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The Effect of Financial Literacy, Parents' Social Economic and Student Lifestyle on Students Personal Financial Management

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Abstract

The purpose of this study was to analyze the effect of financial literacy, parents' social economic and student lifestyle on students' personal financial management. This study used quantitative methods and data analysis techniques of Structural Equation Modeling using SmartPLS 3.0 software. The research sample used a random sampling method. The data used primary data collected through a questionnaire. The number of returned and valid questionnaires was 220 samples. The data was processed by using SEM. The results of the study concluded that financial literacy had a significant effect on students' personal financial management, student lifestyle had a significant effect on students' personal financial management, and parents' social economics had a significant effect on students' personal financial management. The novelty of this research was the Correlation model of financial literacy, parents' social economic and student lifestyle on students' personal financial management. The results of this study can be a reference for further research that can be applied in other organizations.

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INTRODUCTION

In this era of industrial revolution and digital literacy, Indonesia needs to prepare many of the needs of its people to import and export from other countries. With the increasing number of needs, people must be able to manage or respond to each individual's personal finances. According to Coskun et al. (2020) Money is often a source of considerable problems; this is because almost all human activities involve money. Seeing how important money is in human life, it triggers people to feel that they cannot live without money. Therefore, as humans who are very dependent on money, we must also be able to control and manage our finances properly and wisely. One of the various ways to manage finances is how you can control every expense. According to Al-Bahrani et al. (2020), Ameer et al. (2020), Çoskun et al. (2020) when expenditures occur continuously and are indefinite in their entirety until someone finds it difficult to control them, this is because a person's level of financial literacy is still fairly poor or low. According to Chuah et al. (2020) Individual financial knowledge can be expected to influence a person's individual attitude. And according to Cherney et al. (2020), Humaidi et al. (2020) financial knowledge leads to developments in financial decision making and determination. Human life will be happy if he succeeds in achieving what he wants and dreams of. The success and happiness of human life can be defined by various measures, such as the career path or position that has been achieved, the assets that have been collected, and the preparation of the next generation. In this day and age, many Indonesians still have difficulty managing their personal finances. This happens because people do not understand financial literacy.

According to Chuah et al. (2020), Cherney et al. (2020), Humaidi et al. (2020) stated that knowledge about finance at the youth level such as college students and school students is still very small, although through learning at school, learning related to various

fields of financial knowledge has been explored. The millennial generation's lack of understanding of financial literacy is an important problem faced by them. Teenagers like to try new things due to high curiosity. According to Iramani et al. (2021), Johan et al. (2021), Panos et al. (2020) this is due to the learning process about finance that is less than ideal and optimal for adolescent students, which of course must be tested for truth in further research. At the age of adolescence consumptive behaviour begins to form because teenagers tend to follow the times or trends. A common symptom that often occurs in students is that they are still busy hunting for identity and have not been able to determine their priorities in consumptive activities. Because they have not been able to determine their priorities, most teenagers are still too quick to make decisions so that they do not think long about what is needed more than what they want. Even the largest consumer market falls to the age range of 21 to 30 years. According to Panos et al. (2020) Students with high economic parents tend to be more easily influenced by a consumptive lifestyle. This is because all their needs and desires can be easily fulfilled. The youth group is one of the potential markets for producers. Therefore, teenagers must also be smart to deal with their finances wisely. According to Iramani et al. (2021), Johan et al. (2021), Panos et al. (2020) there are several internal factors and external factors, one of which is socio-economic characteristics and financial knowledge.

The main reason suspected to cause personal financial management in this research is the level of financial literacy. Knowledge of finance and expertise in practicing it is called financial literacy. According to Philippas et al. (2020), Radianto et al. (2021), Thomas et al. (2020) Management is defined as organizing in the treatment of money, while control is the activity of controlling activities related to financial management. The treatment of financial management is shown in the activities of designing, processing and controlling these finances. According to Thomas et al. (2020) a

person's position in the environment related to other individuals on their rights and responsibilities in interacting and resources is called socioeconomic status. There is also the upper economic status, which is the position of the individual measured based on his wealth, where if the property is able to meet the tertiary needs, on the contrary the lower economic status where if the assets do not meet their daily needs and are still below the average of society in general. Students, whose parents' economic status is at the top level, will have more opportunities to use the momentum in developing their personal financial skills. This is because their parents can meet the needs of students. On the other hand, students will be more careful and think long in using their money if their parents' socioeconomic status is low. According to Philippas et al. (2020), Radianto et al. (2021), Thomas et al. (2020) Lifestyle can be implemented through one's daily life, one's interests, and opinions. Lifestyle is also referred to as a personal attitude as individuals run their lives, control their money, and optimize the time and opportunities they have, as well as the way a person interacts with the environment and others. If the community is not capable and tenacious in controlling themselves in today's global competition period so that they can follow the flow of the globalization wave, one of the examples that is easily exposed to the direct effects of globalization is the millennial generation (Azizah, 2020). Based on the output by research reviewed from Rika Dwi 2018, he explained that students' personal financial management was influenced by lifestyle factors.

According to White et al. (2021), Xiao et al. (2020) financial literacy is the ability to make estimates and effective measures about managing the use of money. While Al-Bahrani et al. (2020) explained that financial literacy is a way for each individual's ability to carry out economic or financial information obtained and then made an evaluation of financial planning, financial accumulation, pensions, and debt. Socio-economic status is defined as the condition of individuals in the community

environment related to other individuals such as their relationships, rights, and obligations in interacting with the environment and resources. The level of parents' economic status according to Oskun et al. (2020) consists of economic status which is a condition of a person as measured by the level of his wealth which is sufficient to meet his daily needs and has an income that is above the average of society in general, while on the contrary, the economic status is lower where his wealth is still lacking to fulfil his needs and daily needs have an income below the average in general. There are various aspects of the variables that have been disclosed by Al-Bahrani et al. (2020), Ameer et al. (2020), Çoskun et al. (2020) namely parents' education, income, and occupation. Lifestyle is often defined through one's activities, one's interests, and personal opinions and more can be described by a person's treatment of the environment and others, namely about the way they live, allocate their money, and spend their time. According to kun et al. (2020) as well as according to Al-Bahrani et al. (2020), which stated that lifestyle is defined as the way individuals socialize in their community expressed through their activities, interests, and opinions. Management is an activity starting from planning, processing, directing, to examining the efforts of organizational members. Meanwhile, according to Ameer et al. (2020), Çoskun et al. (2020) financial management is defined as a technique to balance a person's consumptive lifestyle with his productive lifestyle, for example saving, doing business, or investing and the meaning of financial control is the design, organization, and control of activities related to finance. Financial management aims to avoid conditions that are difficult to meet the needs and conditions of more expenditure than income. The purpose of this study is to analyze The Effect of Financial Literature, Parents' Social Economics and Student Lifestyle on Students.

METHODS

This study used quantitative methods

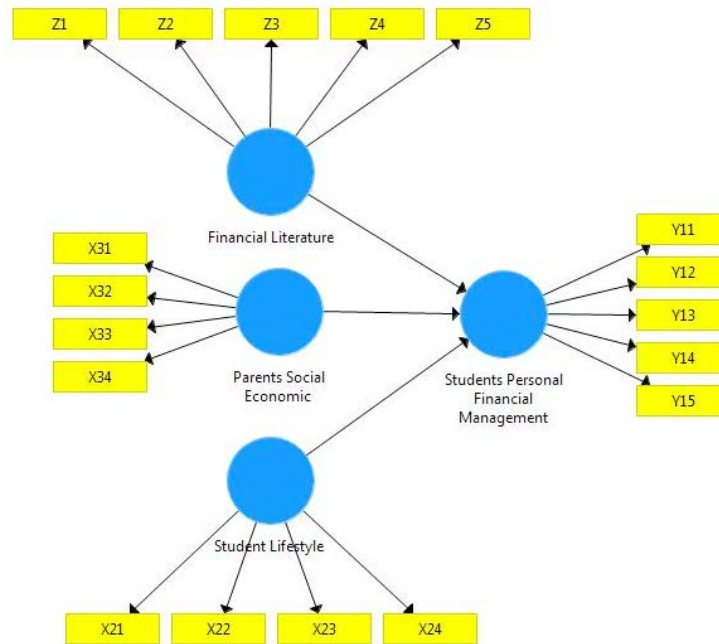


Figure 1. Research Model

and data analysis techniques of Structural Equation Modeling using SmartPLS 3.0 software. The sample selection method used non-probability sampling methods. Online questionnaires were sent to 230 respondents, the next step was to evaluate the returned questionnaires, namely the 220 returned questionnaires and 10 questionnaires did not return. Based on theoretical studies and previous studies, the research model is structured in Figure 1.

The hypotheses in this study are as follows:

H1 : There is a positive and significant effect of Financial Literature on Students' Personal Financial Management

H2 : There is a positive and significant effect of Parents' Social Economic and Student Lifestyle on Students' Personal Financial Management

H3 : There is a positive and significant effect of Student Lifestyle on Students' Personal Financial Management

RESULTS AND DISCUSSION

According to Hair et al (2021) reliability is a measure of the internal consistency of indicators of a construct that shows the

degree to which each indicator shows a general latent construct. According to Hair et al (2020) the reliability requirement is a measure of the stability and consistency of the results (data) at different times. To test the reliability of the construct, this study used the value of composite reliability. A variable is said to meet construct reliability if it has a composite reliability value > 0.7 and Cronbach's Alpha value > 0.6 has a good level of reliability for a variable (Hair et al, 2019). The composite reliability value of each indicator can be seen in Table 1.

In Table 1, it can be seen the results of the reliability test analysis using the SmartPLS tool which stated that all composite reliability values were greater than 0.7, which means that all variables were reliable and met the test criteria. Furthermore, the value of cronbanch's neglect also showed that all values of cronbanch's neglect were more than 0.6 and this indicated that the level of reliability of the variable also met the criteria. According to Hair et al. (2020) the validity test is intended to measure the extent to which the accuracy of a measuring instrument performs the function of its measuring instrument or provides appropriate measurement results by calculating the correlation between each sta-

Table 1. Reliability

Variables	Cronbach's Alpha	Composite Reliability
Financial Literature	0.924	0.949
Parents' Social Economic	0.770	0.941
Student Lifestyle	0.995	0.996
Students' Personal Financial Management	0.926	0.943

Source: Primary data processed, 2021

tement with a total score. In this study, the measurement validity test consisted of convergent validity and discriminant validity. Measurement can be categorized as having convergent validity if the loading factor value is > 0.7 (Hair et al, 2021). Figure 2 showed that all loading factors had a value of > 0.7, so it can be concluded that all indicators met the criteria for convergent validity, because indicators for all variables had not been eliminated from the model.

Based on Table 2, the AVE value for all variables was > 0.50. So it can be said that the measurement model had been valid with discriminant validity. In addition, discrimi-

Table 2. AVE

Variables	AVE
Financial Literature	0.796
Parents' Social Economic	0.570
Student Lifestyle	0.985
Students' Personal Financial Management	0.970

Source: Primary data processed, 2021

nant validity was also carried out based on the Fornell Larcker criteria measurement with the construct. If the construct correlation in each indicator is greater than the other constructs,

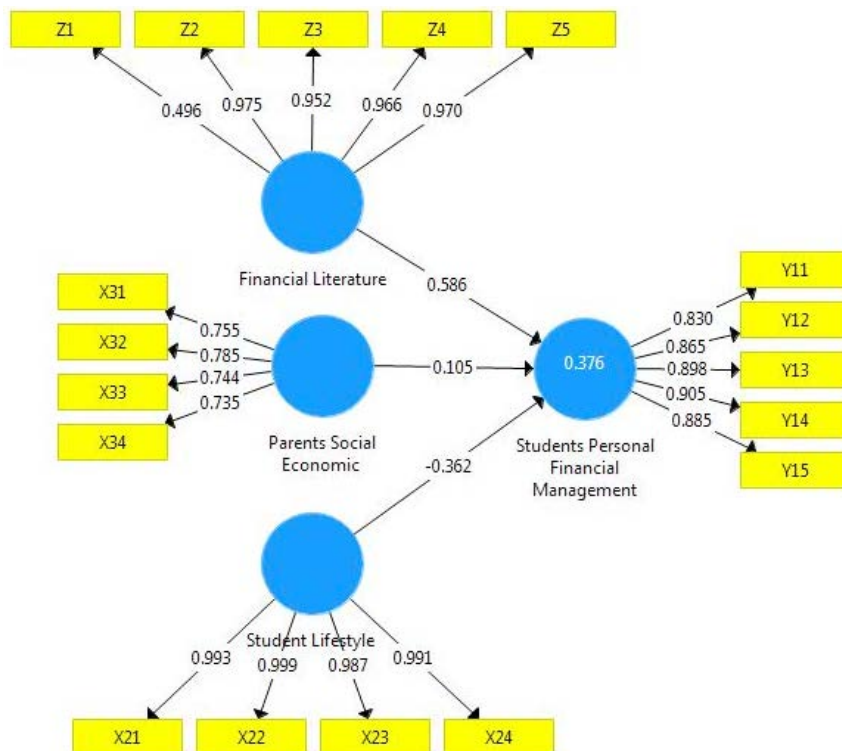


Figure 2. Convergen Validity

Source: Primary data processed, 2021

it means that latent constructs can predict indicators better than other constructs (Hair et al, 2019).

The structural model (inner model) is the pattern of the relationship between the research variables. Evaluation of the structural model is by looking at the coefficients between variables and the value of the coefficient of determination (R2). The coefficient of determination (R2) essentially measures how far the model's ability to explain variations in the dependent variable is. In this study, the adjusted r-square value (adjusted R2) was used, because it had more than two independent variables.

Table 3. R-square Adjusted

Variables	R-square Adjusted
Students' Personal Financial Management	0.376

Source: Primary data processed, 2021

In Table 3 it can be explained that the adjusted R2 value of the independent variable

of Financial Literature, Parents' Social Economic, and Student Lifestyle. The dependent variable of Students Personal Financial Management was 0.376. This value was categorized as moderate, so it can be concluded that the two independent variables had an influence and a moderate level of the independent variable of Financial Literature, Parents Social Economic and Student Lifestyle. The dependent variable of Students Personal Financial Management was 37.6% while the remaining 52.4% was influenced by other variables not discussed in this study.

According to Hair et al (2021) after a research model is believed to be fit, a hypothesis test can be performed. The next step is to test the hypothesis that has been built in this study. The following are the results of the data test using bootstrapping. Hypothesis testing in this study can be known through regression weight by comparing the p-value with a significance level of 5% ($\alpha=5\%$). The hypothesis is said to be significant if it has a probability value (p-value) < 5%.

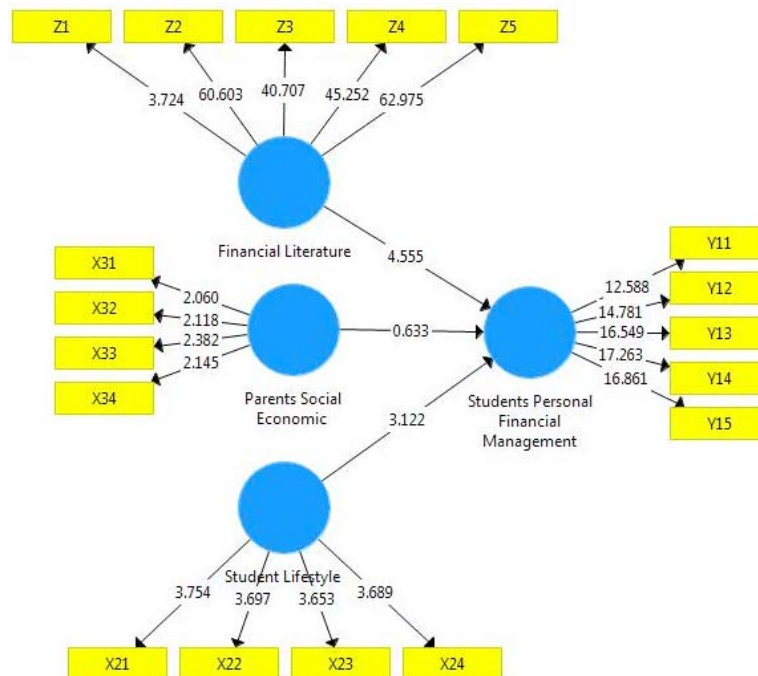


Figure 3. Hypotheses Testing

Source: Primary data processed, 2021

Table 4. Hypotheses Testing for Direct Effect

Hypotheses	P - Value	Coefficient	Result
Financial Literature -> Students' Personal Financial Management	0.000	0.234	Significant
Parents' Social Economic -> Students' Personal Financial Management	0.000	0.345	Significant
Student Lifestyle -> Students' Personal Financial Management	0.000	0.432	Significant

Source: Primary data processed, 2021

Relationship Financial Literature on Students Personal Financial Management

Based on the results of data analysis using SmartPLS, it obtained p value $0.000 < 0.050$ so it can be concluded that Financial Literature had a significant effect on Students' Personal Financial Management, an increase in the Literature on Students variable would have a significant effect on an increase in the Students Personal Financial Management variable and a decrease in the Financial Literature variable would have an significant effect to the decrease in the Student Personal Financial Management variable. These results are in line with the research conducted by Chuah et al. (2020), Cherney et al. (2020), Humaidi et al. (2020) that Financial Literature had a positive and significant effect on Students' Personal Financial Management. It concludes that personal management can be influenced simultaneously by variables of financial literacy, socioeconomic status, and lifestyle. Chuah et al. (2020), Cherney et al. (2020), Humaidi et al. (2020) said that how to manage finances is something that must be owned by someone.

Parent's economic circumstances or conditions can also affect the flow of personal financial processing in students. Students with parents with sufficient income will have more opportunities when optimizing their financial arrangement, this can happen because parents can meet the needs and desires of children easily compared to students whose parents' economic status is low, students will be more careful in using and more economical to meet their needs. As a student who has studied finance at school, he must be able to manage

his personal finances. According to Chuah et al. (2020), Cherney et al. (2020), Humaidi et al. (2020) Lifestyle can be interpreted as the whole life of a person who relates to the environment and each other. The luxurious lifestyle is not only applied by teenagers whose economic level is upper middle class. However, even teenagers with low economic levels are the same. They are willing to not spend their pocket money for days to collect money to buy luxury items such as the latest Smartphones, expensive make-up, watching movies to concerts, and walking to the mall. According to Chuah et al. (2020), Cherney et al. (2020), Humaidi et al. (2020) The treatment of luxurious living makes it difficult for individual needs to be fulfilled in order to fulfil their desires. This is because they are following the trend and not out of date. This unfavourable lifestyle can be overcome by going through the role of parents towards children, and also being able to control finances effectively and calculatingly.

Relationship of Parents Social Economic on Students Personal Financial Management

Based on the results of data analysis using SmartPLS, it obtained p value $0.000 < 0.050$ so it can be concluded that Parents' Social Economics had a significant effect on Students' Personal Financial Management, an increase in the Parents Social Economic variable would have a significant effect on an increase in the Students' Personal Financial Management variable and a decrease in the Parents' Social Economic variable would gives a significant effect on the decrease in the Student Personal Financial Management va-

riable. These results are in line with the research conducted by Chuah et al. (2020), Cherney et al. (2020), Humaidi et al. (2020) that Parents' Social Economic had a positive and significant effect on Students Personal Financial Management.

This study is in line with the research of Philippas et al. (2020), Radianto et al. (2021), Thomas et al. (2020) proved that the financial behaviour of students was influenced by their level of financial literacy. In his research, someone with knowledge and ability to control finances well will show treatment in financial decisions such as when to save, invest, and use credit cards. In the research of Iramani et al. (2021), Johan et al. (2021), Panos et al. (2020) showed that students' personal financial management was influenced by their financial literacy, which means students who had high financial knowledge would be able to easily manage their personal finances. On the other hand, students who had little knowledge of finances found it difficult to manage their personal finances. However, this study is not in line with the research of Philippas et al. (2020), Radianto et al. (2021), Thomas et al. (2020) which proved that student financial management was not influenced by their financial literacy.

Relationship Student Lifestyle on Students Personal Financial Management

Based on the results of data analysis using SmartPLS, it obtained p value $0.000 < 0.050$ so it can be concluded that Student Lifestyle had a significant effect on Students Personal Financial Management, an increase in the Student Lifestyle variable would have a significant effect on increasing the Student Personal Financial Management variable and a decrease in the Student Lifestyle variable would have a significant effect on the decrease in the Student Personal Financial Management variable. These results are in line with the research conducted by Chuah et al. (2020), Cherney et al. (2020), Humaidi et al. (2020) that Student Lifestyle had a positive and significant effect on Students' Personal Financial

Management. The output of this research is in line with the research of Philippas et al. (2020), Radianto et al. (2021), Thomas et al. (2020) which proved that a child's personal finances can be caused by the level of the parents' economic status. The higher the literacy level and income of parents, the higher the level of pocket money managed by students so that the needs and desires of students are more easily met. It can be explained if students with high parental education and more than adequate income can manage their personal finances easily.

On the other hand, students with low parental education, parents who have less income will be careful and save with their expenses. However, this research is not in accordance with the research presented by Thomas et al. (2020) which proved that students' financial management was not caused by their socioeconomic status. This research supported the research of Thomas et al. (2020) who found that the high and low levels of development in managing students' personal finances were influenced by lifestyle. Factors that cannot be separated from personal financial management activities are individual lifestyles. White et al. (2021), Xiao et al. (2020) millennial generation consumers are the most experience-hungry consumers. In fact, it is not only students with sufficient economic level of parents who can only show off the experience, students with low economic level of parents are also willing to collect their pocket money for days to enjoy their desires such as going to the mall with their friends, eat at expensive restaurants, buy luxury and branded goods. This unfavourable lifestyle can be overcome through the role of parents towards children, and also being able to manage finances properly and wisely.

CONCLUSION

Based on the results of data analysis using SmartPLS, it was found that Financial Literature had a significant effect on Students' Personal Financial Management, an increase in the Literature on Students variable would

have a significant effect on increasing the Students Personal Financial Management variable and a decrease in the Financial Literature variable would have a significant effect on the decrease in the Students Personal Financial Management variable. Student Lifestyle had a significant effect on Students' Personal Financial Management, an increase in the Student Lifestyle variable would have a significant effect on increasing the Student Personal Financial Management variable and a decrease in the Student Lifestyle variable would have a significant effect on the decrease in the Student Personal Financial Management variable. Parents Social Economics had a significant effect on Students Personal Financial Management, an increase in the Parents Social Economic variable would have a significant effect on increasing the Students Personal Financial Management variable and a decrease in the Parents Social Economic variable would have a significant effect on the decrease in the Students Personal Financial Management variable.

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