

# THE EFFECT OF FINANCIAL LITERATURE AND ATTITUDE ON THE BEHAVIOR OF FINANCIAL MANAGEMENT OF THE YOUNG GENERATIONS OF BANGKA BELITUNG

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## Abstract

The knowledge of young people in financial management must be better than that of the older generation. With the knowledge that is owned and the development of science and technology today there is no reason to make the young generation go bankrupt on campus. This study aims to see the effect of financial literacy and financial attitudes on financial management behavior in creating young people in Bangka Belitung. This research is a quantitative research with a survey approach. The survey was conducted on students of the Faculty of Economics, University of Bangka Belitung with a total of 169 respondents. The survey was conducted through distributing online questionnaires (google form) and multiple regression analysis was used to test the hypothesis. The results showed that financial literacy and influence on financial management behavior. This shows that creating young people who have good financial literacy skills and a rational attitude in managing their finances in the future.

**Keywords:** Financial Literacy, Financial Attitude, Behavior.

## I. INTRODUCTION

Financial literacy is related to a person's ability to manage and make financial decisions individually [1] which means that financial literacy is always related to personal knowledge about personal financial management. It can obtain this knowledge from education or the surrounding environment [2], [3]. Thus, the better understanding a person's financial literacy, the more positive the individual's economic behavior.

Guiso et al. [4] stated that people's economic behavior from one country to another is very different depending on the ethnicity that dominates in that country. The Malaysian culture, for example, consists of three influential ethnic groups differences by their religion, namely Islam, Buddhism, Hinduism, and Christianity. The dominant Malays and Arabs are Muslims, the Chinese are Buddhists or Christians, and the Indians are Hindus. According to Albaity and Rahman [5], this belief colors the culture in Malaysia, which then impacts its culture.

Economic behavior is influenced by psychological factors where someone makes an economic decision motivated by human cognitive and emotional. Mahdzan and Tabiani [6] conclude that financial literacy affects individual saving behavior in Malaysia. Education involves a person's mental.

This study uses economics faculty students as respondents. As already mentioned, students have better financial literacy because of their knowledge. The study results by Sumiyati and Suhaidar [7] show that students, as the younger generation are more likely to make investment decisions based on what they gain from their knowledge. This study aims to determine the effect of financial literacy and financial attitudes on the

financial management behavior of the younger generation in Bangka Belitung.

This research is important to describe that student are rational individuals in making their financial decisions. Students have a financial concept in the future. Such behavior is part of the formal education received. This proves that cognitive affects a person's financial behavior. This research is different from previous research because of several things: 1) this research was conducted on students, especially in Bangka Belitung. Most of the respondents came from Bangka where Bangka is an area consisting of two major ethnic groups and has different cultural backgrounds; (2) although different origins and ethnicities do not affect a person's financial behavior. This is different from the study of Albaity and Rahman [5] which states that diversity affects culture and its financial behavior.

This study contributes to financial and academic literacy, where knowledge is the reason to improve his thinking (cognitive) ability. Students equipped with such skills should have the ability to manage their finances better so that they are less likely to face poverty in old age, and this, of course, reduces the burden on the state to ensure their old age.

## II. LITERATUR REVIEW & HYPOTHESES

Several studies on financial literacy conducted a person's behavior in financial management. Various factors also influence a person's financial literacy ability. Studies show that men have better financial literacy skills than women [7]–[10]. Another study states that the level of education affects a person's financial literacy [11], [12].

Lantara and Kartini [9] concluded that the scientific discipline possessed by a person affects his level of

financial literacy. This study was conducted in Indonesia with students from the economics and business study program. This research is also in line with the research undertaken by Yahaya, Zainol, Abidin, & Ismail [13], which was conducted on students in Malaysia. Mien and Thao [14] also conclude that financial literacy knowledge positively affects individual financial management behavior.

On the other hand, the results of research conducted by Sarigül [10] stated that students from social science study programs had low financial literacy. Oseifuah et al. [15] also mention no relationship between financial literacy and one's financial behavior, especially saving.

Financial literacy is always related to the ability of individuals to organize and make financial decisions independently [1]. Its means that financial literacy is always associated with one's knowledge of financial management. Knowledge is obtained from education or the environment [2], [3].

The more a person understands financial literacy, the better his economic behavior will be. Guiso et al. [4] stated that the economic behavior of one country to another is different and highly dependent on the ethnic differences that dominate in that country. Malaysia, for example, is a society that has three major ethnic groups which are distinguished by their religion, such as Islam which is dominated by ethnic Malays, Buddhists, and Christians, dominated by ethnic Chinese and ethnic Indians who are Hindus. It is this difference that makes different cultures have an impact on one's behavior [5].

Economic behavior is influenced by psychological factors where when someone makes economic decisions motivated by human cognitive and emotional abilities [16]. Mahdzan and Tabiani [6] conclude that financial literacy affects saving behavior. Babiarz and Robb [17] stated that financial literacy affects financial behavior.

Mandell and Klein [18] analyzed further through a survey conducted on high school students where the conclusion was that these students did not have good financial literacy. The behavior of his family influences this. Meanwhile, Scheresberg [19] concluded that students better understand financial literacy because they acquire these abilities from lectures [20]. Based on the literature, the hypothesis is stated as follows:

**H1:** Financial literacy affects students' financial management behavior.

**H2:** Attitudes influence student financial management behavior.

### III. METHODS

#### A. Data Type

This study is a study with a survey approach and uses a questionnaire for data collection. The data type is primary data, where the data is obtained directly from the first source.

#### B. Sampling technique

The population of this research is the students of the Faculty of Economics, the University of Bangka Belitung, totaling 1,689 people. The sample was drawn using the Slovin formula so that obtained 169 respondents. Questionnaires were distributed randomly using a google form through student social media groups.

#### C. Variable Definition and Measurement

The following table is an explanation of the definition and measurement of variables in this study:

TABLE I. VARIABLE DEFINITION AND MEASUREMENT

Variables	Definition	Measurement
Financial Literacy	a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well being [21]	Questionnaires measure individual's self-assessment of knowledge about financial matters. The financial literacy index will be computed
Financial Management Behaviour	Individual behavior related to money management, including budgeting, saving, spending and investing [22]	Questionnaires measure individual's financial management behaviors in three domains: cash management, savings and investment, and credit management.
Spending Attitude (Financial Attitude)	Psychological tendency expressed when evaluating recommended financial management practices with some degree of agreement or disagreement [23]	Questionnaires measure individual's psychological tendency towards financial management behaviours

#### D. Data analysis technique

This study uses one dependent variable, namely financial management behavior, two independent variables, financial management behavior, and control variables consisting of age, gender, race and ethnicity, and student origin. The following is the mathematical equation in this study:

$$FMBEHAV = \alpha + \beta_1FINLIT + \beta_2FINATTD + \beta_3CV + \varepsilon \quad (1)$$

Where:

FMBEHAV: Financial management behavior

FINLIT: Financial Literacy

FINATTD: Attitude

CV: Control variable

### IV. RESULTS AND DISCUSSION

#### A. Descriptive Data

The results of the descriptive analysis can determine the distribution of respondents in this study.

The sample in this study were students of the undergraduate program at the Faculty of Economics, the University of Bangka Belitung, with a total sample of 169 respondents. The following is a description of the respondents in this study:

TABLE II. AGE OF RESPONDENTS

Age	Freq.	%	Valid %	Cum. %
Valid	17.0	6	3.6	3.6
	18.0	23	13.6	17.2
	19.0	47	27.8	45.0
	20.0	76	45.0	89.9
	21.0	13	7.7	97.6
	22.0	4	2.4	100.0
Total	169	100.0	100.0	

The table above shows that the age of the respondents is between 17 and 22 years. The result is 20 years or 45% of the entire sample. At the age of 20, it is considered to make rational decisions, although these decisions are not necessarily related to managing finances.

#### B. Respondents' Description by Gender

In this study, the gender is divided into two categories: male with a value of 1 and female with a 0. For more details, the following is a description of the respondents based on gender:

TABLE III. GENDER OF RESPONDENTS

Gender	Freq.	%	Valid %	Cum. %
Male	53	31.4	31.4	31.4
Female	116	68.6	68.6	100.0
Total	169	100.0	100.0	

Based on table III, it can see that most respondents were female, with a total of 116 respondents or 68.6%. Women manage money better than men, although they do not necessarily understand the financial literature.

#### C. Respondents' Description by Ethnicity

This study also explores the ethnicity or ethnicity of the respondents because race affects a person's culture and behavior. Table IV shows the respondents consist of various ethnicities in Indonesia, and the most dominating are the Malay ethnic as many as 132 respondents and the Chinese ethnic as many as 20 respondents. Based on demographics, Bangka Belitung is a province with two significant ethnicities, namely Malay and Chinese.

#### D. Respondents' Description by Student's Home Country

Respondents are also grouped based on their home country. Home country shows where the respondent was born and raised, affecting their behavior in life. Table V shows the respondents based on their home country.

Bangka Belitung is the most dominant home country in this study. It is because students of the University of Bangka Belitung are primarily residents

of the province of Bangka Belitung. However, it cannot say that it has influenced respondents' understanding of financial literacy.

TABLE IV. ETNIS FO RESPONDENTS

	Freq	%	Valid %	Cum. %
Arab	1	0.6	0.6	0.6
Batak	1	0.6	0.6	1.2
Toba	2	1.2	1.2	2.4
Bugis	1	0.6	0.6	3.0
Jawa	4	2.4	2.4	5.9
Karo	1	0.6	0.6	6.5
Lampung	1	0.6	0.6	7.1
Melayu	132	78.1	78.1	85.2
Minangkabau	1	0.6	0.6	85.8
Nias	1	0.6	0.6	86.4
Ogan	1	0.6	0.6	87.0
Palembang	2	1.2	1.2	88.2
Sunda	1	0.6	0.6	88.8
Tionghoa	20	11.8	11.8	100.0
Total	169	100.0	100.0	

TABLE V. STUDENT'S HOME COUNTRY

Home Country	Freq	%	Valid %	Cum. %
Bangka Belitung	154	91.1	91.1	91.1
Bekasi	1	0.6	0.6	91.7
Jakarta	1	0.6	0.6	92.3
Jawa Barat	1	0.6	0.6	92.9
Jawa Tengah	1	0.6	0.6	93.5
Kalimantan Barat	1	0.6	0.6	94.1
Nias	1	0.6	0.6	94.7
Riau	1	0.6	0.6	95.3
Sumatera Barat	1	0.6	0.6	95.9
Sumatera Selatan	5	3.0	3.0	98.8
Sumatera Utara	2	1.2	1.2	100.0
Total	169	100.0	100.0	

TABLE VI. OUTPUT REGRESSION

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	1.728	.695			2.48	.01
FINLIT	.394	.052	.528		7.55	.00
FINATTD	.248	.089	.192		2.77	.00
AGE	-.010	.032	-.020		-.32	.74
GENDER	-.103	.071	-.093		-1.44	.14
ETNICITY	-.150	.087	-.121		-1.72	.08
HOME COUNTRY	.116	.122	.064		.95	.34

#### E. Hypothesis Test Result

This study uses regression analysis for the hypothesis. In testing the hypothesis, the independent variable consists of financial literacy denoted by FINLIT and financial attitude denoted by FINATTD. The dependent variable is financial management behavior denoted by FMBEHAV. The dependent and independent measurement variable is the ordinal scale (Likert scale 1-5). This study also used age, gender, ethnicity, and area of origin as control variables.

The results of hypothesis testing in table V show that financial literacy has a significant positive effect on financial management behavior with a critical value of 0.000 or less than 0.05. The Financial attitudes positive effect on the significance level of 0.006. The control variable does not affect the dependent variable but confirms the independent variable results.

#### F. Discussion

##### *Financial Literacy and Financial Management Behavior*

Literacy is someone's knowledge of finances and how to manage finances properly. A person who has good financial literacy is always future-oriented. It will be easier for someone to manage their finances when they understand interest rates, bonds, and stocks and read a bank statement. He will be able to plan his future finances well [1]–[3]. People will tend to make sound financial planning choices with good financial literacy, such as buying stocks instead of keeping money in the bank.

The survey results show that the highest indicator of financial literacy is understanding in managing personal finances. Respondents tend to compare prices before deciding to buy goods or services. When someone understands how to plan personal finance, he will try to make money efficiently, so he chooses to use goods and services at prices adjusted to his abilities.

To find quality goods and services at low prices, of course, you have to go through surveys and the knowledge obtained about these goods or services. The inside is obtained from education or the environment and life habits. Kartini [9] and Yahaya, Zainol, Abidin, & Ismail [13] state that financial literacy is influenced by the level of education where business and economic students have better literacy than other students. This study strengthens the assumption that economics students have a better understanding of personal financial planning and can influence their behavior in financial management.

##### *Financial Attitude and Financial Management Behavior*

Financial attitude is a psychological tendency shown by how people evaluate finances by agreeing or disagreeing with the financial recommendations given. Financial attitudes are also related to spending and saving money [14]. This financial attitude affects a person's economic behavior where then shapes whether he is a person who is good at managing finances and frugality or someone who likes to spend money without understanding the purpose of spending money.

This personal financial attitude is shown in the survey results where the answer that is on average high is in the statement that planning the finances means planning a prosperous future. By doing this efficiently, the individual has prepared an excellent financial in the future, assuming that he will not be deficient or in poverty in pension time. This attitude tends to be shared

by individuals who are better knowledgeable about finances.

When someone can respond to finances well, he will manage finances well. His thrifty attitude will encourage someone to spend money to save money in the bank, buy assets, or invest. So, it is concluded that someone who has a financial attitude affects his behavior in managing and managing money and assets owned.

#### V. CONCLUSION

The test results show that financial literacy and attitudes positive affect financial management behavior. When people can manage their finances well, they will prefer to save, buy assets or investments, and spend money on things that are not useful. Thus, financial attitudes affect individual behavior in financial management and the set they have. Future research can explore personal attitudes and perceptions in using financial inclusion.

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