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Mediating Effect of Impulsive Buying on the Relationship between Financial Behavior, Materialism, and Savings Decision of Generation Z

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Abstract: This study examines the mediating effect of impulsive buying on the relationship between financial behavior, materialism, and savings decision of Generation Z. Data were gathered from 452 members of the Gen-Z cohort who at the time of data collection, were actively enrolled in Osun State-owned tertiary institutions. Data analysis was performed with the aid of a structural equation model. The study establishes that financial behavior (FB) has a positive and significant link to savings decisions (SD) but has no significant effect on impulsive buying. It was also confirmed that materialism (ML) has an inverse relationship with savings but has a positive and significant influence on impulsiveness. The study also reveals that impulsive buying has no significant influence on savings decisions. In addition, it was affirmed that impulsive buying did not mediate between financial behavior, materialism, and savings decision. Consequently, the study recommends that education regulatory authorities should persuade all tertiary institutions in the country to integrate financial education as a compulsory part of the school curriculum at all levels. This will go a long way to improve Gen-Z's financial wellbeing such as purchase decisions, spending self-control, cash management, savings and investment, rational decision-making and solvency, and self-predictions.

Keywords: Keywords: Financial Behaviour: Impulsive Buying: Materialism: Savings: Gen-Z

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1.0 Introduction of the Study

The financial behavior of young people has attracted the attention of scholars around the world, especially now that the African continent is slowly recovering from the recent financial crisis, caused by economic difficulties that have drastically reduced household savings rates. Young adults between the ages of 18 and 22 are particularly vulnerable to these financial threats. Apparently, research by Citizens Financial Group in the US shows that students spend 18% of their allowances on student loan payments, severely limiting their consumption and savings (Citizens Financial Group, 2016). Therefore, a well-structured financial decision-making platform and rational financial behavior are essential for the future financial security and well-being of Generation Z.

Materialism is another form of research that has been extensively researched in various fields such as marketing, finance, sociology, psychology, and anthropology. Previous studies have found that people with higher materialistic values or the potential for materialism have more financial concerns because they lack control over their consumption and tend to make irrational financial decisions (Lucic et al., 2021; Lee & Ahn, 2016; Aragoncillo & Orús, 2018; Burton et al., 2018; Pandya & Pandya, 2020). Along the same lines, Jelihovschi et al. (2018) argue that Gen-Z is the age of materialism and that materialism in children leads to excessive consumption and impulse buying. In addition, Bapat (2020) reiterates that Gen-Z spends most of its time online and on social media, exposing them to materialism-related issues. Experimental evidence has shown that there is a link between financial behavior, materialism, and savings decisions, however, the mediating effect of the impulsive buying between financial behavior, materialism, and Generation Z's savings decision is under research and rare. Therefore, the purpose of this current study is to fill the gap identified in the literature by examining the mediating effect of impulsive buying on the relationship between financial behavior, materialism, and Generation Z's savings decision. The study should benefit educators and parents; provide young people with evidence to use when educating them.

2.0 Conceptual Framework and Hypotheses Development

2.1 Financial Behavior of Gen-Z

Financial behavior is associated with the ability of individuals to make rational financial decisions that only improve financial security and financial wellbeings such as cash management, savings and investment, credit control, and consumption management. According to Barbic et al. (2019), financial behavior is a multifaceted financial action that is related to personal financial wellbeing such as purchase decisions, spending self-control, seeking consumer information, taking part in consumer education, rational decision-making, and solvency and self-predictions. It can also be viewed as responsible purchase decision-making or utilitarian behavior that maximizes consumption benefits for young adults (Lucic et al., 2021). An array of studies established that financial behavior has a link to savings decisions. For instance, Stevanus & Erwin (2020) conduct a study in Indonesia on the effect of financial behavior and savings decisions of generation Z. They discovered that financial literacy and financial behavior have a significant effect on the savings decision of Gen-Z. In a similar study, Lusardi & Beeler (2006) examine the relationship between financial literacy, financial behavior, and savings decision. The study establishes financial behavior is predictive of savings decisions. The study by Potrich et al. (2018) also concurs with previous studies that financial behavior is a major determinant of savings decisions. In the same vein, Grohmann (2018) reiterates that financial behavior is sin qua-non to savings decision. This implies that for Gen-Z to have savings habits, there is a need to have rational financial behavior. Hence, for Gen-Z to achieve rational financial behavior and make rational savings decisions, it is germane to develop a platform of money management skills, and opportunities at an earlier age (Bamforth et al., 2018). In line with assertion, Xiao (2008) advocates that young people that adapt financial management skills at an earlier age, make rational financial decisions. Thus, the following hypothesis is proposed:

H_1: Financial behavior has a significant relationship with savings decision

H_2: Financial behavior has a significant relationship with impulsive buying

2.2 Materialism

Materialism has been viewed as the centrality of possession and acquisition in Gen-Z's lives ((Watson, 2015; Stevanus & Erwin, 2020). Empirical research reveals that materialism reshapes people's behavior towards impulsive buying and spending. Lucic et al. (2021) argue that materialistic people are influenced by impulsiveness and spend more on material items to achieve life goals and less saving. Previous studies link materialism to savings decisions and impulsiveness. For example, the study of Harnishet al. (2018) reports on the effect of materialism on savings and impulsive buying. They discover that materialism is a predictor of compulsive buying and lower levels of savings. Another study was carried out by Khare (2014**)** on the relationship between materialism and savings and academic achievement. The study exhibits that students with high levels of materialism have lower levels of savings and academic achievement. Also, Fazli (2012) proves that students with high levels of materialism have a high level of impulsiveness and low savings decision. Additionally, Lee & Ahn (2016) also affirm that people with higher materialistic values or the potential for materialism have more financial concerns because they lack control over their consumption and tend to make irrational savings decisions. In the same perspective, Barbic et al. (2019) argue that materialism is a predictor of impulsiveness and savings decisions. Along the same lines, Jelihovschi et al. (2018) argue that Gen-Z is the age of materialism and that materialism in children leads to excessive consumption and impulse buying.

Based on the above empirical evidence, the following hypotheses are formulated:

H_3: Materialism has a significant relationship with savings decision

H_4: Materialism has a significant relationship with impulsive buying

2.3 Impulsive buying as a Mediator

Impulse buying has been researched from different angles rational processes, emotional resources, and persuasive communication on consumer behavior (Malter et al., 2020). Impulsive buying, therefore, is a process whereby a customer makes a purchase decision to buy goods and services without planning in advance, it is usually triggered by emotions and feelings. A study by Reisch & Zhao (2017) notes that impulsive behavior is manifested by an irresistible force to buy and an inability to evaluate its consequences. Meena (2018) also observes that the materialism of young age and their ability to save is influenced by impulsive buying. Sales promotion via social media has become a strong tool that changes the perception of Gen-Z and has a significant influence on their buying behavior and savings decisions (Khan et al., 2019). In the study of Lee & Ahn (2016), results confirm that people that are prone to impulsive buying have lower control over their consumption and they are prone to make ineffective financial decisions. A study carried out by Lucic et al. (2021) reiterate that impulsiveness has a significant role between financial behavior, materialism and savings decision. In line with Behavioral Life Cycle (BLC) theory that was propounded by Shefrin & Thaler (1988) believes that people, especially the younger generation are irrational in their financial decision due to the inability to control impulse buying, lack of savings decision and self-control.

Thus, the following hypotheses emerged:

H_5: Impulsive buying has a significant relationship with savings decision

H_6: Impulsive buying mediates between financial behavior and savings decision

H_7: Impulsive buying mediates between materialism and savings decision

3.0 Methodology

Data were gathered from 452 members of the Gen-Z cohort who at the time of data collection, were actively enrolled in Osun State-owned tertiary institutions. Gen-Z was operationalized by the National Chamber Foundation (2012) that people who were born after the year 2000. A structured questionnaire was used as a research instrument, which enhanced the identification of statistically significant results from the data analysis procedure (Mugenda & Mugenda, 2020). The designed questionnaire features questions on the independent variables (financial behavior and materialism), mediator (impulsive buying), and the dependent variable (savings decision). The questionnaire format makes use of Five-point Likert rating scale questions ranging from strongly agree to strongly disagree (strongly agree=5, agree=4, undecided=3, disagree=2, strongly disagree-1). The questions relating to specific sections fell within the same theme as a logical order, encouraging respondents to complete the survey because of the flow of the questions. The questionnaire for this study has closed-ended questions because this technique will help the respondents to make quick decisions. Internal consistency reliability test was conducted with the aid of Meaning Bartlett, the Eigenvalue of the Principal Component, Kaiser-Meyer-Olkin (KMO), Percentage of the Variance, and Cronbach Alpha to determine their psychometric soundness (see Table 1). Data analysis was performed with the aid of the Structural Equation Model (SEM).

Table 1: Summary of Results of the Measurement Instruments Validation

Scale	No of Items	Meaning Bartlett	KMO	Eigenvalue of the principal Component	% of the variance	α of Cronbach
Financial Behaviour Questionnaire	5	p = .000 (significant)	0.879	3.608	72.13%	0.82
Materialism Questionnaire	5	p = .000 (significant)	0.755	2.555	85.16%	0.78
Impulsive Buying Questionnaire	4	p = .000 (significant)	0.847	3.472	92.56%	0.80
Savings Decision Questionnaire	6	p = .000 (significant)	0.644	1.878	61.89%	0.69

4.0 Results and Discussion

Table 2: Results of Path Analysis without Mediation

Path	Coef.	Z	P>|z|	Hypothesis
FB→ SD	.8113	16.49	0.000	H_1 is confirmed
FB→ IB	.0006	0.02	0.980	H_2 is not confirmed
$ML \rightarrow SD$	-.0367	-0.32	0.747	H_3 is not confirmed
$ML \rightarrow IB$	.3174	5.52	0.000	H_4 is confirmed
IB→ SD	.1309	1.01	0.313	H_5 is not confirmed

Table 2 depicts the results of the structural equation model without mediation effect. The beta value of 0.8113 and z- value of 16.49 indicates that financial behavior (FB) has a positive link to savings decision (SD), while the p-value of 0.000 reveals that savings decision is significantly influenced by financial behavior at a 5%

significance level. This means that rational financial behavior is a major determinant of savings decisions. The finding concurs with the study by Stevanus & Erwin (2020) that financial behavior has a significant effect on the savings decision of Gen-Z. In a similar study, Lusardi (2008) establishes that financial behavior is predictive of savings decisions. The study by Potrich & Vieiera (2018) also reaffirms that financial behavior is a major determinant of savings decision. In the same vein, Grohmann et al. (2017) reiterate that financial behavior is sin qua-non to savings decision.

The beta value of 0.0006 and Z-value of 0.02 indicates that there is a positive relationship between financial behavior (FB) and impulsive buying (IB), while the p-value of 0.980 shows that financial behavior has no significant effect on impulsive buying. This connotes that financial behavior is weak to resist impulsiveness among Gen-Z. This finding is in line with Reisch & Zhao (2017)'s assertion that impulsive behavior is manifested by an irresistible force to buy and an inability to evaluate its consequences. Further, the beta value of -.0367 and z-value of -0.32 indicates that materialism (ML) has an inverse relationship with savings decisions but is insignificant with a p-value of 0.747. This shows that materialistic people have lesser savings. The finding agrees with Lucic et al. (2021) who argued that materialistic people are influenced by impulsiveness and spend more on material items to achieve life goals and less saving. More also, the beta value of 0.3174 and z-value 5.52 reveal that materialism has a positive association with impulsive buying, while the p-value of 0.000 indicates that materialism has a significant influence on impulsiveness at a 5% confidence level. This depicts that materialistic people are prone to impulsiveness. The result also reveals that impulsive buying has no significant influence on savings decisions. This study is in agreement with the Behavioral Life Cycle (BLC) theory that people, especially the younger generation which is the "materialism age" are unable to control impulse buying, lack savings decisions, and self-control.

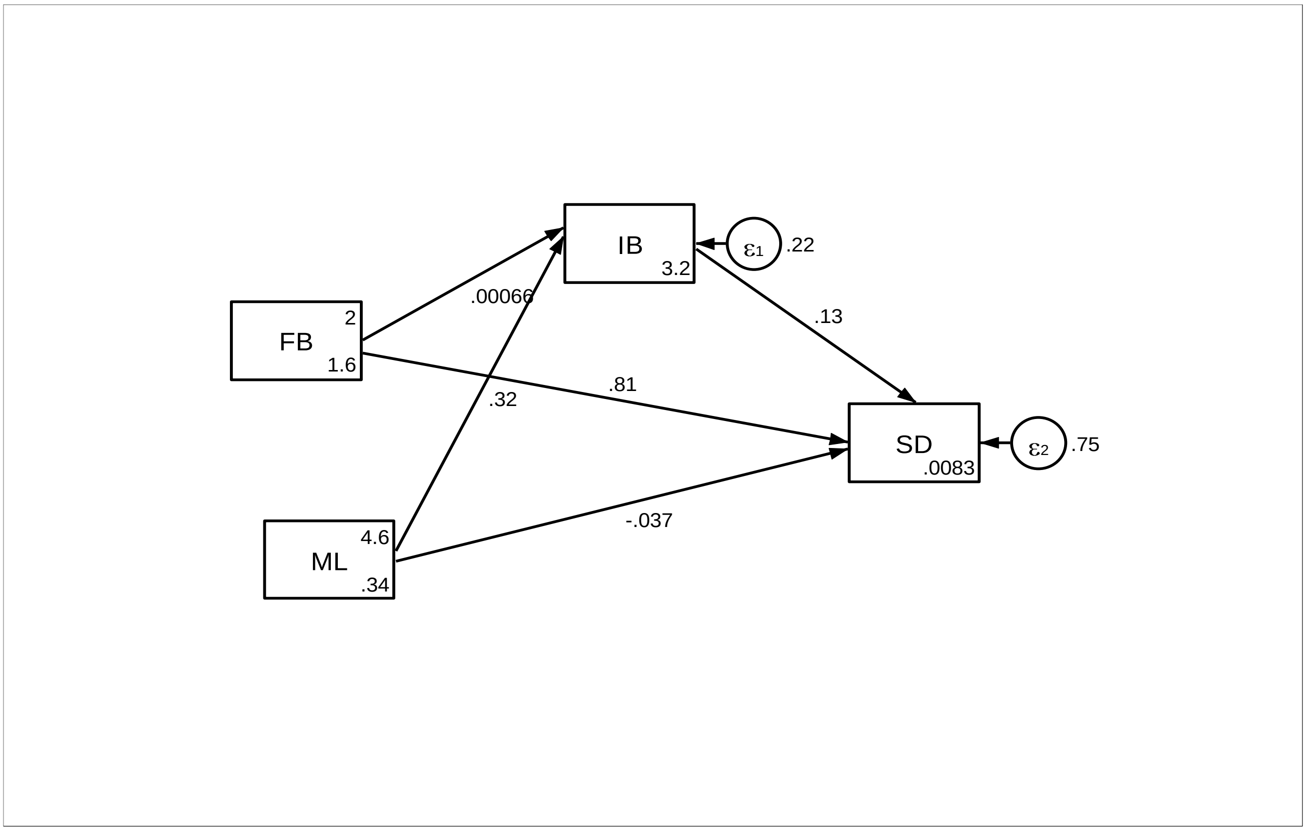

Figure 1: Structural Equation Model

Table 3: Results of Path Analysis with Mediation

Path	Coef.	Z	P>|z|	Hypothesis
FB$\rightarrow IB \rightarrow SD$	.0000867	0.02	0.980	$H_6$is not confirmed
ML$\rightarrow IB \rightarrow SD$	.0415812	0.99	0.321	H_7 is not confirmed

Table 3 reveals the mediating effect of impulsive buying between financial behavior, materialism and savings decision. The result shows that impulsive buying did not mediate between financial behavior and savings decision with a p-value of the indirect effect of 0.980. Also, the p-value of the indirect effect of 0.321, indicates that impulsive buying did not mediate between materialism and savings decisions.

5.0 Conclusion and Recommendation

This study examines the mediating effect of impulsive buying on the relationship between financial behavior, materialism, and savings decision of Generation Z. Data were gathered from 452 members of the Gen-Z cohort who at the time of data collection, were actively enrolled in Osun State-owned tertiary institutions. Data analysis was performed with the aid of a structural equation model. The study establishes that financial behavior (FB) has a positive and significant link to savings decisions (SD) but has no significant effect on impulsive buying. It was also confirmed that materialism (ML) has an inverse relationship with savings but has a positive and significant influence on impulsiveness. The study also reveals that impulsive buying has no significant influence on savings decisions. In addition, it was affirmed that impulsive buying did not mediate between financial behavior, materialism, and savings decision. Consequently, the study recommends that education regulatory authorities should persuade all tertiary institutions in the country to integrate financial education as a compulsory part of the school curriculum at all levels. This will go a long way to improve Gen-Z's financial wellbeing such as purchase decisions, spending self-control, cash management, savings and investment, rational decision-making and solvency, and self-predictions.

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