

Assessing the impact of lifestyle and basic necessity price inflation on welfare through the lens of Islamic perspective

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Abstract

This research investigates the impact of lifestyle choices and the rising prices of necessities on community welfare. The study employs a probability sampling technique using primary data collected through questionnaires with a sample size of 100 participants. The analysis is conducted using Structural Equation Modeling (SEM) facilitated by SmartPLS version 4, which aids in addressing the formulated research questions and hypotheses while examining the relationships between the variables. The findings indicate that lifestyle does not significantly influence community welfare. In contrast, the increase in prices of necessities is found to have a substantial effect on the welfare of the community.

Public interest statements

The article will provide valuable insights into applying a holistic approach to offer a competitive advantage and ensure the organization is well-positioned to thrive and innovate in an increasingly complex world.

Keywords: Life Style, increasing prices of basic goods, Islamic well-being.

Paper type: Brief report

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Abstrak

Penelitian ini menyelidiki dampak pilihan gaya hidup dan kenaikan harga kebutuhan pokok terhadap kesejahteraan masyarakat. Penelitian ini menggunakan teknik pengambilan sampel probabilitas dengan menggunakan data primer yang dikumpulkan melalui kuesioner dengan ukuran sampel 100 peserta. Analisis dilakukan dengan menggunakan Structural Equation Modeling (SEM) yang difasilitasi oleh SmartPLS versi 4, yang membantu dalam menjawab pertanyaan penelitian dan hipotesis yang dirumuskan sambil memeriksa hubungan antara variabel. Temuan menunjukkan bahwa gaya hidup tidak secara signifikan memengaruhi kesejahteraan masyarakat. Sebaliknya, kenaikan harga kebutuhan pokok ditemukan memiliki efek substansial pada kesejahteraan masyarakat.

Pernyataan kepentingan publik

Artikel ini akan memberikan wawasan berharga dalam menerapkan pendekatan holistik untuk menawarkan keunggulan kompetitif dan memastikan organisasi diposisikan dengan baik untuk berkembang dan berinovasi di dunia yang semakin kompleks.

Kata kunci: Gaya Hidup, Kenaikan Harga Barang Pokok, Kesejahteraan Islam

Introduction

Indonesia is one of the countries facing challenges related to welfare. A characteristic common to developing countries is a large population. North Sumatra, in particular, is a province with a significant population and diverse livelihoods. Population growth is closely linked to society's welfare. Understanding demographic aspects and components such as fertility, mortality, morbidity, migration, employment, marriage, and family structure will aid policymakers and program planners develop targeted population development programs to improve community welfare (Puspita 2022).

According to Table 1, Medan City, the capital of North Sumatra province, covers an area of 265.10 square kilometers and is divided into 21 sub-districts. The city has a population density of 8,600 people per square kilometer. Among these sub-districts, Medan Perjuangan is the most densely populated, with 23,714 people per square kilometer, while Medan Labuhan is the least densely populated, with just 3,332 people per square kilometer (Central Bureau of Statistics, 2023)

Improving the welfare of the population is the essence of national development. The level of community welfare directly reflects the quality of life of families. Families with higher levels of welfare tend to have better quality of life, which, in turn, allows them to enhance their overall welfare. A person is considered peaceful and prosperous when they can meet their basic needs from various aspects of life. In modern society, welfare is defined as the ability to fulfill necessities, including food, clothing, shelter, clean drinking water, educational opportunities, and access to adequate employment that supports their quality of life. This contributes to achieving a social status comparable to that of others. However, welfare is broad and relative; what constitutes welfare can vary significantly from person to person. Humans are inherently creatures of desire and are seldom fully satisfied, so the pursuit of welfare

continues even among those with limited income (Dwijoseputro, 2012).

Table 1.

Area and Population in Medan City

District	Area (Km ²)	Total Population
Medan Tuntungan	20,68	100132
Medan Johor	14,58	154868
Medan Amplas	11,19	131770
Medan Denai	9,05	171896
Medan Area	5,52	118057
Medan City	5,27	84778
Medan Maimun	2,98	49708
Medan Polonia	9,01	60679
New Medan	5,84	36191
Medan Selayang	12,81	104144
Medan Sunggal	15,44	133273
Medan Helvetia	13,16	168292
Medan Petisah	6,82	72432
West Medan	5,33	89248
East Medan	7,76	117035
Medan Perjuangan	4,09	105317
Medan Tembung	7,99	149274
Medan Deli	20,84	191743
Medan Labuhan	36,67	135622
Medan Marelan	23,82	189469
Medan Belawan	26,25	110238
Medan City (2023)	265,1	2474166

Source: Central Bureau of Statistics (2023)

Many factors are believed to influence people's well-being, including lifestyle. Lifestyle refers to how a person spends their time, their interests in their environment, and their perceptions of themselves and their surroundings (Nugroho & Fauziah, 2020). Lifestyle encompasses how individuals live, including clothing choices, social interactions, and pursuing personal desires. As society evolves, lifestyles can change, often becoming more modern and oriented towards luxury. Advanced technology often supports this shift, leading individuals to frequent upscale venues, purchase expensive clothing solely for brand recognition, and feel compelled to keep up with current trends. Such behaviors can lead to consumption patterns that may not be conducive to effective financial management. This cultural trend encourages individuals to increase their income to satisfy their consumer-driven lifestyle. However, since not all income can support such a lifestyle, many women feel pressured to earn their income by entering the workforce. Working is a means of obtaining sustenance that is considered to be blessed by Allah. In conclusion, lifestyle choices significantly impact overall well-being (Edafejirhaye & Alao, 2019).

Welfare can be assessed based on the lifestyle of individuals or societies, with lifestyle often reflecting one's income level. Some individuals may have a low income and adopt a lifestyle that aligns with their economic circumstances. In contrast, others may have a higher income and live differently. Lifestyle serves as a visible indicator of welfare according to societal standards; however, not everyone who enjoys a high lifestyle necessarily has a high

level of welfare (Daya et al., 2024). Another factor that affects community welfare is the rising cost of essential goods. Humans have various needs and often require these goods in significant quantities. However, the availability of goods and services to satisfy these needs is limited. Increasing the supply of goods and services in an economy typically leads to higher prices. When prices rise, producers are motivated to increase their output. The balance of supply and demand heavily influences the pricing of essential commodities, and these prices often fluctuate due to several factors. One primary reason for price instability can be disruptions in the production of essential goods, which can affect distribution (Darma, Pusriadi & Hakim, 2018).

The increase in the price of necessities is primarily due to the instability caused by market dynamics. Several factors influence these market dynamics, including the availability of essential materials, production costs, distribution disruptions, and natural disturbances. As the demand for essential commodities rises, the community's well-being is affected. Previously, people could meet their needs quickly. However, as prices for essential goods continue to rise and incomes remain uncertain, many are forced to limit their purchases. This situation often makes individuals prioritize their primary needs over secondary and tertiary ones. Ultimately, fulfilling spiritual and physical needs is essential for a prosperous life. Prosperity is something that all humans aspire to, whether they live in urban or rural areas. Everyone desires a life of abundance and well-being. Hence, this study aims to investigate the impact of lifestyle choices and the rising prices of necessities on community welfare.

Welfare (falah) in Islamic economics refers to a state in which individuals and society balance their material and spiritual needs, ultimately leading to happiness in this world and the hereafter. In this framework, welfare is defined as success in living a just life where resources are distributed equitably. It ensures that all members of society have adequate access to necessities such as food, education, and housing while also adhering to the moral and social principles outlined in Islamic teachings.

Methods

This study employs a quantitative approach to objectively measure the relationship between lifestyle choices, rising necessities prices, and community welfare in Medan City. The use of a quantitative approach allows researchers to collect data that can be statistically analyzed, providing a more transparent and more measurable understanding of how these two variables impact people's welfare. Furthermore, this method enables the generalization of the results to a broader population, specifically the entire community of Medan City. By utilizing a representative sample of 100 respondents, the study will explore in depth how consumptive lifestyles and increasing prices of goods influence the socio-economic welfare of the local community. Measurements were conducted through a combination of quantitative (questionnaires, statistical data) and qualitative (in-depth interviews) methods. All measurement tools were adapted to the local context and Islamic values to ensure their relevance and validity.

The study will utilize the SMART-PLS version 4 analysis tool to ensure accurate data analysis. Indicators used for the Lifestyle variable are simple living, choosing halal

products/services, and effective time management (Normasari, 2019). Indicators used for the Increase in Essential Goods Prices variable are Consumer Price Index (CPI), Market Price Monitoring, and Availability and Distribution Data (Central Bureau of Statistics, 2023). Indicators used for the Community Welfare variable are total dependence on God, fulfillment of consumption needs, and freedom from anxiety (Hilmi, 2023).

Results and discussion

In this study, data analysis was conducted using the Partial Least Squares (PLS) approach with SmartPLS 4 software. PLS is a structural equation modeling (SEM) type that relies on variance components and does not necessitate specific distribution assumptions for parameter estimation. Consequently, parametric techniques are not needed to evaluate significance (Ghazali & Latan, 2015). The evaluation of the model in PLS involves assessing both the outer and inner models.

Assessing the Outer Model (Measurement Model)

When using SmartPLS to analyze data and assess the outer model, there are two key criteria: Discriminant Validity and Composite Reliability. According to Appendix 1, the Composite Reliability values predominantly exceed 0.7, although several items fall below this threshold. Therefore, it is necessary to address outliers for specific indicators to ensure they accurately represent the latent variable. This process is essential for meeting the validity and reliability assumptions in the outer model. Outlier detection involves eliminating one or more indicators that do not have a strong correlation with the latent variable. In this study, outliers were identified and removed from the following indicators: the 4th, 6th, 10th, 12th, and 16th indicators related to lifestyle; the 4th, 5th, 8th, 10th, 11th, 15th, 16th, and 18th indicators concerning price increases for essential goods; and the 6th, 9th, 11th, 14th, 16th, 17th, and 18th indicators associated with welfare. These indicators exhibited the lowest values describing the latent variable and did not satisfy the validity criteria.

The convergent validity of the measurement model using reflective indicators can be assessed by examining the correlation between individual item scores or construct indicators. An individual indicator is considered valid if its correlation value is above 0.70. According to Chin, as cited by Imam Ghazali, an outer loading value between 0.5 and 0.6 is sufficient for establishing convergent validity. Validity testing for reflective indicators involves analyzing the correlation between item and construct scores. A measurement with reflective indicators suggests that a change in one indicator of a construct may occur if changes are made to other indicators within different constructs. Based on the provided table, the variable marked in green is valid, as it has a value exceeding 0.50.

Discriminant Validity is assessed by comparing the Average Variance Extracted (AVE) square root for each construct with the correlation between that construct and other constructs in the model. A construct demonstrates good discriminant validity if the square root of its AVE is greater than the correlation values with other constructs. In the data presented in Appendix 2, the diagonal values represent the square root of the AVE. In contrast, the values below them show the correlations between constructs. Since the AVE square root values in the table are higher than the corresponding correlation values, we can conclude that the model is valid as

it meets the criteria for discriminant validity. Another method to evaluate discriminant validity is to check the square root of the AVE. A recommended threshold for this value is above 0.50.

Table 1.*Average Variance Extracted (AVE)*

Variables	Average Variance Extraced (AVE)	Description
Life Style	0,780	Valid
Price Increase of Basic Needs	0,721	Valid
Welfare	0,835	Valid

Source: SmartPLS Processed Data

According to Table 1, the Average Variance Extracted (AVE) values for lifestyle variables, price increases for necessities, and community welfare are all above 0.50. Specifically, the AVE value for lifestyle is 0.780, the AVE value for the increase in the price of goods is 0.721, and the AVE value for the welfare variable is 0.835.

Reliability Test

The reliability test was conducted using the internal consistency method. In this study, the reliability of the research instrument was assessed through composite reliability. A construct is considered reliable if its composite reliability value exceeds 0.70 (Nunnally, 1996). According to Table 2, the composite reliability test results are very satisfactory. The reliability values are as follows: lifestyle at 0.976, increase in the price of goods at 0.957, and welfare at 0.980. All constructs exceed the acceptable threshold of 0.70.

Table 2.*Composite Reliability*

Variables	Cronbach Alpha	Composite Reliability
Lifestyle	0,976	0,979
Price Increase of Basic Needs	0,957	0,963
Welfare	0,980	0,982

Source: Smart PLS4 Processed Data

Inner Model Test

The assessment of the structural model using SmartPLS begins with examining the R-squared values for each endogenous latent variable: unemployment, poverty, and price increases for essential goods about welfare. These R-squared values indicate the predictive power of the structural model. According to the table, the R-squared value for the purchase intention variable is 0.603. This means that lifestyle factors and price increases for necessities can explain 60.3% of the variance in welfare. In comparison, the remaining 39.7% is influenced by other variables not included in this study.

Hypothesis Testing

Hypothesis testing evaluates the structural model (inner model) using the R-squared value as a goodness-of-fit measure. Additionally, total effects are analyzed, which include the

parameter coefficients and significant values, with a t-statistic threshold of 1.96. In SmartPLS, statistical testing for each hypothesized relationship is performed through simulation. The bootstrap method is employed to address potential abnormalities in the research data. The estimated significant parameters offer valuable insights into the relationships among the research variables.

Table 3*Hypothesis Testing Based on Total Effects*

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
LIFESTYLE X1 -> WELL-BEING	0.088	0.090	0.108	0.810	0.418
INCREASE IN PRICE OF GOODS -> WELFARE	0.699	0.698	0.106	6.612	0.000

Based on the analysis presented in Table 3, the evaluation of exogenous variables indicates that specific conclusions can be drawn if the T-statistics value exceeds 1.96 or if the P-values are greater than 0.05. For Hypothesis Testing H1, which posits that lifestyle has no significant effect on community welfare, the results show that the p-value is 0.418 and the T-statistic is 0.810. Since the p-value is more significant than 0.05, we reject H1, concluding that lifestyle does not significantly impact community welfare. For Hypothesis Testing H2, which suggests that the increase in the price of necessities significantly affects people's welfare, the results indicate a p-value of 0.00 and a T-statistic of 6.612. Given that the p-value is less than 0.05, we accept H2, confirming that the increase in necessities' price significantly affects people's welfare.

Conclusion

The results of the data analysis study found that lifestyle factors do not have a positive relationship and do not significantly affect community welfare in Medan City. This indicates that changes in people's lifestyles, such as consumption patterns or social habits, do not directly impact the welfare of the community. The lack of effect may be attributed to other factors that more significantly influence welfare, such as overall economic conditions or government policies. Conversely, the rise in the prices of necessities has been shown to have a positive and significant relationship with community welfare in Medan City. This suggests that increasing the prices of essential goods, such as food and other necessities, directly impacts community welfare. When these necessities rise, people's purchasing power declines, affecting their ability to meet essential needs and maintain a decent standard of living. In Islamic economics, this underscores the importance of maintaining price stability and equitable distribution to ensure social welfare.

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Appendix 1. Outer Model before Outliers

	STYLE LIFE	RISING PRICES OF GOODS	SUSTAINABILITY
X11	0.924		
X110	0.012		
X111	0.883		
X112	-0.046		
X113	0.898		
X114	0.877		
X115	0.901		
X116	-0.294		
X117	0.922		
X118	0.898		
X12	0.846		
X13	0.864		
X14	-0.020		
X15	0.874		
X16	-0.305		
X17	0.922		
X18	0.829		
X19	0.818		
X21		0.756	
X210		-0.138	
X211		-0.238	
X212		0.858	
X213		0.867	
X214		0.848	
X215		0.092	

X216	0.004	
X217	0.910	
X218	-0.096	
X22	0.809	
X23	0.864	
X24	-0.229	
X25	-0.309	
X26	0.848	
X27	0.878	
X28	0.243	
X29	0.819	
Y11		0.924
Y110		0.894
Y111		-0.193
Y112		0.933
Y113		0.926
Y114		0.198
Y115		0.917
Y116		-0.117
Y117		-0.114
Y118		-0.370
Y12		0.901
Y13		0.908

Source: SmartPLS 4 Processed Data

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