sample value of 0.187 and a p-value of 0.001. Similarly, the second hypothesis, indicating that financial literacy positively influences personal financial management, was affirmed with an original sample value of 0.526 and a p-value of 0.000. The third hypothesis, which suggests that a hedonistic lifestyle negatively affects investment decisions, was also supported, with an original sample value of -0.086 and a p-value of 0.019. The fourth hypothesis, claiming that a hedonistic lifestyle negatively impacts personal financial management, was validated with an original sample value of -0.184 and a p-value of 0.002. The fifth hypothesis, indicating that personal financial management positively affects investment decisions, was strongly confirmed with an original sample value of 0.697 and a p-value of 0.000. Furthermore, the sixth hypothesis, which states that personal financial management mediates the relationship between financial literacy and investment decisions, was affirmed with a sample value of 0.367 and a p-value of 0.000. Finally, the seventh hypothesis, suggesting that personal financial management mediates the negative effect of a hedonistic lifestyle on investment decisions, was also supported, with a sample value of -0.128 and a p-value of 0.005. These findings substantiate the theoretical framework, emphasizing the significant roles of financial literacy, a hedonistic lifestyle, and personal financial management in shaping investment decisions.

Table 8. Hypothesis Test Results

Hypothesis	Original Sample	P-Values	Conclusion
Direct Effect			
Financial Literacy → Investment Decision	0.187	0.001	Proven
Financial Literacy → Personal Financial Management	0.526	0.000	Proven
Hedonistic Lifestyle → Investment Decision	-0.086	0.019	Proven
Hedonistic Lifestyle → Personal Financial Management	-0.184	0.002	Proven
Personal Financial Management → Investment Decision	0.697	0.000	Proven
Indirect Effect			
Financial Literacy → Personal Financial Management → Investment Decision	0.367	0.000	Proven
Hedonistic Lifestyle → Personal Financial Management → Investment Decision	-0.128	0.005	Proven

DISCUSSION

The Effect of Financial Literacy to Investment Decisions
Financial literacy has a positive and significant effect on investment decisions. This indicates that individuals with higher financial literacy are more likely to make better investment decisions. Enhanced financial literacy enables individuals to better understand investment opportunities, risks, and strategies, leading to more informed and effective choices. These findings align with the research conducted by Amelinda &

Ongkowidjaja (2022); Cahyani & Helliana (2023); Kumari (2020), all of whom found that financial literacy plays a key role in improving the quality of investment decisions.

The Effect of Financial Literacy to Personal Finance Management

Financial literacy has a positive and significant effect on personal financial management. This implies that individuals with higher financial literacy are more adept at managing their finances effectively. Financial literacy equips individuals with the knowledge and skills needed to make informed decisions about budgeting, saving, investing, and managing debt, which directly contributes to improved personal financial management. These findings are consistent with the research of Chettri et al. (2024); Dewi et al. (2020); Hwang & Park (2023); Oppong et al. (2023), all of whom found that financial literacy positively influences personal financial management, underscoring its role in helping individuals make better financial decisions.

The Effect of Hedonistic Lifestyle to Investment Decisions

A hedonistic lifestyle has a negative and significant effect on investment decisions. This suggests that as one's focus on immediate pleasure and gratification increases, their ability to make sound investment decisions tends to decrease. An excessive lifestyle may lead individuals to prioritize consumption over savings and investments, ultimately limiting their resources for investment opportunities. When individuals spend more to satisfy their desires, they may have less money available to allocate toward investments or may even avoid investing altogether. These findings are consistent with the research by Sharmila & Perumandla (2023); Sylvia et al., (2023); Wahyuni et al. (2023), who concluded that lifestyle, particularly one that prioritizes immediate pleasures, negatively influences investment decisions.

The Effect of Hedonistic Lifestyle to Personal Finance Management

A hedonistic lifestyle has a negative and significant effect on personal financial management, suggesting that individuals who prioritize pleasure and instant gratification tend to manage their finances less effectively. The pursuit of immediate satisfaction often leads to impulsive spending and a lack of long-term financial planning, which can hinder the ability to manage personal finances properly. This behavior can result in financial instability, as individuals may overlook the importance of saving, budgeting, and investing. These findings align with the research conducted by Sharmila & Perumandla (2023); Sylvia et al. (2023), who both concluded that a hedonistic lifestyle negatively impacts personal financial management, highlighting the challenges associated with balancing immediate desires and financial responsibility.

The Effect of Personal Financial Management to Investment Decisions

Personal financial management has a positive and significant effect on investment decisions, indicating that individuals who manage their finances well are more likely to make sound investment choices. Effective financial management allows individuals to allocate resources wisely, plan for future expenses, and ensure they have the necessary funds for investments. By maintaining a balanced and organized approach to their finances, these individuals are better positioned to make informed and strategic investment decisions that align with their long-term financial goals. These findings align with Oppong et al. (2023), who emphasized that personal financial management not only influences but also enhances the quality of investment decision-making, ultimately contributing to better financial outcomes.

Personal Financial Management mediates The Effect of Financial Literacy to Investment Decisions

Personal financial management mediates the positive and significant influence of financial literacy on investment decisions. This means that individuals with strong financial literacy, supported by good financial management, are more likely to make sound investment decisions. Financially literate individuals tend to have a better understanding of financial concepts such as budgeting, saving, and investment strategies, which helps them manage their finances more effectively. As a result, they are more equipped to make informed and rational investment choices that align with their long-term financial goals. This is consistent with Oppong et al. (2023), who found that financial literacy, personal financial management, and investment decisions are interconnected and mutually influential. In essence, financial literacy provides the knowledge needed for effective financial management, which then enhances an individual's ability to make prudent investment decisions.

Personal Financial Management mediates The Effect of Hedonistic Lifestyle to Investment Decisions

Personal financial management mediates the significant and negative effect of a hedonistic lifestyle on investment decisions. This means that individuals with a high level of hedonism tend to have poor financial management, which in turn results in poorer investment decisions. The tendency for instant gratification and unrestrained spending behavior in hedonistic individuals often leads to a lack of planning and budgeting, causing them to overlook long-term financial goals and investments. These findings are supported by (Sylvia et al. (2023), who found that the higher the level of hedonism, the worse one's personal financial management. As a result, individuals with a hedonistic lifestyle are more likely to make hasty, ill-informed investment choices. Consequently, poor financial management leads to suboptimal investment decisions, as evidenced by Oppong et al. (2023), who concluded that individuals with inadequate financial management skills are more likely to make detrimental investment choices that compromise their financial security in the long term. Therefore, effective personal financial management is critical in mitigating the negative effects of a hedonistic lifestyle and ensuring better financial decision-making.

CONCLUSION

This research yields several important conclusions. Firstly, financial literacy exerts a significant and positive influence on the investment decisions of Generation Z, suggesting that individuals with a higher level of financial knowledge tend to make more informed and prudent investment choices. This finding aligns with the understanding that greater financial literacy enhances an individual's ability to evaluate investment opportunities, manage risks, and make decisions that lead to long-term financial stability. Additionally, financial literacy also positively correlates with effective personal financial management, indicating that Gen Z members who possess financial understanding are more capable of managing their day-to-day finances efficiently. This includes budgeting, saving, and making smart decisions about spending, which ultimately supports their financial well-being and prepares them for future financial challenges. These results underscore the importance of fostering financial literacy among young individuals to improve their overall financial behavior and investment decision-making.

On the other hand, a hedonistic lifestyle is found to negatively and significantly affect both investment behavior and financial management, implying that individuals inclined toward indulgent consumption are less likely to manage their finances wisely or invest judiciously. Furthermore, sound personal financial management has a strong positive impact on investment decision-making, reinforcing the idea that effective money management is a key driver of financial success. Individuals who are able to manage their finances effectively—by budgeting, saving, and planning—are more likely to make thoughtful investment decisions, setting them on a path toward long-term financial growth. Personal financial management also plays a mediating role in two significant relationships: it enhances the positive impact of financial literacy on investment decisions and transmits the negative effect of hedonistic tendencies to poorer investment outcomes. This suggests that even if individuals possess financial knowledge, the ability to manage their finances effectively is essential for translating that knowledge into positive investment choices.

While, for those with a hedonistic lifestyle, poor financial management exacerbates the negative effects of instant gratification on investment decisions, leading to suboptimal financial outcomes. Therefore, personal financial management serves as a critical factor in ensuring that financial literacy leads to positive investment decisions while mitigating the detrimental impact of impulsive spending behaviors. These insights underscore the importance for Generation Z to develop strong financial literacy skills and adopt responsible financial behaviors, while becoming more aware of how lifestyle choices can adversely affect financial stability. Despite the contributions of this study, certain limitations exist, particularly regarding the wide geographic dispersion of respondents across Indonesia and the exclusive focus on Gen Z. Future studies are encouraged to concentrate on specific regional samples, investigate additional variables that may influence investment behavior, and delve deeper into how financial literacy and lifestyle impact financial decision-making across different generational or cultural segments.

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