

The Effect of Financial Attitude, Financial Knowledge, and Income on Financial Management Behavior

I Gede Adiputra
*Faculty of Economics,
Tarumanagara University,
Jakarta, Indonesia
werkodoro32@gmail.com*

Ellen Patricia
*Faculty of Economics,
Tarumanagara University,
Jakarta, Indonesia*

Abstract: *The purpose of this study was to obtain results: the influence of financial attitudes, financial knowledge, and income on financial management behavior. The object of this research was selected using nonprobability sampling method amounted to 160 respondents at Bali Province. Methods Data analysis uses structural equation modeling (SEM) which aims to test the hypothesis in this study. The result of this study shows that financial attitude significantly have positive affect on financial management behavior, financial knowledge significantly have positive affect on financial management behavior. However, income has no effect on financial management behavior.*

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

I. Background

The role of financial behavior for investors is to explain and provide an understanding of the patterns of thought of investors such as the emotional involved and the decision making process. The main purpose of this financial behavior is to explain what, why and how a person perceives financial and investment [1]

Financial management behaviour is one's ability to regulate planning, budgeting, checking, managing, controlling, searching and storing funds everyday [2] Koonce et al explained, learning personal finance is recommended to start early because teenagers are not necessarily ready to face financial markets and need a lot of learning

through research to understand financial management behaviour. [3]

According to Rajna et al [4], "the financial attitude is defined as the application for creating and maintaining value through decision making and proper resource management" which means the application of financial principles to create and maintain value through decision making and management right resources. the results of research by Lianto & Elizabeth [5] that the value of the financial attitude coefficient is positive. This shows that if the financial attitude increases, financial behaviour also increases. However, the financial attitude does not affect financial behaviour. Amanah, Rahadian & Iradianty [6], partially the financial attitude influences financial behaviour. Herdjiono & Damanik [7], states that financial attitude influences financial behaviour.

Low financial knowledge does not know the positive and negative sides of investment as a whole, other than that individuals who have high knowledge tend to increase the value of their life satisfaction because they are fully aware of the current financial situation and how to improve it [8]. Hilgert and Hogarth,[7] financial knowledge is a conceptual definition of financial literacy. Financial literacy can be intended as a basic subject to help individuals avoid financial problems (miss management). Based on the results of research by Arifin, Kevin & Siswanto [9], financial knowledge has an influence on financial behaviour.

Income is an individual's income in the form of annual income derived from wages, business enterprises and various types of investments made. Income is obtained from

various sources, such as interest income, government subsidies, rental income, and dividend income [10]. According to the Central Statistics [7] income levels can be grouped into:

- a. Very high group : > Rp. 3,500,000 per month
- b. High class : Rp. 2,500,000 to Rp. 3,500,000
- c. Medium group : Rp. 1,500,000 to Rp. 2,400,000
- d. Low class : < Rp. 1,500,000 per month

According to Ida & Dwinta [10] there is no influence of income on financial behaviour. This is in line with the research of Kholilah & Iramani [2]. Based on the results of Arifin's research [11], high and low income, income has no influence on financial behaviour. The purpose of this research is to find out whether financial attitude, financial knowledge and income can influence financial management behaviour? The results of this study are expected to provide information to the public and further researchers to pay attention to the opinions and judgments of respondents, especially those who are married to financial management behaviour.

A. Theoretical Review

This study refers to the theory of planning behaviour (theory of planned behaviour) which is used to explain that there are 3 kinds of beliefs to predict behaviour, namely: 1) behavioural belief (behavioural belief) which refers to attitude, 2) normative beliefs (normative belief) which refers to subjective norms (subjective norm), and 3) control beliefs (control belief) which refers to perceived control.

The theoretical linkages above to this research variable are to know and evaluate how these individuals provide signals both positively and negatively in the face of a behaviour both internally and externally.

If someone thinks positively when he displays a behaviour, then he will have a positive attitude towards the behaviour and vice versa if the mindset is negative, then the attitude reflected is a negative attitude as well. If someone who is relevant considers that behaving is something good and positive, then the other individuals will

be motivated to fulfill these expectations, therefore it is called a positive subjective norm.

B. Financial Attitude

Financial attitudes can be considered as a psychological tendency that can be expressed when evaluating recommended financial management practices with several levels of agreement [12]. "Financial attitudes are a measure of your state of mind, your opinions, and judgment about the world in which you live" which is defined as a financial measure of our thinking, opinions and judgments about the world we live in [13] Hayhoe et al [7], said that there was a relationship between the financial attitude and the level of financial problems.

Of the several definitions that have been explained previously, financial attitude is an attitude of facing finance that is seen from how to behave and make decisions about finance.

C. Financial Knowledge

Chowa, Despard & Akoto [14], argues that financial knowledge refers to the understanding of someone who considers the concept of finance to be very important, such as budgeting and savings. The theory of financial education can be detailed, basically all are equal to get financial education, then financial education leads to greater financial knowledge and then leads to better financial behaviour and ultimately leads to an increase in consumers [15].

From the definitions that have been explained in the previous material, financial knowledge is one of the formation of financial management behaviour because it consists of financial education and financial experience that can improve the ability of financial knowledge so that financial decision making is more effective.

D. Income

According to Case, Fair & Oster [16], income is the amount earned from each period's income, both from wages, salaries, interest income, and other assets. Wealth from households comes from previous income, savings and inheritance from generation to generation. According to Ida & Dwinta [10], income is the total annual gross income derived from wages,

business enterprises and various investments. There is a possibility that an individual who has a fairly high income will show his financial behaviour [9].

And the results of the summary of the last independent variables from the previous explanation, income is the income that is obtained from all sources both from salary, interest, gross profit during a certain period.

E. Financial Management Behaviour

"Jodi [12] defined financial management as a set of performed behaviour regarding the planning, implementing and evaluating involved in the areas of cash, credit, investments, insurance, and retirement and estate planning" which means the components of financial management behaviour are regarding planning, implementation and evaluation involved in cash, credit, investment, insurance, pensions, and housing planning [17] and financial behaviour must be carried out by those responsible so that all finances run well and structured [18].

So, in conclusion, financial management behaviour is a combination of several sources of behaviour that become the basis of a person's personal decision-making in terms of financial planning, managing, saving and taking a position in conducting financial transactions in a timely manner to create financial prosperity.

F. The link between Financial Attitude and Financial Management Behaviour

Financial attitudes based on the results of Humaira & Sagoro's research [19], a positive impact on financial management behaviour. This is interpreted as the higher the financial attitude, the higher the financial management behaviour will be. Mien & Thao [20] suggests that there is a positive and significant influence between financial attitudes toward financial management behaviour. Based on the description above, the research hypothesis is:

H1: there is an influence between financial attitudes and financial management behaviour.

G. The link between Financial Knowledge and Financial Management Behaviour

Based on the results of Humaira & Sagoro [19] and Arifin [11] financial knowledge has a positive effect on financial management behaviour which means that the higher the financial knowledge, the higher the financial management behaviour will be. This research is in line with the results of Perry & Morris [21] and Grable, Park & Joo [22], which suggests that financial knowledge has a significant and positive effect on financial management behaviour. So, this research hypothesis is:

H2: There is an influence between financial knowledge and financial management behaviour.

H. The link between Income and Financial Management Behaviour

Lianto & Elizabeth [5] resulting in research that is income has a significant effect on financial behaviour. Arifin's research, Kevin & Siswanto [9] that income has no effect on financial behaviour. And Arifin's research [11] states that income has no effect on financial behaviour. So, this research hypothesis is:

H3: There is an influence between income and financial management behaviour.

Based on the description of the relationship between the variables above, the research model is as follows:

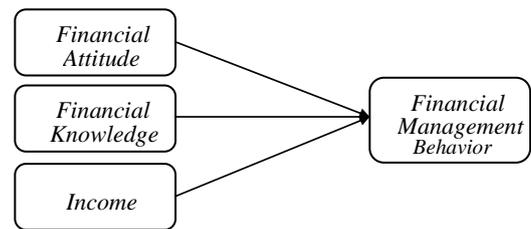


Figure 1 . Research Model

I. Methodology

The design of this research is descriptive research using data collection methods, namely cross-sectional design. The population in this study were individuals who had married who lived in Bali Province. The sampling method in this study is a non-probability sampling method which means that not all samples can have the same opportunity because it has been designed by the

researcher. While the sample selection technique used in this study is convenience sampling. The sample in this study amounted to 160 consumers in Bali Province. Data collection in this study was done by distributing questionnaires online using google-form. Based on the data that has been collected, it is known that the majority of male respondents are 55% with the age of 20-23 years at 30%. The number of years the respondents married to build their household is 1-5 years as much as 74% and did not have children as much as 30%.

Several instruments were adapted from previous studies to measure research variables, measurement of research objects was measured using a four-point Likert scale with 1 indicating "strongly disagree" and 4 showed "strongly agree".

II. RESEARCH RESULTS

The outcomes of this results will analyzed the difference of the effect of financial attitudes, financial knowledge, and income on financial management behavior.

Table 1. Results of Bootstrapping Research

Variable	Path coefficients	t-statistics	p- values
<i>Financial Attitude -> Financial management behaviour</i>	0,287	3,428	0,000
<i>Financial Knowledge -> Financial management behaviour</i>	0,558	5,675	0,000
<i>Income -> Financial management behaviour</i>	0,212	1,677	0,477

The results of testing the first hypothesis shows that the financial attitude has a significant positive effect on financial management behaviour in households domiciled in Bali Province, which means that H1 is not rejected. This is in line with the statement given by Humaira & Sagoro [19] and Mien & Thao [20] which argues that the higher the financial attitude, the higher the

financial management behaviour. Financial attitudes are considered as how the state of mind and opinions are applied to attitudes in making financial decisions. Individuals apply the principles that have been learned and applied in making decisions to manage resources appropriately so that mistakes will not occur in the future. Yap, Komalasari & Hadiansah also agree with the research testing this hypothesis that financial management behaviour is also influenced by financial attitude.

The result of testing the second hypothesis is that financial knowledge has a significant effect on financial management behaviour among households. This is in line with the research of Humaira & Sagoro [19], Perry & Morris [21]. Grable, Park & Joo [22], and Mien & Thao [20], which resulted in a positive influence between financial knowledge on financial management behaviour. The higher the knowledge of finances, the higher the behaviour of financial management because these individuals need to upgrade financial knowledge by following an always changing era. Based on Arifin's research [11] which suggests that there is a positive and significant influence between financial knowledge and financial management behaviour. This kind of behaviour can be realized into a greater ability to control finances, be more disciplined in making bill payments on time, and have a strong commitment to meet family needs.

The results of testing the third hypothesis that income has no significant effect on financial management behaviour among households. Based on the results of research by Arifin, Kevin & Siswanto [9] and Arifin [11], because income cannot be used as collateral to produce good financial behaviour. High income can also experience financial problems.

III. CONCLUSION AND SUGGESTION

A. Conclusion.

It can be concluded from a number of points above, that there is a significant influence between the financial attitude on financial management behaviour because individuals need an honest and responsible attitude in making decisions about financial management. In addition, there is also a

significant influence between financial knowledge on financial management behaviour because in addition to having a positive attitude, knowledge of financial management is as important in the life of the individual in living their daily lives. And the last is that there is no influence between income on financial management behaviour because high or low income has nothing to do with financial management behaviour.

B. Suggestion.

From the results of this study, the researchers gave several suggestions that if it could be useful for the future both for the community and the next researcher, namely:

- i. For the community, if it can improve financial knowledge in order to sustain daily life in making financial decisions.
- ii. Take a good attitude and make good decisions such as paying bills on time, saving savings for old age or for children's education at a higher level.
- iii. To increase household income which plays an important role in reviving and meeting household needs.
- iv. For the next researcher, using various variables to support further research, especially in the dependent variable financial management behaviour.
- v. Extend the time to find respondents in order to meet the criteria for further research.

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