

The Influence of Financial Literacy, Parental Socialization, and Peer Influences on Saving Behavior

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ABSTRACT

The purpose of this study was to determine the effect of financial literacy, parental socialization, and peer influences on saving behavior. The sample selection method in this study uses convenience sampling with a sample of 316 respondents who are residents of DKI Jakarta who already have an income. The data analysis method used in this research is to use the smart partial least square (PLS) software version 3.00. The results of the data analysis conclude that there is a positive and significant influence between financial literacy, parental socialization, and peer influences on saving behavior.

Keywords: Financial Literacy, Parental Socialization, Peer Influences, and Saving Behavior.

1. RESEARCH INTRODUCTION

Economic growth is one of the macroeconomic indicators of concern for developing countries. Economic growth can depend on whether economic activity in a country is going well or vice versa. There are several ways to increase economic growth. One of them is to increase savings growth through official institutions, which are then collected to make various investment decisions [11]. The speed of economic growth from the ability to save, from high savings will result in investment growth, affect capital accumulation and consequently stimulate the economy [10]. The level of savings in society is influenced by the Saving Behavior of each individual in it. The behavior of maintaining the awareness of each individual towards his finances [10]. Saving Behavior has a relationship with Financial Literacy. Financial literacy helps individuals to make decisions about their finances and how to regulate their storage behavior [10]. Having a low level of financial literacy increases a person's likelihood of having financial problems later in life [5]. The higher an individual's Financial Literacy, the positive impact on his Saving Behavior [12].

In practice, Saving Behavior also has a relationship with Parental Socialization. In general, an adult person, individuals have a tendency to make decisions about their finances, and the decisions made by an individual are influenced by their parents, socialization from parents is one of the most powerful factors in influencing children's behavior in the future [13]. Someone who is taught how to manage their finances tends to save rather than consume [15]. The influence of parents is more effective when compared to the formal education received by an individual at school [1]. The frugal behavior carried out by an individual is something that is caused by the requirements and requests of his parents [4].

In addition to Financial Literacy and Parental Socialization. Peer Influence also has a relationship with an individual's Saving Behavior. Peers have a strong influence in influencing a person in making financial decisions, especially at a young age where an individual does not yet have a mature mindset [13]. Where in adolescence, a person still has a dependence on his status in the midst of his peers, this has resulted in an individual often having discussions about their financial problems with their peers. The frugal behavior of an individual is an encouragement that is influenced by his peers [3].

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Saving Behavior

Saving behavior is the awareness of each individual towards his finances [17]. Each individual has a different awareness of their finances so that everyone's saving behavior can be said. Saving behavior makes a person make a decision whether he will save, or choose not to save. And is a positive attitude, which includes self-restraint and honesty. And that consumption patterns in the community have an influence on saving behavior. Saving behavior requires an honest attitude and restraint. Individuals who are accustomed to saving since childhood will get used to it until adulthood [17].

Based on the above-mentioned definition, Savings Behavior can guarantee as a combination of future needs, saving, and actions in saving, which includes self-restraint and honesty.

2.2. Financial Literacy

Financial Literacy is defined as the ability to read, analyze, manage and communicate about the personal financial condition that affects the material well being [18]. Some previous literature argues that individuals who are not financially literate [19][20], gradually affect their finances, investments and retirement plans [21]. Financial literacy is an important aspect for someone in making decisions in their finances. Financial Literacy consists of knowledge regarding finance, attitude and behavior towards finance and to be financially literate is important to make a good financial decision. Then have a strong influence on their saving behavior. Having less knowledge of finance also increases the individual's financial burden of debt which is positively associated with an increase in the individual's financial burden of debt, and is positively associated with default on consumer credit [5]. Based on the explanation above, it can be concluded that financial literacy is an individual's understanding of finances, where good knowledge of finance helps individuals to carry out their financial planning carefully. The higher one's understanding of finances, the greater the possibility of achieving financial success.

2.3. Parental Socialization

Parental socialization is the cause for an individual to do certain things, based on what they learn from their parents [10]. Parental socialization is a way for parents to provide education for children's character development through various methods, which lead children to know the importance of saving. Parental socialization is important because a child's saving behavior is determined by the demands and requirements of his parents [4]. Parental socialization is how parents provide education about finances, in a family [16]. The socio-economic status of parents also has an influence on their role in raising children. The family as a place for children's growth and development and the role of parents as agents of socialization make the learning carried out by parents continue until the child becomes an adult. Parental socialization is how parents behave, because most of the behavior of a child is a reflection of the behavior of their parents [8]. From the definition that has been submitted, it can be said that parental socialization is how parents increase savings and learning for their children, using the parent's own learning method.

2.4. Peer Influences

Peer influence is the importance of the role of peers in planning savings for retirement. From the results of previous studies found factors that can predict the saving behavior of young people. From the study, it was explained that a group would be more likely to save their money if they were in a social environment with other individuals who were more mature, while for individuals who had association with their peers, it would tend to be

more difficult to save [3]. Peer influence is the role of peers as agents of socialization other than parents. When growing up, a child will be more likely to be creative with their peers than with their parents [13]. Peer influence is the influence of peers on individuals. Individuals who have a peer environment with good academic levels tend to be more patient in saving behavior [4]. From the definition that has been given, can guarantee that peer influence is the influence of friends as agents of socialization of individuals other than parents, which can influence individuals in their storage and their financial orientation in the future.

2.5. The Impact of Financial Literacy on Saving Behavior

There is a positive influence of Financial Literacy on Saving Behavior [2][6][10][18]. The higher a person's knowledge of finance, the higher their chances of saving, because they have the ability to develop savings [9]. Financial education should be instilled from an early age so that when individuals grow into adults, they already have adequate knowledge of finances and can plan their finances well [9]. Based on these results, the first hypothesis the researchers want to propose in this study was:

H₁: Financial Literacy has a positive impact on Saving Behavior.

2.6. The Impact of Parental Socialization on Saving Behavior

Parental Socialization variable has a significant influence on Saving Behavior [18][10][9]. In this study, it was also found that when a child does not get an education about good finances in his family, the child will tend not to be able to manage his personal finances well, which will ultimately have an impact on the child's saving behavior. Parents as primary socialization agents have an important role in educating children and providing good behavioral examples for the behavior of each individual. Based on previous research that has been stated above, the researchers wanted to propose the following hypothesis:

H₂: Parental Socialization has a positive effect on Saving Behavior.

2.7. The Impact of Peer Influences on Saving Behavior

There is a positive influence of Peer Influence on Saving Behavior [23][18]. In this study, it was found that the influence given by the peer environment affects the consumption of each individual and the individual's decision to save. Peers have an influence in increasing the saving motivation of the individual [24]. Based on previous research that has been stated above, the

researcher wants to propose a hypothesis as follow: **H₃: Peer Influences has a positive effect on Saving Behavior.**

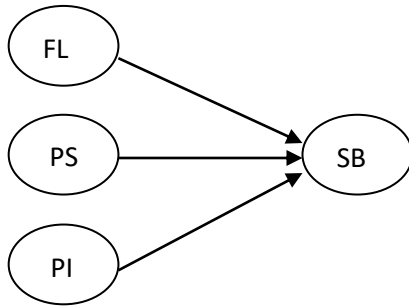


Figure 1. Research Model

3. RESEARCH METHODOLOGY

The population in this study are residents of DKI Jakarta who already have income. The technique used in the selection of this research sample is the convenience sampling technique and obtained a sample of 316 respondents who are in DKI Jakarta. Sample collection was assisted with the help of google forms which were distributed online. . The data analysis method used in this research is to use the smart partial least square (PLS) software version 3.00. Structural Equation Modeling is a multivariate statistical technique and is a combination of factor analysis with regression analysis (correlation),

which aims to examine the relationship between variables contained in a model, either the relationship between indicators and their constructs, or the relationship between constructs SEM modeling allows to answer research questions that are regressive or dimensional. SEM is divided into two models, namely the measurement model (outer model analysis) and the structural inner model analysis model. In this study the validity and reliability of the model will be tested. After the research model meets the requirements of the measurement model test (outer model analysis), the structural model analysis (inner model analysis) will then be carried out. In research that uses PLS-SEM, hypothesis testing is done by looking at the t-statistic value of the independent sample.

4. RESULTS AND DISCUSSIONS

Validity and Reliability. The validity test of this study was conducted by looking at the values of convergent validity and discriminant validity. Convergent validity is the extent to which indicators in the same construct are positively correlated. Convergent validity can be done by calculating the value of the outer loading factor of each indicator and the value of the average variance extract (AVE). Furthermore, the inner-model assessment could only be conducted if all of the criteria set or determined in the outer-model assessment had been fulfilled. The results of the outer-model assessment were presented on Table 1, Table 2, and Table 3 respectively.

Tabel 1. Outer Model Assessment – Convergent Validity

Indicators	Variable	Factor Loadings	AVE	Cut-Off Value
SB ₁	Saving Behavior	0.755	0.512	≥ 0.50
SB ₂		0.665		
SB ₃		0.784		
SB ₄		0.649		
FL ₁	Financial Literacy	0.786	0.599	≥ 0.50
FL ₂		0.777		
FL ₃		0.745		
FL ₄		0.787		
PS ₁	Parental Socialization	0.722	0.508	≥ 0.50
PS ₂		0.729		
PS ₃		0.621		
PS ₄		0.771		
PI ₁	Peer Influences	0.809	0.641	≥ 0.50
PI ₂		0.838		
PI ₃		0.853		
PI ₄		0.833		
PI ₅		0.651		

Source: The Result of Data Analysis using Smart PLS

Tabel 2. Outer Model Assessment – Discriminant Validity

Variable	Financial Literacy	Parental Socialization	Peer Influences	Saving Behavior
Financial Literacy	0.774			
Parental Socialization	0.679	0.719		
Peer Influences	0.527	0.596	0.800	
Saving Behavior	0.673	0.593	0.494	0.716

Source: The Result of Data Analysis using Smart PLS

Tabel 3. Outer Model Assessment – Reliability Analysis

Variabel	Cronbach's Alpha	Composite Reliability	Conclusion
Saving Behavior	0.681	0.807	Reliable
Financial Literacy	0.777	0.857	Reliable
Parental Socialization	0.675	0.804	Reliable
Peer Influences	0.857	0.898	Reliable

Source: The Result of Data Analysis using Smart PLS

Table 1 above show the loading factor value and the AVE of each indicator in each of the variables studied. The loading factor value obtained shows a value above 0.5 which means it meets the criteria of convergent validity. the AVE value of each variable that is greater than 0.5, which means it meets one of the criteria of convergent validity. Table 2 above shows the results of the value of

the AVE root of each variable squared from a variable construct that is greater than the value of the construct of the other variables so that it can be stated that the criteria for discriminant validity are met. Table 3 shows that the value of composite reliability and Cronbach's alpha for all variables is above 0.6, then the variables studied can be stated as reliable variables.

Tabel 4. R-Squared Results

Variable	R-Squared	Conclusion
<i>Saving Behavior</i>	0.498	Substantial Effect

Source: The Result of Data Analysis using Smart PLS

Tabel 5. Predictive Relevance Results

Variable	Predictive Relevance (Q ²)	Conclusion
<i>Saving Behavior</i>	0.247	The Variable could Well-Predicted the Model

Source: The Result of Data Analysis using Smart PLS

Tabel 6. Hypotheses Testing Results

	Hypotheses	t-Statistics	Conclusion
H ₁	Financial Literacy has a positive impact on Saving Behavior	7.845	Hypothesis was Supported
H ₂	Parental Socialization has a positive impact on Saving Behavior	3.088	Hypothesis was Supported
H ₃	Peer Influences has a positive impact on Saving Behavior	2.037	Hypothesis was Supported

Source: The Result of Data Analysis using Smart PLS

The coefficient of determination is used to measure how much the independent variable affects the dependent latent variable. In this study, the coefficient of determination is used to measure how much Financial Literacy, Parental Socialization, and Peer Influence can affect saving behavior. In table 4, the R Square value is 0.498, meaning that 49.8% of the dependent variable, namely saving behavior can be explained by the variables contained in

this study, namely Financial Literacy, Parental Socialization, and Peer Influences, the remaining 50.2% is explained by other variables that are outside this research. Table 5 shows the results of Predictive Relevance (Q²) of 0.247, this shows that the research model has predictive relevance and variables that can be assessed as good because they have a predictive relevance value greater than 0 (zero). The test results of the first hypothesis (H1) show

that there is a positive influence of financial literacy on saving behavior. This can be seen from the t-statistics value of financial literacy on saving behavior of 7.845, where this value is greater than the minimum value of 1.96, and the value of p-values is 0.000, this value is smaller than 0.05. This means that the better financial literacy a person has, the better the saving behavior of that person will be. In this study, a person's Financial Literacy tends to be high because they understand how to invest in their income and gain adequate knowledge about financial instruments. The test results of the second hypothesis (H2) show that there is a positive influence of parental socialization on saving behavior. This can be seen from the t-statistics value of Parental Socialization on saving behavior of 3,088, where this value is greater than the minimum value of 1.96, and the value of p-values is 0.002, this value is smaller than 0.05. This means that the greater the influence of parental socialization, the better the saving behavior of the person will be. In this study, parental socialization has a high tendency, this is due to the large number of respondents who agree that their parents are a good example for them to manage finances, the respondents also agree that they also appreciate it when their parents advise on what to do. they do with their finances. The test results of the third hypothesis (H3) show that there is a positive influence of peer influences on saving behavior. This can be seen from the t-statistics value of peer influences on saving behavior of 2.037, where this value is greater than the minimum value of 1.96, and the value of p-values is 0.042, this value is smaller than 0.05. This means that the greater the influence of Peer Influences, the better the saving behavior of that person will be. In this study, Peer Influences have a high tendency, this is caused by the influence of their peers in daily interactions which results in changes in their saving behavior.

5. CONCLUSIONS AND IMPLICATIONS

The conclusion of this study, the three independent variables studied have a positive and significant relationship to saving behavior. Parental socialization is the main thing in children's growth and development, so children tend to imitate their parents' behavior, including saving behavior. Peers are also agents of socialization other than parents who have a role in influencing individual saving behavior. The more mature a person is, the more mature he is in making decisions related to his finances. the better a person's financial literacy, the more likely the individual is to obtain financial success, while the smaller the level of financial literacy, the greater the risk of the individual experiencing financial difficulties.

6. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Some of the limitations of this study are, due to time and cost limitations, the number of respondents from this study is relatively limited so that it is considered not fully representative of the population. This study only focuses on three independent variables, namely Financial Literacy, Parental Socialization, and Peer Influences. From the results of the research that has been done, several suggestions can be described. First, for further researchers, it is recommended to expand the coverage area when taking samples. And it is recommended to increase the sample by increasing the number of respondents, so that the results of the research can be more accurate and relevant. Besides that, it is recommended to use other independent variables such as Self Control, Parental Educational Background, Parental Financial Teaching, Education Program, Family Background, Subjective Norm, and Financial Attitudes. For the DKI Jakarta Provincial Government is advised to collaborate with academics and financial companies to provide counseling on financial management so that people have high financial literacy and good saving behavior. And for the community, especially parents, it is recommended to teach children about saving activities since the child is still small so that good saving behavior can be formed in the child.

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