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# Factors Affecting Financial Management Behavior Among Universitas Tarumanagara's Students

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## ABSTRACT

This research aims to determine the effect of financial knowledge, financial attitude, and income on financial management behavior in Universitas Tarumanagara's students. The population of this study was active students at Universitas Tarumanagara that selected using a non-probability sampling technique, which is purposive sampling amounted to 150 respondents. The data collection using questionnaires presented in the form of a google form and distributed online. The data obtained were processed using PLS-SEM using Smart-PLS software. The results found that financial knowledge has a positive significant influence on financial management behavior, a financial attitude has a positive significant influence on financial management behavior. Meanwhile, income has a positive insignificant influence on financial management behavior.

**Keywords:** financial knowledge, financial attitude, income, and financial management behavior

## 1. INTRODUCTION

In DKI Jakarta, many students do not have good financial management behavior. One of them is a student at Universitas Tarumanagara. Based on data from the Central Statistics Agency, the expenditure of the people of DKI Jakarta is the highest in Indonesia, reaching 18.13 million per capita [1]. With high per capita expenditure, it shows that people in DKI Jakarta often experience financial problems along with rising prices of necessities. Based on data, the student Executive Board (BEM) of Universitas Tarumanagara says that there are 890 students threatened not being able to continue studying because of difficulties in paying a single tuition fee (UKT) [2]. This is because students only expect monthly money from their parents and do not allocate their income for saving. Individuals only allocate 10.7% of their income for savings, while the largest expenditure, which is 51.1%, is used for their monthly needs [3]. The survey shows that 69.9% of student income in the form of pocket money monthly comes from parental gifts and 57.5% of students spend all of their money [4]. This shows that the lack of intention to save can cause financial problems where students generally only rely on pocket money given by their parents. So that if parents cannot send pocket money, it will cause financial problems such as not being able to pay tuition fees which can result in students dropping out of college. Students should be able to save from the excess money given to help pay for college.

Nowadays, students are growing up amid a debt culture with luxury lifestyle facilities such as the ease of making and using credit cards, causing them to have no responsibility for good financial sourcing and management [5]. Hilgert et al. [6] stated that an expensive life should make students prepare for good financial planning. Students who live independently or in boarding house must be able to manage their finances well so that they will not experience financial problems and are ready for their future.

In making individual financial plans, at least they must have financial knowledge, financial attitudes, and income to be responsible for their finances. Kholillah and Iramani [7] claimed that individuals who have good financial knowledge will be able to manage their finances as well. Based on research conducted by Perry and Morris [8] financial knowledge has a significant influence on

individual financial management behavior. According to Amanah et al., research [9] proves that financial attitudes have a significant influence on financial management behavior. Next, Nusron et al., [10] stated that income influences financial management behavior.

This study aimed to determine the effect of financial knowledge, financial attitudes, and income on financial management behavior. This study is expected to help complement research on the determinants of financial management behavior for Universitas Tarumanagara's students to manage finances well to avoid financial problems.

## 2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### 2.1 Theory of Planned Behavior

TPB is the main theory that is used in this research. Ajzen [11] supports the proposition that attitudes influence behavior. Overall, the TPB shows that attitudes, subjective norms, and perceived behavioral control are the initial act of behavior. This theory provides a reliable theoretical background for the research conducted because it has been empirically validated in various contexts [12].

### 2.2. Financial Knowledge

Hilgert and Hogert [6] stated that "financial knowledge is how an individual can manage his finances in terms of risk profile, investment, savings, and budget". According to Mason and Wilson [13], "financial knowledge is a decision-making technique of combining several knowledge, skills, and resources for the process of managing information and making decisions". Based on the statement above, it can be concluded that financial knowledge is an individual's understanding of how to manage finances in making a decision. Various sources can be obtained from knowledge, including formal education, seminars, training classes outside of school as well as informal sources through parents, friends, and the work environment [14].

### 2.3 Financial Attitude

Robbins and Judge [15] suggest that financial attitudes are individual circumstances towards finances that are applied to attitudes. Shockley [16] defined financial attitudes as a combination of information, concepts, and emotions towards individual financial learning so that it will produce individual readiness to act well [16]. From the explanation above, it can be concluded that financial attitude is the attitude of individuals in managing their finances. According to Yulianti [17] each individual has their attitude to manage their finance because each individual is indifferent to financial conditions and financial targets. Individuals with good financial attitudes can determine how the attitude shown is related to finances such as managing, budgeting, and decision making.

### 2.4. Income

Susanti [18] said that "income is defined not only from the work done by someone but also finance that obtained from other sources, e.g., monthly money from the family". Nababan and Sadalia [19] defined "parental income as a level of income earned by parents in a period per month both from wages, salary income, and income from business results". Income is the amount obtained from income each period, both from wages, salaries, interest income, and other assets". Based on the explanation above, the definition of income is pocket money or monthly money given by parents every month. The pocket money or monthly money given is used to fulfill daily needs.

## 2.5. Financial Management Behavior

Gitman in Krishna, Rofaida, and Sari [20] defined personal financial management as “a science related to the management and control of financial resources from individual units or households”. According to Kholidah and Irani [7] “management of financial behavior is an individual's ability to plan, budget, audit, manage, control, and search for and store their financial funds”. Financial management behavior arises due to the increasing desire of individuals to fulfill their life needs which are adjusted to the income generated [7]. Based on that understanding, it can be concluded that financial management behavior is an act of financial planning and management carried out by individuals. These actions include creating a budget, saving money, making investments, and paying obligations on time. Individuals who have good financial behavior tend to avoid financial problems.

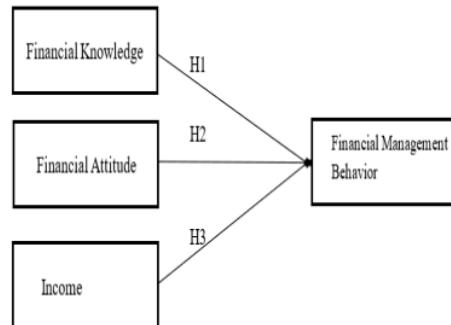
## 2.6. Financial Knowledge and Financial Management Behavior

When talking about financial management behavior, we have to know that financial knowledge is important in determining financial management behavior. Perry and Morris [8] suggest that “a high level of financial knowledge will lead to good financial behavior in individuals”. In line with the previous statement [14] which shows that the higher the knowledge related to finances owned by the individual. Hung et al., [21] stated that individuals with low financial knowledge do not have an understanding of financial-related problems, have poor financial behavior, and are not accustomed to dealing with economic shocks that occur. Therefore, there is a positive significant effect between financial knowledge on financial management behavior [8][22] [23].

## 2.7. Financial Attitude and Financial Management Behavior

Individual attitudes affect management's financial behavior [24]. It could be concluded that individual tends to have a consumptive attitude which leads to an impact on various irresponsible financial behavior such as the reduced desire to save, invest, plan emergency funds, and make budgets for the future [25]. This research is in line with the results of [26] [27], which suggest there is a positive and significant effect of financial attitude on financial management behavior.

## 2.8. Income and Financial Management Behavior



**Figure 1** Research Model

Novianti [28] found out there was a significant influence of income on financial management behavior. With the higher income, it will be easier to fulfill their financial obligations where individuals tend to be more responsible for managing their income so that their financial management behavior is getting better. Adiputra and Patricia [29] research, [7] that income does not affect financial management behavior.

Based on the research model above, the hypotheses that can be formulated:

- H1: There is a positive influence of financial knowledge on financial management behavior.
- H2: There is a positive influence of financial attitude on financial management behavior.
- H3: There is a positive influence of income on financial management behavior.

### 3. METHODOLOGY

The research design is descriptive. This research uses nonprobability sampling with a purpose sampling technique. The population in this study are undergraduate students at Universitas Tarumanagara who are active and living independently or in boarding houses. The sample in this study amounted to 150 respondents, which was collected by the distribution of an online questionnaire. The data will be processed and analyzed by using SmartPLS version 3.3.3. Several instruments were adapted from previous studies to measure research variables, measurement of research objects was measured using a Likert scale and interval scale.

### 4. FINDINGS AND DISCUSSIONS

There are three steps when analysis with PLS-SEM. In addition, based on the data from the questionnaire has a total of 150 respondents which the majority of respondents are female (68.7%), and male respondents (31.3%). Based on the profile of respondents in the study, the majority of respondents in this study came from the department of business management (50.7%). Furthermore, for the class category, in this study, the majority of respondents were class 2018 (65.3%). For the old category of respondents living independently, the majority of respondents had lived independently for 2 years (43.3%). For the category of sources of income, the majority of respondents in this study are respondents who get income from their parents (90.7%). After identifying the characteristics of respondents, next is the result of the validity test, first convergent validity consists of outer loadings and AVE values. the indicator is declared valid if the value of the outer loading ( $> 0.7$ ) and the average variance extracted (AVE) value ( $> 0.5$ ) [30]. Second, the discriminant validity was analyzed by looking at the cross-loading value. It can be said valid if the cross-loading value on the associated indicator is greater than any other cross-loading value of the other indicator [31]. Based on the research results, the value of loading factor, AVE, cross-loading exceeds the minimum limit so that it is declared valid and fulfills the validity requirements. After the validity test, then the next reliability test used composite reliability and Cronbach's alpha to see whether each indicator was compatible with the variables used. The criteria for concluding this reliability test are, a data is reliable if it has composite reliability ( $> 0.7$ ) [30] and Cronbach's alpha value of the indicator ( $> 0.6$ ) [32]. Based on table 1 we can conclude that all indicators in this study are valid and reliable because it has met all the requirements of the measurement method.

The first inner model test is in the form of a coefficient of determination test (R-Square). Based on the results of this study,  $R^2 = 0.631$ . This means that the dependent variable can be explained by independent variables to 63.1% while the remaining 36.9% is explained by other variables. This  $R^2$  value is declared to be moderate. Then, the value of  $Q^2$  is obtained by using the blindfolding method, which is 0.419. It means that the variable construct relationship in this study is stated to be relevant because the  $Q^2$  value obtained is more than zero.

Next, the Goodness of Fit (GoF) value obtained is 0.690 which shows that this research model has a relatively large level of accuracy (GoF large). The value of f-square on the financial knowledge is 0.094 shows that financial knowledge has a small effect on financial management behavior. The result of the financial attitude variable is 0.336 as a moderate effect on financial management behavior, and the last is the income variable with the result of 0.016 has a small effect on financial management behavior.

**Table 1** Structural Model and Measurement Results

Variables	Indicator	Loadin g Factor	AVE	Composi te Reliabilit y	Cronbach 'sAlpha	R <sup>2</sup>	Q <sup>2</sup>	GoF	F <sup>2</sup>
Financial Knowledge	FK1	0.902	0.773	0.944	0.925				0.094
	FK2	0.898							
	FK3	0.901							
	FK4	0.766							
	FK5	0.919							
Financial Attitude	FA1	0.709	0.550	0.895	0.867				0.336
	FA2	0.740							
	FA3	0.777							
	FA4	0.737							
	FA5	0.724							
	FA6	0.780							
	FA7	0.724							
Income	I1	1.000	1.000	1.000	1.000				0.016
Financial Management Behavior	FMB1	0.847	0.692	0.918	0.887	0.631	0.419	0.690	
	FMB2	0.855							
	FMB3	0.887							
	FMB4	0.850							
	FMB5	0.708							

**Table 2** Hypothesis Testing Result

Hypothesis	Path-Coefficient	t-statistics	P. Value	Result
FK → FMB	0.275	2.740	0.006	Positive and Significant
FA → FMB	0.513	4.979	0.000	Positive and Significant
I → FMB	0.095	1.156	0.248	Positive and Insignificant

A hypothesis can be accepted if the t-statistics value ( $> 1.96$ ), otherwise, if the t-statistics value is less than  $1.96$  then the research hypothesis is rejected [30][33]. The hypothesis is significant if the p-value ( $< 0.05$ ) [34]. So, it can be seen in table 2, financial knowledge and financial attitude have a positive and significant influence on financial management behavior, which means H1 and H2 are accepted. Otherwise, income has an insignificant influence on financial management behavior, which means that H3 is rejected.

The first hypothesis showed that H1 was accepted. From the result of the H1 test (there is a positive and significant influence of financial knowledge on financial management behavior) [8][10] [29]. Perry and Morris [8] state that individuals who have a high level of financial knowledge tend to have good financial behavior. The result of this study also shows that the higher the financial knowledge is related to finances owned by individuals. The better the financial decisions are taken so that individuals tend to be good and have good financial management behavior and can be responsible [14].

The second hypothesis showed that H2 was accepted. From the result of the H2 test (there is a positive and significant influence of financial attitude on financial management behavior) [9] [25] [27]. If the individual financial attitude is better so the individual's financial management behavior also will be better.

Starting with reducing consumptive attitudes that tend to cause irresponsible financial behavior such as decreased intentions to save, invest, and others. By having a good financial attitude, individuals can make the right decisions and can manage their finances well. So that with a good financial attitude, individuals can reduce the possibility of financial problems occurring in everyday life.

The last, third hypothesis showed that H3 is rejected. From the result of the H3 test (there is a positive and insignificant influence of income on financial management behavior). The result is supported by Adiputra and Patricia's research [29] and other studies [14] [22] [23]. So, it can be concluded that an individual's income, does not influence financial management behavior. This can be explained where individuals with high incomes are not always able to manage their finances well because they have irresponsible financial behavior and a tendency to think in the short term. Individuals with high incomes tend to have financial problems. In general, for individuals who have an increase in income, their expenses will also increase and even exceed the additional income [7].

## 5. CONCLUSIONS

Based on the data analysis, it can be concluded that the variables of financial knowledge have a positive and significant influence on financial management behavior, the financial attitude has a positive and significant influence on financial management behavior. If we want to have good financial management, individuals should have good financial knowledge so that they can make wise and responsible decisions. There is an insignificant influence between income on financial management behavior because income has nothing to do with financial management behavior.

Suggestions in this study for students are advised to increase financial knowledge, especially regarding insurance knowledge and financial attitudes regarding a good money management mindset to have good financial management behavior because this study states that the loading factor value of the two indicators is the smallest. To improve it, every student from university can follow seminars relate to finances to having good knowledge. So, it is expected that the higher the level of financial knowledge possessed by students, the better their financial attitudes will be. Then students can manage their finances properly and responsibly. For academics, it is theoretically recommended to conduct further studies using other samples because the samples used in Indonesia are different from the existing samples in the previous theory. For further research, it is recommended to increase the number of respondents in the research conducted and the area in which the questionnaire is distributed so that it can strengthen previous studies to be more accurate and use various other variables in further research which are predicted to affect financial management behavior such as financial literacy, financial experience, financial socialization, locus of control, and others.

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