

# The Effect of Financial Literacy on University Student Consumptive Behavior: Case Study on the Economic Faculty of Sriwijaya University

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**Abstract**—*The purpose of this study was to examine the effect of financial literacy levels on university student consumptive behavior. The definition of financial literacy variable is to have knowledge and beliefs about financial service institutions and financial service products, including features, benefits and risks, rights, and obligations related to financial products and services. The variable of consumptive behavior is excessive, irrational purchase of goods and services and the aim of increasing social status. The data used are primary data collected through the distribution of questionnaires among students of the Faculty of Economics, Sriwijaya University. The results found that financial literacy did not affect the consumptive behavior of university students. The consumptive behavior of university students depends on the type of goods they like and can please them.*

**Keywords:** *Islamic, financial, literacy, student, consumptive, behavior*

## I. INTRODUCTION

Financial literacy is one crucial element in decision making in various aspects of life. Financial literacy has a vital role to obtain and process information and respond effectively to economic problems. A person's ability to understand financial products is a reflection of financial literacy [1]. The level of financial literacy also affects the behavior of individuals facing a financial crisis. Community economic activity also has a direct influence on the level of financial literacy [2].

People who have a high level of literacy will have an impact on better financial management. Ethical financial decision making is an essential reason because of the availability of more complex financial products for the benefit of the future [3]. The level of financial literacy will also affect investor behavior [4]; [5].

According to Okello et al. [6], financial literacy can positively influence the financial inclusion of poor households in rural areas. The results of the study are also in line with the results of research conducted by Agarwal et al. [7] found that a high level of literacy will encourage individuals to have financial planning. Thus it can be said

that financial literacy will have a positive impact on public finances, including family finances. According to Feng et al., [8], the level of financial literacy is very influential on household finances.

Behavioral attitudes can positively influence proper financial planning. People who have high levels of financial literacy will increase self-confidence, good self-control and attitudes to prepare for a better future [9]. For young households, the level of financial literacy influence on consumptive patterns and the type of goods consumed. Low levels of financial literacy tend to have substantial debts and use alternative products [10].

Among youth, the level of literacy will also have an impact on financial attitudes and behavior [11]; [12]. Therefore, the importance of financial literacy education for people starting from a young age to encourage them to manage finances wisely. According to Maulita and Mersa [13], the level of intelligence of financial literacy is very influential in the management of student personal finance. Besides, financial literacy education can help reduce consumptive behavior [14]. Based on this study, the problem is arranged whether there is an influence of the level of financial literacy on the consumer behavior of students?

## II. LITERATURE REVIEW

### A. Financial Literacy

Financial literacy is the basis of financial planning and reference for decision making [15]. Low literacy levels will be an obstacle for individuals to decide on saving plans [16]. Someone who understands finance will tend to have financial success in retirement [17]. Financial literacy not only influences a person's level of savings and investment but also affects borrowing and debt behavior among young people [18].

According to the Financial Services Authority [19], financial literacy is a chain of processes or activities to improve the knowledge, beliefs, and skills of consumers and the broader community so that they can manage finances well. The purpose of long-term financial literacy for the community are (Financial Literacy,[19]):

1. Increasing the literacy of someone who was previously less literate or not literate to well literate
2. Increasing the number of users of financial products and services.
3. In order for the wider community to determine financial products and services that are appropriate to their needs, the public must adequately understand the benefits and risks, know their rights and obligations and believe that the selected financial products and services can improve people's welfare

The benefits of financial literacy for the community are (Financial Literacy,[19]):

1. Able to choose and utilize financial products and services as needed; have the ability to do financial planning better;
2. Avoid investing activities in unclear financial instruments
3. Gain an understanding of the benefits and risks of financial products and services. Financial Literacy also provides excellent benefits for the financial services sector. Financial institutions and the community need each other so that the higher the level of public financial literacy, the more people who will use financial products and services.

The level of financial literacy of the Indonesian population is divided into four parts, namely (Financial Literacy, [19]):

1. Well literate, which has knowledge and beliefs about financial service institutions and financial service products, including features, benefits and risks, rights, and obligations related to financial products and services, and has skills in using financial products and services.
2. Sufficient literate, having knowledge and beliefs about financial service institutions and financial products and services, including features, benefits and risks, rights, and obligations related to financial products and services.
3. Less literate, only knowing financial service institutions, financial products, and services.
4. Not literate, does not have knowledge and confidence in financial service institutions and financial products and services, and does not have skills in using financial products and services.

### *B. Consumer Behavior*

According to Veblen in Suminar and Meiyuntari [20], consumer behavior is the activity of consuming goods and services in excess, buying goods for social status purposes and not to meet actual needs. Ningsih and Bawono [21], in their research, explained that consumptive behavior is positively correlated with an increase in self-image, so it can be said that the use of goods and services for self-imaging purposes is consumptive behavior. According to

Mangkunegara in Widyaningrum and Puspitadewi [22], consumptive behavior is the purchase of goods or services beyond rationality.

### *C. Previous Research*

Jonsson et al. [4] conducted a study of the effects of financial literacy on investor behavior. The results of his study indicate that the level of financial literacy affects the weakening of the disposition effect. Knowledge about mutual funds and market conditions will affect the weakening of the disposition effect.

Dunska and Kravinskis [2], in their research on the impact of financial literacy on domestic economic activities from the perspective of history, crisis, and neolibrium, found that the level of public openness to risk during a crisis is highly dependent on the level of financial literacy.

Baker et al. [5] conducted a study of the relationship between financial literacy and demographics and bias behavior. The results showed that financial literacy is negatively related to the effects of disposition and behavioral bias.

Okello et al. [6] conducted a study of the relationship of financial literacy to financial inclusion of poor households. The results of his research found that financial literacy has a positive relationship with the financial inclusion of poor households.

Ramalho and Forte [9] conducted a study of the relationship between financial literacy with confidence. The results found that the level of financial literacy has a positive effect on behavior. Having a high level of knowledge related to finance enables one to be able to make good policies to save for the future.

Gathergood and Weber [10] researched the relationship between financial literacy and financial management of young households. The results showed that homeowners with low levels of financial literacy tended to have debts and were more likely to use alternative mortgage products.

Garg and Singh [11] analyzed the level of financial literacy among youth. The results of his research found that the level of youth financial literacy is deficient and has a very reciprocal relationship with financial attitudes and behavior.

Maulita and Mersa [13] conducted a study on the effect of financial literacy on students' financial management. The results found that there was a positive relationship between financial literacy and financial management.

Sari [14] conducted a study on reducing consumer behavior through financial literacy education through partnership programs with banks. The results of the study stated that financial literacy education in higher education could reduce consumer behavior for students.

## III. METHOD

The research analysts use a simple regression method. The data used are primary data collected through the distribution of questionnaires with an ordinal scale among students of the Faculty of Economics, Sriwijaya University. Total respondents are 40 with simple random sampling.

The variables used are independent variables measured by the level of financial literacy and the dependent variable

measured by consumptive behavior. The definition of financial literacy variable is to have knowledge and beliefs about financial service institutions and financial service products, including features, benefits and risks, rights, and obligations related to financial products and services. The variable of consumptive behavior is excessive, irrational purchase of goods and services and the aim of increasing social status.

**IV. RESULTS AND DISCUSSION**

**A. Statistical Description**

A student allowance is divided into three categories: under one million (a little), between 1 million and two million (moderate), and above two million (a lot). Based on the table. 1 (see appendix), there is 42.5 percent of the number of student respondents who have a small allowance, around 50 percent have a moderate allowance, and 7.5 percent have many allowances. Based on the table. 2 (see appendix) sex categories, 37.5 percent are male, and females are the majority.

Based on the table. 3 (see appendix), 76.47 percent of students who have a small allowance tends to make budget planning based on daily expenses, and 80 percent for students who have a moderate allowance. In the table. 4, shows that only 23.5 percent of students who have a small allowance and 40 percent have a moderate allowance have the perception that savings in banks provide benefits.

In the table. 5 ( see appendix); the majority of students have the perception that insurance is a protection program for insurance participants. In table. 6 (see appendix), it shows that most students have an understanding that the capital market is a means of funding. Table. 7 (see appendix), shows that about 70 percent of students who have small or moderate pocket money have perceptions that mutual funds are a means of investment for the community.

In table 8 (see appendix), 80 percent of men and 70 percent of women tend to have budget planning based on daily expenses. In table. 9 (see appendix), 73 percent of men and 72 percent of women have the perception that savings in banks can provide benefits. Table. 10 (see appendix), shows that the majority of men and women have a perception that insurance is a protection program for insurance participants. Table. 11 (see appendix), shows that most male and female students have an understanding that the capital market is a means of funding for the industry. Table. 12 (see appendix), shows that only 73 percent of male respondents and 60 percent of female respondents understand that mutual funds are an investment vehicle for the community.

In the table. 13 (see appendix), which is a tabulation of consumptive behavior based on the amount of pocket money ownership. Based on the table. 13 (see appendix), shows that the majority of respondents tend to shop as needed. However, the majority of respondents tend to shop for the same goods for different brands, as in the table. 14 (see appendix).

In the table. 15 (see appendix), which is consumptive behavior based on gender categories, where half the male respondents and 68 percent of women tend to shop based on pleasure. In the table. 16 (see appendix), shows that the majority of male and female respondents expressed their disapproval of shopping based on social status. In the table. 17 (see appendix), shows that the shopping behavior of the

majority of respondents is not affected by the advertising model. In the table. 18 (see appendix), shows that the majority of male and female respondents tend to shop for the same item with different brands. Likewise, giving shopping discounts does not affect the shopping behavior of male and female respondents, as shown in the table. 19 (see appendix).

**B. Regression Test Results and Discussion**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	4.173	.628		6.643	.000
Financial Literacy	.027	.164	.027	.167	.868

a. Dependent Variable: Consumptive Behavior

In the results of regression testing (table 20), the coefficient value is 0.027, and the significance level is higher than 0.05, which indicates that the financial literacy variable has no significant effect on student consumptive behavior. The results of this study differ from studies conducted by Sari [14], which found the influence of financial literacy on consumptive behavior.

It can be interpreted that the level of student understanding of finance will not affect them for shopping. Likewise, according to Ramalho and Forte [9] found that the level of individual financial literacy strongly influences consumers' discretion in shopping. However, the results of this study indicate that the level of financial literacy does not affect student discretion in shopping for goods. Based on student consumptive patterns, it was found that the majority of respondents tend to shop for goods based on pleasure and choose different brands for similar goods. However, the majority of student respondents tend to refuse purchases of goods to motivate social status improvement.

Based on the table. 21, the R Square figure of 0.001 indicates that the financial literacy variable explains consumptive behavior by 0.1 percent, and the rest is influenced by other variables.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.027 <sup>a</sup>	.001	-.026	.85770

a. Predictors: (Constant), Financial Literacy

When referring to the level of financial literacy, it is known that the majority of male and female students have an understanding of financial planning and investment functions. Likewise, pocket money is also dominated by students who have a monthly allowance of under two million Rupiah. For consumptive behavior, both gender students who have low or high pocket money, women or men tend to behave under consumer needs and buy

tremendous things. Students with low allowances have similarities with the consumer behavior of moderate monthly allowance students.

**V. CONCLUSION**

Based on the above study, small, moderate, or large allowances have the same tendency in consumptive behavior. The financial literacy aspect does not affect the consumptive behavior of university students. The consumptive behavior university students depend on the type of goods they like and can please them

**ACKNOWLEDGMENT**

This work has been supported by the Faculty of Economics Sriwijaya University Foundation and participant partners as enumerator M. Tri Mediansyah and Ibrahim.

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**APPENDIX**

Table 1  
Allowance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< Rp. 1.000.000	17	42.5	42.5
	Rp. 1.000.000 - Rp. 2.000.000	20	50.0	92.5
	> Rp. 2.000.000	3	7.5	100.0
	Total	40	100.0	100.0

Table 2  
Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	15	37.5	37.5
	Female	25	62.5	100.0
	Total	40	100.0	100.0

Table 3  
Allowance\* Financial Planning Based On Daily Spending

		Financial Planning Based On Daily Spending				Total
		Disagree	Neutral	Agree	Strongly Agree	
Allowance	< Rp. 1.000.000	0	4	7	6	17
	Rp. 1.000.000 - Rp. 2.000.000	1	3	13	3	20
	> Rp.	0	1	1	1	3

	2.000.000					
Total		1	8	21	10	40

**Table 4**  
Allowance \* Bank Savings Benefits

Allowance	Bank Savings Benefits	Bank Savings Benefits					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
< Rp. 1.000.000		1	1	11	4	0	17
Rp. 1.000.000 - Rp. 2.000.000		0	5	7	5	3	20
> Rp. 2.000.000		0	1	1	1	0	3
Total		1	7	19	10	3	40

**Table 5**  
Allowance \* Insurance Provides Protection for members

Allowance	Insurance Provides Protection for members	Insurance Provides Protection for members				Total
		Strongly Disagree	Neutral	Agree	Strongly Agree	
< Rp. 1.000.000		0	1	9	7	17
Rp. 1.000.000 - Rp. 2.000.000		1	1	10	8	20
> Rp. 2.000.000		0	0	2	1	3
Total		1	2	21	16	40

**Table 6**  
Allowance \* The capital market as a Means of Funding

Allowance	The capital market as a Means of Funding	The capital market as a Means of Funding				Total
		Disagree	Neutral	Agree	Strongly Agree	
< Rp. 1.000.000		0	3	12	2	17
Rp. 1.000.000 - Rp. 2.000.000		1	3	13	3	20
> Rp. 2.000.000		0	1	1	1	3
Total		1	7	26	6	40

**Table 7**  
Allowance \* Mutual funds are a means of investment for the community

Allowance	Mutual funds are a means of investment for the community	Mutual funds are a means of investment for the community				Total
		Disagree	Neutral	Agree	Strongly Agree	
< Rp. 1.000.000		0	6	11	0	17
Rp. 1.000.000 - Rp. 2.000.000		1	5	10	4	20
> Rp. 2.000.000		0	2	1	0	3
Total		1	13	22	4	40

**Table 8**  
Gender \* Financial Planning Based On Daily Spending

Gender	Financial Planning Based On Daily Spending	Financial Planning Based On Daily Spending				Total
		Disagr	Neu	Agr	Strongl	
Male		0	3	7	5	15
Female		1	4	12	6	25
Total		1	7	19	10	40

Gender		Gender * Bank Savings Benefits				Total
		Strongly Disagree	Disagree	Neutral	Agree	
Male		0	3	7	4	15
Female		1	4	12	6	25
Total		1	7	19	10	40

**Table 9**  
Gender \* Insurance Provides Protection for members

Gender		Insurance Provides Protection for members				Total
		Strongly Disagree	Neutral	Agree	Strongly Agree	
Male		1	1	7	6	15
Female		0	1	14	10	25
Total		1	2	21	16	40

**Table 10**  
Gender \* The capital market as a Means of Funding

Gender		The capital market as a Means of Funding				Total
		Disagree	Neutral	Agree	Strongly Agree	
Male		1	2	10	2	15
Female		0	5	16	4	25
Total		1	7	26	6	40

**Table 11**  
Gender \* Mutual funds are a means of investment for the community

Gender		Mutual funds are a means of investment for the community				Total
		Disagree	Neutral	Agree	Strongly Agree	
Male		0	4	9	2	15
Female		1	9	13	2	25
Total		1	13	22	4	40

**Table 12**  
Allowance \* Buy something for pleasure

Allowance	Buy something for pleasure	Buy something for pleasure				Total
		Strongly Disagree	Disagree	Neutral	Agree	
< Rp. 1.000.000		1	5	8	3	17
Rp. 1.000.000 - Rp. 2.000.000		1	7	11	1	20
> Rp. 2.000.000		0	1	2	0	3
Total		2	13	21	4	40

**Table 13**  
Allowance \* Buy similar items with different brands

Allowance	Buy similar items with different brands	Buy similar items with different brands			Total
		Neutral	Agree	Strongly Agree	
< Rp. 1.000.000		4	5	8	17

ce	Rp. 1.000.000 - Rp. 2.000.000	5	8	7	20
	> Rp. 2.000.000	1	1	1	3
Total		10	14	16	40

		Buy something for pleasure				Total
		Strongly Disagree	Disagree	Neutral	Agree	
Gender	Male	1	6	6	2	15
	Female	1	7	15	2	25
Total		2	13	21	4	40

		Buy goods because of social status					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Gender	Male	1	7	5	2	0	15
	Female	0	9	9	6	1	25
Total		1	16	14	8	1	40

		Buy goods because of the advertising model					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Gender	Male	2	4	6	2	1	15
	Female	1	10	7	5	2	25
Total		3	14	13	7	3	40

		Buy similar items with different brands			Total
		Neutral	Agree	Strongly Agree	
Gender	Male	3	6	6	15
	Female	7	8	10	25
Total		10	14	16	40

		Buy items because of a discount					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Gender	Male	2	2	6	4	1	15
	Female	1	6	9	6	3	25
Total		3	8	15	10	4	40