East Asian Journal of Multidisciplinary Research (EAJMR)
Vol. 4, No. 12, 2025: 6325 - 6336

The Role of Financial Inclusion and Lifestyle in Improving the Quality of Financial Management

Didik Priyo Sugiharto
Malangkucecwara College of Economics, Malang, Indonesia
Corresponding Author: Didik Priyo Sugiharto didik@stie-mce.ac.id

A R T I C L E I N F O

Keywords: Financial Inclusion, Lifestyle, Financial Management

Received : 02, October
Revised : 15, November
Accepted: 29, December

A B S T R A C T

This study investigates the relationship between lifestyle and financial inclusion on individual financial management practices. The analysis reveals significant yet counter-intuitive findings regarding the role of financial inclusion in financial management practices. The main finding indicates that lifestyle has a substantial influence on financial management, while financial inclusion shows a statistically insignificant effect ($\beta = 0.048$, $p = 0.225$). This study discusses the theoretical and practical implications of these findings, supported by previous empirical studies that have shown consistent patterns across various population contexts.

DOI prefix: https://doi.org/10.55927/eajmr.v4i12.526
ISSN-E: 2828 – 1519 (Online)
https://mtiformosapublisher.org/index.php/eajmr

INTRODUCTION

The development of financial inclusion has become a key pillar of the global economic development agenda, with various countries adopting policies to expand financial access for all levels of society, including previously underserved groups (Yurtkur et al., 2025) . In Indonesia, initiatives such as *the National Strategy for Financial Inclusion* (SNKI) have been implemented since 2016 to increase public participation in the formal financial system (OJK, 2017). This level of financial inclusion, which encompasses access to and use of financial services, is considered a fundamental goal in economic and financial development specifically (Yurtkur et al., 2025) .

The digital era has significantly transformed people's lifestyles, including consumption patterns and financial management. This behavior, triggered by the ease of digital transactions and the culture of *instant gratification,* has become a new challenge in personal financial management (Karlan et al., 2016). This phenomenon highlights the urgency of understanding more deeply how financial inclusion and lifestyle interact in shaping the quality of individual financial management, especially amidst rapid technological penetration (Siregar et al., 2024) . Understanding the complex interactions between financial literacy, consumptive lifestyle, and financial inclusion is crucial for formulating effective intervention strategies to improve financial well-being (Anam & Setyawan, 2023; Ariyanto et al., 2025) .

Recent research has begun to reveal the dynamic relationship between financial inclusion and lifestyle in the context of financial management (Erdi, 2023) . Specifically, a consumptive or hedonistic lifestyle has been shown to have a significant impact on financial management behavior, particularly among students who are vulnerable to the temptation of consumption (Satrio et al., 2024; Sianipar et al., 2023) . Even with adequate financial literacy, individuals can become entangled in online loans if driven by a hedonistic and consumptive lifestyle (Dayinati et al., 2024; Erdi, 2023) . This will negatively impact their ability to manage their finances healthily and can even lead to debt traps. This condition is exacerbated by technological advances in the Industry 4.0 era, which increase accessibility to various financial services without being balanced by adequate digital literacy and awareness (Anam & Setyawan, 2023) . The increasing use of fintech peer-to-peer lending has contributed to this phenomenon, attracting the interest of students facing urgent life needs or impulsive behavior, although some reject it due to hedonic conformity (Maharani et al., 2024) . Financial literacy and digital awareness are crucial in this context, given that both significantly influence financial management behavior and financial decision-making in the digital era (Anam & Setyawan, 2023) .

This tendency towards a consumerist lifestyle often leads to a decline in effective financial management skills among students, even though they have sufficient financial understanding (Astuty et al., 2025; Satrio et al., 2024) . This shows that financial knowledge alone is insufficient without being balanced with habits and an environment that support wise financial decisions (Khalisharani et al., 2022) . Therefore, it is necessary to integrate improving financial literacy with an understanding of the impact of lifestyle on individual financial decisions,

especially in facing the temptation of consumption in the digital era (Satrio et al., 2024) . This study will investigate in depth the role of financial inclusion and lifestyle on the quality of financial management, considering how these factors interact and influence individual financial decisions in a complex digital economy environment. Thus, it is important to further explore how financial literacy can mitigate the negative impacts of a consumerist lifestyle, while identifying mechanisms that encourage more responsible financial decision-making amidst easy access to digital services (Akbar & Armansyah, 2023; Mursalim et al., 2024; Satrio et al., 2024) .

Gap Research

Previous research is still limited in its effectiveness in digital financial platforms, including evidence-based nudge designs and behavioral safeguard mechanisms that have not been optimally integrated in fintech products and the use of an integrated approach by combining longitudinal methodology, social network analysis, and behavioral finance experiments to develop a more comprehensive policy framework.

The challenges and opportunities ahead for this phenomenon present significant challenges in achieving individual and national financial stability, requiring collaborative efforts from various stakeholders to develop innovative solutions (Ariyanto et al., 2025) . This underscores the need for further research focused on comprehensive financial education interventions, including modules on digital risk management and the formation of responsible spending habits (Erdi, 2023, 2025) .

Based on the background above, the following problems can be formulated:

How do financial inclusion and lifestyle affect the quality of individual financial management?

THEORETICAL REVIEW

Financial Inclusion

An effort to ensure that all levels of society, including vulnerable and underserved groups, have access to a variety of affordable, relevant, and sustainable formal financial products and services (Sofa et al., 2024) . This concept encompasses not only physical access but also understanding (financial literacy) and the ability to use financial products effectively to improve economic well-being. Increased financial literacy, financial independence, and the use of financial technology (fintech) contribute significantly to better personal financial management, especially among students (Sofa et al., 2024) . Indicators of financial inclusion include service accessibility, bank account ownership, use of credit, insurance, and investment products, and adoption of financial technology (Arta et al., 2025; Nasution & Munir, 2023) . The presence of financial technology, such as digital payment applications and online loans, has expanded the scope of financial inclusion, but at the same time, it has created new complexities in financial management (Erdi, 2023) . However, this ease of access also has the potential to increase consumer behavior and the risk of debt, especially for

Generation Z, who tend to live a wasteful lifestyle and often prioritize desires over financial needs. The influence of economic digitalization on Gen Z's lifestyle, such as the use of Paylater, shows that despite increasing financial knowledge, the level of non-performing loans remains high, indicating that financial access does not always directly correlate with sound financial management (Ardyansyah & Indrawati, 2024; Dayinati et al., 2024) .

Lifestyle

An individual's behavioral pattern manifested in consumption habits, social interactions, and allocation of financial resources, which are often influenced by cultural, social, and psychological factors (Dayinati et al., 2024) . A consumptive lifestyle, in particular, has been shown to influence financial management behavior, often leading individuals to make unwise financial decisions, such as relying on online loans (Erdi, 2023) . This behavior can be exacerbated by the influence of social media and social pressure to adopt a luxurious lifestyle, which often exceeds an individual's financial capabilities (Astuty et al., 2025; Mustikasari & Septina, 2023) . Factors influencing lifestyle among college students include consumer culture, social media, and peer pressure, all of which can contribute to impulsive financial decisions (Hidayat & Darmawan, 2025; Rukoyah & Susilawati, 2025) . This certainly has a significant impact on the quality of their personal financial management, posing a challenge to achieving long-term financial independence. Especially for millennials and Gen Z, who tend to be consumerist, the influence of lifestyle on online loans is significant because the habit of following trends can lead to inappropriate financial decisions (Dayinati et al., 2024) . Therefore, it can be concluded that financial inclusion and lifestyle are two crucial variables that interact in shaping the quality of individual financial management. The relationship between these two variables has become increasingly complex with the emergence of various digital financial facilities such as online loans and Paylater services, which, while offering easy access, also have the potential to encourage consumer behavior and trigger financial problems if not balanced with adequate financial literacy and discipline (Aisyah et al., 2023; Dayinati et al., 2024) .

Financial Management

Financial management is the process of planning, organizing, directing, and controlling financial resources to achieve individual or organizational financial goals (Ramadhan & Laturette, 2024) . In the individual context, effective financial management involves the ability to allocate income, manage expenses, save, invest, and manage debt to achieve financial stability in the short and long term (Satrida & Lutfi, 2024) . Studies show that adequate financial literacy is an essential prerequisite for effective financial management, enabling individuals to make informed and strategic decisions regarding their personal finances (Ramadhan & Laturette, 2024) . Furthermore, optimal financial management also includes the ability to identify and manage financial risks, such as consumer debt or unwise investments, which are often exacerbated by easy access to online loans (Restike et al., 2024; Wijayanti, 2022) . Therefore, comprehensive financial management requires not only an understanding of financial instruments but

also self-discipline in facing the temptation of instant consumption offered by digital services. This shows that strong financial literacy and self-control are crucial in dealing with the complexity of financial products and services in the digital era (Khaerunisa et al., 2024; Siregar & Pratiwi, 2024) .

Research Concept Model

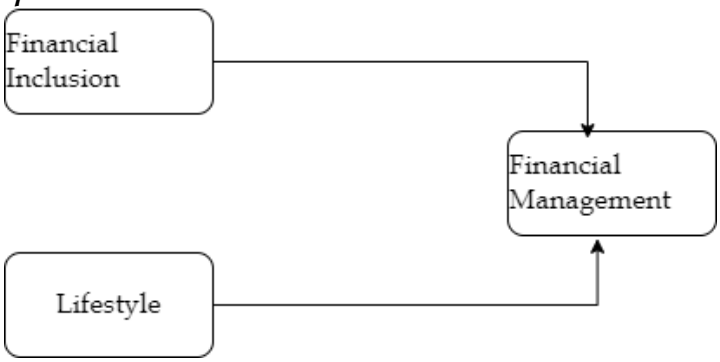

Figure. 1 Research Concept Model

METHODOLOGY

This study uses a quantitative approach to examine the relationship between financial inclusion, lifestyle, and the quality of individual financial management. The type of research used is descriptive quantitative research, with the aim of analyzing the influence of independent variables on the dependent variable (Hidayat & Darmawan, 2025) . Data were collected through questionnaires distributed to respondents and analyzed using inferential statistical methods to test the research hypotheses.

The data analysis technique used is SEM-PLS to evaluate the simultaneous and partial influence between independent variables on the dependent variable.

The population in this study includes students at STIE Malangkucecwara and the sample was taken using a purposive sampling technique, referring to certain criteria relevant to the research focus. These criteria include students who actively use digital financial services and have a basic understanding of financial inclusion and modern lifestyles. Thus, this study seeks to provide an in-depth understanding of how these factors interact in shaping the quality of financial management in a population segment vulnerable to the dynamics of the digital economy. Measurements using a Likert scale were used to measure the research variables, including financial inclusion, lifestyle, and the quality of financial management, to obtain valid and reliable quantitative data.

RESULTS AND DISCUSSION

The data analysis method in this study uses the *Partial Least Squares Structural Equation Modeling* (PLS-SEM) approach and in its application through two main evaluation stages, namely evaluation of *the outer model* (*measurement model*) to test the validity and reliability of indicators, and evaluation of *the inner model* (*structural model*) to test the causal relationship between constructs in the research framework.

1. Outer Model

The Outer Model is used to assess the relationship between latent variables and their indicators, with the aim of ensuring the validity and reliability of the measurement instrument. This evaluation includes convergent validity testing (based on factor loading values > 0.7 and AVE ≥ 0.5), discriminant validity (using the Fornell-Larcker criteria and cross-loadings examination), and construct reliability (with a Composite Reliability value ≥ 0.7).

a. Convergent Validity

The output of the outer loading estimation results is measured by the correlation between the indicator score (instrument) and its construct (variable). An indicator is considered valid if it has a correlation value of 0.70, or 0.6 is considered sufficient.

Table 1. Loading Factor Values

Variables	Financial Inclusion	Lifestyle	Financial Management	Information
X1.1	0.737			Valid
X1.2	0.756			Valid
X1.3	0.765			Valid
X1.4	0.634			Valid
X1.5	0.711			Valid
X1.6	0.694			Valid
X1.7	0.817			Valid
X2.1		0.739		Valid
X2.2		0.690		Valid
X2.3		0.678		Valid
X2.5		0.718		Valid
X2.6		0.784		Valid
Y1.1			0.667	Valid
Y1.2			0.808	Valid
Y1.3			0.797	Valid
Y1.4			0.625	Valid
Y1.5			0.724	Valid
Y1.6			0.752	Valid
Y1.7			0.680	Valid
Y1.8			0.798	Valid

Source: Data processed by SEM-PLS, 2025

the loading factor analysis show that all indicators measuring the variables of Financial Inclusion, Lifestyle, and Financial Management meet the validity criteria, with *loading values* above 0.6 so that the measurement model (*outer model*) is declared adequate and suitable for use as a basis for analysis of structural relationships in *the inner model* , which indicates good measurement quality of the research instrument against the constructs being tested.

b. Discriminant Validity

Table 2. *Cross loading values*

Variables	Financial Inclusion	Lifestyle	Financial Management	Information
X1.1	**0.737**	0.163	0.145	Valid
X1.2	**0.756**	0.217	0.237	Valid
X1.3	**0.765**	0.117	0.150	Valid
X1.4	**0.634**	0.054	0.031	Valid
X1.5	**0.711**	0.073	0.153	Valid
X1.6	**0.694**	0.038	0.039	Valid
X1.7	**0.817**	0.286	0.211	Valid
X2.1	0.241	**0.739**	0.593	Valid
X2.2	0.132	**0.690**	0.714	Valid
X2.3	0.034	**0.678**	0.471	Valid
X2.5	0.192	**0.718**	0.531	Valid
X2.6	0.212	**0.784**	0.591	Valid
Y1.1	0.108	0.527	**0.667**	Valid
Y1.2	0.199	0.680	**0.808**	Valid
Y1.3	0.112	0.665	**0.797**	Valid
Y1.4	0.103	0.418	**0.625**	Valid
Y1.5	0.290	0.592	**0.724**	Valid
Y1.6	0.234	0.661	**0.752**	Valid
Y1.7	0.043	0.517	**0.680**	Valid
Y1.8	0.234	0.680	**0.798**	Valid

Source : Data processed by SEM-PLS, 2025

cross loading value shows that the correlation between each indicator (instrument) and the construct (variable) being measured is higher than its correlation with other constructs (variables), which strengthens the discriminant validity between constructs in the model, so that it is declared valid.

c. Average Variance Extracted

The output of the Average Variance Extracted (AVE) results can be seen in the table below. A variable is considered valid if its AVE value is > 0.5.

Table 3. Average Variance Extracted (AVE) Results

Variables	Average variance extracted (AVE)	Information
Lifestyle	0.522	Valid
Financial Inclusion	0.537	Valid
Financial Management	0.539	Valid

Source : Data processed by SEM-PLS, 2025

Based on the results of the Average Variance Extracted (AVE) analysis, the three constructs in this study— Lifestyle , Financial Inclusion , and Financial

Management —were declared to have adequate convergent validity . The AVE value for each variable exceeded the minimum threshold of 0.50 as recommended in the literature (Fornell & Larcker, 1981). This indicates that each construct is able to explain the variance of its indicators sufficiently, with an acceptable contribution of discriminant variance to measurement error. Thus, the measurement model (outer model) was declared valid in terms of convergent validity.

d. Construct Reliability

Construct reliability can be analyzed using Cronbach's alpha and composite reliability. These two methods are used to test the reliability of indicators within a variable. The following are Cronbach's alpha and composite reliability values:

Table 4. Cronbach's Alpha Value and Composite Reliability Value

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Information
Lifestyle	0.772	0.777	0.845	Reliable
Financial Inclusion	0.868	0.882	0.890	Reliable
Financial Management	0.876	0.887	0.903	Reliable

Source : Data processed by SEM-PLS, 2025

The table above shows that the Cronbach's Alpha value and Composite Reliability value for the constructs/variables listed in the table above are all ≥ 0.70 so that all variables have good reliability.

2. Inner Model

The inner model in PLS_SEM describes the relationships between latent variables and is evaluated to determine the strength and significance of these relationships. The evaluation covers three main aspects: relationship significance (hypothesis testing), R-squared, and effect size.

a. R Square (R^2)

The R-squared value in PLS-SEM measures how well the latent independent variables in a model explain the latent dependent variables. The R^2 value indicates the overall predictive power of the model. R^2 values range from 1 to 1, with higher values indicating a better model at explaining variance. The R-squared values in this analysis are as follows:

Table 5. R Square (R^2) Test Results

Variables	R-square	R-square adjusted
Financial Management	0.672	0.665

Source : Data processed by SEM-PLS, 2025

R-square coefficient of 0.672 for the Financial Management variable indicates that 67.2% of the variance in the construct can be explained by the exogenous variables of Lifestyle and Financial Inclusion included in the structural model. This value reflects high *explanatory power* , especially in the context of social research, referring to Cohen's (1988) criteria which categorizes

an R-square ≥ 0.26 as high. Thus, the model is classified as having strong explanatory power for variations in Financial Management. The following is an image of the PLS SEM algorithm output to see the R^2 of the research model:

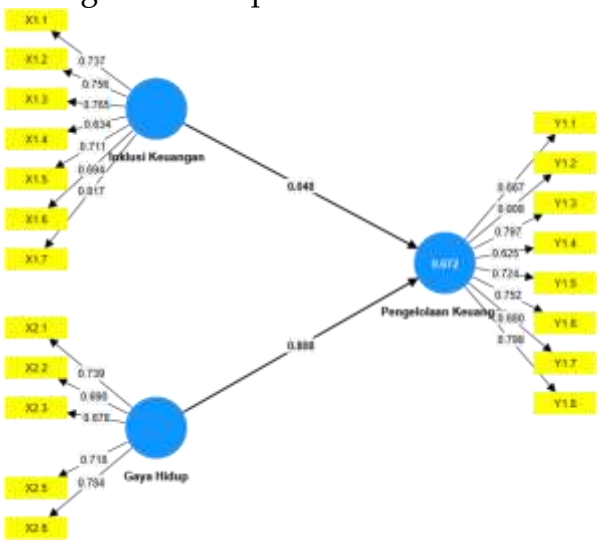

Figure. 2 PLS SEM Alogarithm Model Output Image

b. Significance (Hypothesis Testing)

Table 6. Bootstrapping results of direct effects

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Lifestyle -> Financial Management	0.808	0.809	0.050	16,204	0,000
Financial Inclusion -> Financial Management	0.048	0.062	0.064	0.757	0.225

Source : Data processed by SEM-PLS, 2025

Based on the results of the data analysis presented, several significant findings can be concluded as follows:

The Influence of Lifestyle on Financial Management

The analysis results show that Lifestyle has a very strong and significant influence on Financial Management, with a path coefficient of β = 0.808 and a p-value <0.001, which is far below the significance threshold of 0.05. Empirically, these results are consistently supported by previous research. Lestari (2024) found that individuals with a frugal and planned lifestyle demonstrated better budgeting skills, emergency fund formation, and avoidance of consumer debt. A similar study by Masrukhan et al. (2024) stated that Generation Z with a minimalist and value-oriented lifestyle has higher financial discipline, including consistency in saving and short-term investment.

The theoretical basis of this relationship lies in behavioral finance theory, specifically the *nudge concept* developed by Thaler & Sunstein (2008), which states

that financial decisions are more influenced by social habits, cognitive biases, and psychological environment than purely rational calculations. Lifestyle, including consumption patterns, attitudes toward ownership, and normative pressures, functions as a major psychological factor shaping long-term financial habits. Individuals with extravagant and consumptive lifestyles tend to live beyond their means, accumulate debt, and fail to prepare an emergency fund, while those with modest and value-conscious lifestyles are more likely to make reflective financial decisions.

The policy implications are the need for *nudge- based interventions* that guide individuals toward lifestyles that promote financial wellness, such as simplifying the automatic savings process or labeling the long-term costs of impulse buying. Conceptually, these findings also shift the focus from structural approaches (such as expanding financial services) to behavioral approaches that target changes in consumption habits.

The finding that Lifestyle was significantly more significant than Financial Inclusion ($\beta = 0.048$, $p = 0.225$) emphasizes that personal behavior is more important than structural access in determining financial management outcomes. The strength of this relationship suggests the need for financial education programs that not only teach literacy but also shape character and consumption ethics. Approaches such as values-based financial training, budgeting counseling, and personal finance apps that encourage self-reflection can be important tools in changing lifestyles toward a more financially healthy lifestyle.

The Impact of Financial Inclusion on Financial Management

The finding that financial inclusion has no significant effect on financial management ($\beta = 0.048$, $p = 0.225$) demonstrates the complexity of the relationship between access to financial services and healthy financial behavior. Methodologically, a p-value of 0 provides sufficient statistical evidence to conclude a causal effect of financial inclusion on the quality of individual financial management. This phenomenon reflects the paradigm that "access without understanding does not translate to effective financial behavior"—access to formal financial products and services such as bank accounts, credit, or fintech does not automatically improve financial management competence without being supported by adequate financial literacy. An empirical study by Hilmawati & Kusumaningtias (2021) on 113 MSMEs in Surabaya using Partial Least Square (PLS) confirmed that "financial inclusion has no effect on the performance and sustainability of the MSME sector" with a path coefficient value of 0.028 ($p > 0.05$), indicating that financial access alone is insufficient to produce a positive impact on financial performance.

The practical consequence of this non-significant finding is the need to reinterpret financial inclusion policies, shifting from focusing on expanding access (quantity) to strengthening capacity (quality). Fatmawati & Arka's (2025) research on MSMEs in Denpasar found that "financial inclusion does not show a significant effect individually, although it remains important in the context of financial service accessibility," indicating that financial inclusion functions as an enabling variable that must be combined with other moderators such as financial literacy, technology use, or internal business capacity. Theoretically, this aligns

with the Financial Capability Framework, which identifies three essential components: access (opportunity), knowledge, and behavior. Without the knowledge and competence to manage financial products, broader access can actually increase the risk of over-indebtedness, particularly with the rise of online lending and pay-later services that offer easy access to debt without adequate risk education.

Therefore, effective policy interventions must integrate financial inclusion programs with comprehensive financial education, so that access is not only open but also accompanied by the ability to utilize it wisely and sustainably.

CONCLUSION AND RECOMMENDATIONS

Based on the comprehensive analysis, it can be concluded that in this structural model, Lifestyle significantly influences Financial Management, while Financial Inclusion has no significant influence on Financial Management. The measurement model (outer model) for the three latent variables is considered adequate and feasible to proceed to the structural relationship analysis stage (inner model), indicating that the instruments used have good quality in representing the constructs studied.

Overall, these findings confirm that the structural model for Financial Management has strong and robust predictive power, indicating that the independent variables used are effectively able to explain most of the variation in respondents' financial management behavior. This research provides important insights for academics and practitioners in understanding the key factors that influence individual financial management.

FURTHER STUDY

Despite providing valuable findings, this study has several limitations that should be acknowledged. First, it only used two independent variables, even though financial management is likely influenced by many other factors, such as financial literacy, income, demographic factors, and other psychological variables. Second, the cross-sectional study design does not allow for strong conclusions about causal relationships between variables.

ACKNOWLEDGMENT

The author gratefully acknowledges all respondents and stakeholders who contributed data, insights, and support to the completion of this study.

REFERENCES

Caprara, G. V., & Zimbardo, P. G. (2004). Personalizing politics: A congruency model of political preference. *American Psychologist*. https://doi.org/10.1037/0003-066X.59.7.581

Diener, E. (2000). Subjective well-being: The science of happiness and a proposal for a national index. *American Psychologist*. https://doi.org/10.1037/0003-066X.55.1.34

Haerani, S., Parmitasari, R. D. A., Aponno, E. H., & Aunalal, Z. I. (2019). Moderating effects of age on personality, driving behavior towards driving outcomes. *International Journal of Human Rights in Healthcare*. https://doi.org/10.1108/IJHRH-08-2017-0040

Lusardi, A., Mitchell, O. S., & Curto, V. (2010). Financial literacy among the young: Evidence and implications. *National Bureau of Economic Research*, 358–380. Retrieved from https://www.nber.org/papers/w15352.pdf

Sabri, M. F., & MacDonald, M. (2010). Savings Behavior and Financial Problems among College Students: The Role of Financial Literacy in Malaysia | Sabri | Cross-cultural Communication. *Crosscultural Communication*. https://doi.org/10.3968/j.ccc.1923670020100603.009