

Analysis of the impact of financial literacy on students' financial management behavior

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ARTICLE INFO

ABSTRACT

Keywords:

Financial Literacy, Financial management behavior, Students

Financial skills and understanding, or better known as financial literacy, must be possessed by everyone starting from an early age. Good financial literacy makes it easier for someone to manage their finances. The purpose of this research is to determine the description of financial literacy and financial management behavior among students, as well as to determine the influence of financial literacy on student financial management. This research uses quantitative methods with descriptive research type. The population of this study were students who understood financial inclusion in Jayapura City while the sample taken was 30 people. The research results show that from the t test, the t count is $8.433 > t$ table 1.985, so it can be concluded that the Financial Literacy variable (X) influences the financial management behavior variables of students in Jayapura City. The magnitude of the influence of financial literacy on students' financial management behavior is 41.8%, while the remaining 58.2% is explained by other variables not discussed or included in this research.

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INTRODUCTION

It is imperative for individuals to possess financial abilities and comprehension, sometimes referred to as financial literacy, starting at a young age (Pusporini, 2020). According to Rasyid (2012), possessing a strong foundation in financial literacy can significantly enhance an individual's ability to efficiently manage their own finances. Insufficient comprehension pertaining to financial matters frequently results in errors in the administration of monetary resources. In circumstances of this nature, it is imperative for individuals to exercise prudence when addressing financial challenges (Siasale, 2019). The proliferation of online shopping platforms and conveniently accessible retail establishments has led to a notable escalation in purchasing behavior among individuals. According to Dewi et al. (2021), the considerable magnitude of consumption poses challenges in effectively managing financial resources.

There exists a strong correlation between financial literacy and the effective management of personal finances. According to Laily (2016), those with a higher degree of financial literacy demonstrate enhanced proficiency in managing their financial resources. Personal financial management is the practical implementation of financial management principles and strategies at the individual level. Financial planning, administration, and monitoring are essential components in attaining financial stability. The process of planning entails the establishment of priorities for allocating income (Lestari, 2020). The field of financial management is concerned with the efficient management of monetary resources, whereas control involves the assessment of whether financial management aligns with predetermined plans (Sitompul, 2018).

The realm of individual financial decisions encompasses various aspects, such as determining the appropriate amount of money to allocate for expenditures during each period, devising strategies for investing surplus funds, and identifying suitable sources of funding for

both investment and consumption-related expenses (Wibowo, 2020). According to Indrayani (2020), individuals who possess the capacity to make sound financial judgments are more likely to mitigate future financial difficulties and maintain a robust financial well-being. This is achieved by effectively discerning between essential needs and discretionary wants. According to Widyawati (2012), individuals make financial decisions that encompass determining the appropriate amount of money to be consumed within a certain period, assessing the presence of a surplus and determining how to invest the excess, as well as strategizing how to finance both investment and consuming activities. Moreover, according to Yunita (2020), those possessing the capacity to make sound financial judgments are less likely to encounter future financial difficulties. These individuals exhibit prudent financial conduct, prioritizing essential requirements above discretionary wants.

The capacity to organize, oversee, and manage one's personal funds is a sign of healthy financial conduct (Yushita, 2017). A person's ability to manage their credit, save money, invest it, and balance their expenses and income are all signs of sound financial conduct (Arianti & Azzahra, 2020). A person's financial literacy—the understanding and comprehension of financial concepts—is directly correlated with their level of wisdom in handling their personal finances (Mulyani, 2015). One's degree of knowledge and proficiency in handling their financial affairs is referred to as their financial literacy.

Every person needs to be financially literate in order to avoid financial difficulties, particularly when people frequently have to make trade-off decisions—that is, decide between two interests—because they have limited funds (income) (Kusuma, 2020). A person's income, use of credit cards, savings and investments, financial management, and financial decision-making are all impacted by their level of financial literacy (Silvy & Yulianti, 2013).

Both formal education at a university and informal education received in a family setting are crucial in the development of financial literacy (Syuliswati, 2020). According to Lusardi (2010), students will likely have to take on greater financial risks than their parents in the future due to the fact that they belong to a younger generation and will have to deal with increasingly complicated financial products, services, and markets.

Financial companies are currently recognizing financial literacy in schools and universities through a number of initiatives. It is expected that students possess sufficient financial literacy already (Rahman et al, 2020). Children who live abroad or far from their hometowns make up the majority of the student body. The money a student has set aside for a month will run out sooner than expected since he is not adept with money management. There are some students who are adept at handling their money; they can even save money and use it for unforeseen expenses (Upadana & Herawati, 2020). Students who study effectively and efficiently will be more equipped to comprehend, evaluate, and act in their best interests financially.

Literature Review

Financial Literacy

The concept of financial literacy encompasses a range of behaviors that pertain to an individual's understanding, communication, and behavior within society, as outlined by Soetiono and Setiawan (2018). According to a study conducted by Zahriyan (2016), financial literacy refers to a set of processes or activities designed to enhance the knowledge, confidence, and abilities of individuals and society at large, enabling them to effectively manage their financial resources. According to the Organisation for Economic Co-operation and Development (OECD), as cited by Atkinson and Messy (2018), financial literacy encompasses a comprehensive set of attributes including awareness, knowledge, skills, attitudes, and behaviors that are essential for making informed financial choices and eventually attaining personal financial well-being.

Sugiharti and Maula (2019) suggest that an individual's financial knowledge subsequently evolves into financial abilities. Financial talents can be defined as an individual's capacity to effectively utilize their acquired financial knowledge in practical, real-world situations. These

financial competencies empower individuals to make prudent and efficient judgments pertaining to financial matters and economic resources. The aforementioned capacity encompasses cognitive aptitude enabling individuals to make informed decisions across a range of domains, including budgetary planning, expenditure management, savings allocation, and utilization of financial instruments and services. These domains encompass routine banking transactions, loan management, investment strategies, and long-term financial planning (Yates & Ward, 2011).

Financial Management Behavior

The subject of interest is financial management. Behavior pertains to an individual's level of financial responsibility in terms of effectively managing their personal funds. Financial accountability refers to the systematic management of monetary resources and other valuable assets in a manner that is deemed efficient and effective. According to Ida and Dwinta (2010), money management refers to the acquisition of skills necessary for effectively utilizing financial assets. By employing effective financial management strategies, individuals might avoid succumbing to excessive and insatiable desires.

The phenomenon of financial management behavior pertains to the influence of an individual's actions in meeting their life necessities in alignment with their income level (Dewi et al., 2021). Herdjiono and Damanik (2016) suggest that an individual's financial management behavior can be assessed by four key aspects, namely consumption patterns, cash flow management, savings practices, and debt management.

METHOD

Researchers employ a quantitative research method with a quantitative approach in their study. The research methodology employed in this study is correlation research, specifically utilizing regression analysis to examine causal relationships. The target group for this study comprises students who possess knowledge and comprehension in the areas of financial literacy and financial inclusion within Jayapura City. The exact number of students within this population is currently unknown. The selection technique employed in this study included purposive sampling, which involved selecting samples based on specific criteria and considerations. The sample size for data collection in this study involved 97 individuals, who were selected for participation through the administration of questionnaires. The data collection method involves the distribution of online surveys through the utilization of Google Form. The data acquired was subsequently subjected to analysis utilizing the Simple Linear Regression approach, which was the chosen method for this research. The analysis involved employing Hypothesis Testing through the t-test and determining the coefficient of determination. The SPSS 23 for Windows software was utilized to facilitate these analytical procedures.

RESULTS AND DISCUSSION

Validity test

In order to assess the credibility of this study, an examination was conducted on the indicators associated with each variable, namely those pertaining to financial literacy and financial management behavior. The findings from the validity test indicate that the computed correlation value exceeded the critical value from the r table, namely the r table value of 0.1997. Consequently, all the indicators for each variable were deemed genuine.

Reliability Test

The purpose of this test is to assess the reliability of an item within the research data. A Cronbach's alpha value greater than 0.60 is considered indicative of reliability.

Table 1 Reliability Test Results

Variable	Cronbach's alpha	Reliability Std	Information
Financial literacy	0.779	0.60	Reliable
Financial management	0.737	0.60	Reliable

Based on the findings derived from the data analysis presented in Table 1, it is evident that the Cronbach Alpha coefficient for each research variable above the threshold of 0.60. Consequently, it can be inferred that all variables examined in this study exhibit a satisfactory level of reliability.

Simple Linear Regression Analysis

The primary objective of a simple linear regression analysis is to quantify the extent to which the independent variable affects the dependent variable. This study measures the independent variable of financial literacy and the dependent variable of financial management. The subsequent findings are derived through data testing utilizing the method of simple linear regression analysis:

Table 2 Recapitulation Results Analysis Regression simple Coefficients ^a

Model	Unstandardized Coefficients		Standardized Coefficients		Q	Sig.
	B	Std. Error	Beta			
1 (Constant)	8.140	1.188			6.845	.000
Literacy Finance	.505	.059	.653		8.433	.000

a. Dependent Variables: Management Finance

Based on Table 2, a regression equation (model) can be formed, namely:

$$Y = 8.140 + 0.505X$$

With variable X being financial literacy and variable Y being financial management. The interpretation of the previous regression model is: a = 8,140. If financial literacy = 0 (zero) then the size of the investment decision is 8,140 points. B = 0.505 If financial literacy increases by 1 (one) unit, investment decisions will increase by 0.505 points.

Coefficient of Determination (R²)

The coefficient of determination (R²) is a statistical measure used to assess the extent to which a model is capable of explaining the variability observed in the dependent variable. The values of the coefficient of determination are zero and one. A low coefficient of determination (R²) indicates that the independent variables have a limited capacity to account for the variability observed in the dependent variable. A value in close proximity to one indicates that the independent variables possess a substantial amount of the necessary information for predicting fluctuations in the dependent variable. The R² test results are presented in the table below:

Table 3 Recapitulation Results Coefficient Determinant (R²)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.653 ^a	.426	.418	3.58203

a. Predictors: (Constant), Literacy Finance

Based on the table above, it can be seen that the coefficient of determination value is found at an *Adjusted R Square* value of 0.418. This shows that the ability of the independent variable to explain the dependent variable is 41.8%, the remaining 58.2 % is *explained* by other variables that were not discussed or included in this research.

t Test (Partial)

To find out the effect of the independent variable (financial literacy) on the dependent variable (Financial Management Behavior) of students, you can see from table 4 below:

**Table 4 t test
Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients Beta	Q	Sig.
		B	Std. Error			
1	(Constant)	8.140	1.188		6.845	.000
	Literacy Finance	.505	.059	.653	8.433	.000

a. Dependent Variables: Management Finance

Based on the table, by observing the t and sig columns, it can be explained that the financial literacy variable has a positive and significant effect on student financial management in the city of Jayapura. This can be seen from the significant financial literacy ($0.010 < 0.05$) and the ttable value = 1.985. This means that the tcount value is greater than ttable ($8.433 > 1.985$), so H1 is accepted. So the hypothesis that there is an influence of financial literacy on student financial management is partially accepted.

Discussion

Based on the results of data testing and analysis performed using SPSS 23 data processing, a clearer discussion and data analysis results will be performed about the influence of variable X (independent) as financial literacy on variable Y (dependent) as management. finance. According to the results of hypothesis testing using simple linear regression analysis on the financial literacy variable, the coefficients with a calculated t value of $8.433 > t$ table 1.985 with a significant value of 0.000 0.05, financial literacy has a positive and significant effect on financial management. This suggests that the higher the student's level of financial literacy, the better the financial management, and vice versa.

Financial literacy plays an important role in managing individual finances, including students. This research explores the relationship between financial literacy and student financial management, focusing on indicators from relevant research variables. First, financial knowledge is a key indicator of financial literacy. Students who have a strong knowledge of financial concepts, such as how to create a budget, calculate interest on loans, or understand investments, tend to have better financial management. They can make smarter decisions when it comes to spending, saving, and investing because they have a solid foundation of knowledge.

Second, attitude towards finances is also an important indicator. Students who have a positive attitude towards financial management tend to be more disciplined in following a budget, save more diligently, and are more careful in taking on debt. This attitude can be influenced by financial literacy, which helps individuals understand the importance of long-term financial planning and financial stability. Then, practical skills in managing finances are also a relevant indicator. Students who have skills in creating a budget, tracking expenses, and managing their bank accounts well are more likely to be successful in managing their finances. Financial literacy can provide a foundation for developing these skills.

Apart from that, the level of confidence in making financial decisions is another important indicator. Students who are confident in managing their finances tend to be more active in taking steps to achieve their financial goals. They may be more motivated to invest, look for opportunities to save, and take overall financial responsibility. Ultimately, actual financial behavior, such as spending patterns and savings policies, is the result of financial literacy and other indicators. Students who have good financial literacy and other positive indicators tend to have healthier financial behavior, by avoiding unnecessary debt, managing debt wisely, and planning their financial future efficiently.

This research is strengthened by the results of previous research, namely research conducted by Busyro (2019) entitled the influence of financial literacy on students' financial management behavior, stating that students' financial literacy levels have a big influence on financial management behavior and have a positive impact on students. These results are

strengthened by the results of previous research, namely research conducted by Nirmala et al, (2022) which states that there is a significant influence between financial literacy on the financial behavior of Feb Wijayakusuma University students, Purwokerto.

CONCLUSION

The findings of this study indicate that financial literacy exhibits statistical significance ($p < 0.05$) based on the results obtained from the analysis of data using simple linear regression. The calculated t-value is 1.985. This implies that the calculated t-value (8.433) exceeds the critical t-value (1.985), leading to the acceptance of the alternative hypothesis (H1). Financial literacy has been found to have a notable and substantial impact on the management of finances among students. This implies that there exists a positive correlation between the level of financial literacy possessed by students and their ability to effectively manage their finances, and conversely, a negative correlation between the two variables. The study reveals that financial literacy has a significant impact on the financial management behavior of students in Jayapura City, with a magnitude of 41.8%. Financial literacy plays a pivotal role in comprehending and effectively using financial information, evading potential financial setbacks, and establishing a robust financial framework. Individuals who possess a high level of financial literacy exhibit enhanced understanding, abilities, and self-assurance when it comes to making prudent financial choices. They possess the ability to effectively handle their financial resources, reduce superfluous expenditures, accumulate savings, and engage in prudent investing activities. Developing a strong foundation in financial literacy equips students with the necessary skills and knowledge to effectively navigate their financial endeavors, hence enhancing their prospects for a more favorable financial trajectory in the future.

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