# The Role of Financial Behavior in Shaping the Sustainability of Financial Satisfaction Among Millennials in Jakarta

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**ABSTRACT**
This research is intended to analyze the effect of financial knowledge, financial attitude and financial socialization towards financial satisfaction with financial behavior mediating the relations in respect to the 12th Sustainable Development Goals (SDGs), responsible consumption. The sample for this research are young millennials aged 17-26 living in Jakarta. Cluster sampling method was used to collect 255 respondents by way of spreading questionnaires using Google forms through online channels such as social media. The data processing technique used is structural equation modelling utilizing the SmartPLS.3.2.9 program. The result of this study reveals that millennials in Jakarta lacks financial knowledge resulting in poor financial behavior. This research also indicates that financial knowledge no longer pioneers the creation of favourable financial behavior; but rather, it is financial socialization that plays a huge role in shaping millennials financial behavior which in turn significantly influences their financial satisfaction.

***Keywords:*** *Financial Knowledge, Financial Socialization, Financial Attitude, Financial Satisfaction, Financial Behavior*

## 1. INTRODUCTION

The Covid-19 pandemic has had a devastating effect on the global economy. Various policies to overcome the spread of this virus were carried out by stopping the operational activities of various large industries that hurt economic growth. This situation pushed Indonesia's economic performance into a recession at the end of the third quarter of 2020 so those mass layoffs occurred, the majority experienced by millennials. Thus, the recession disrupts the welfare of millennials, even those aged 17-26 years are threatened with unemployment after graduation and are trapped in the worst unemployment conditions in the last 80 years. This situation leads to limited sources of income so that they are at risk of default, not having investments or savings. However, this generation is accustomed to consumption so that in an unstable economic situation, millennials need to understand responsible consumption patterns to support the sustainability of their financial capabilities.

This aspect is not something new where the United Nations Sustainable Development Goals (SDGs) since 2016 have emphasized that responsible consumption departs from the consumer's perspective as a commitment to consume goods or services by considering their effect on the quality of life to strengthen economic competitiveness and reduce poverty. In line with [1] that someone who applies responsible consumption tends to form financial satisfaction because this satisfaction is achieved when a person's needs are met materially so that they can buy products or services that can ultimately provide satisfaction for themselves. Millennials need to understand the mindset of financial satisfaction as well as the government's commitment to realizing sustainable financial between the current generation and future generations. Thinking on this issue has relevance to the responsible consumption and overcoming the gap in the achievement of welfare between generations.

The mechanism can be built through several aspects but the most important is financial behavior among millennials. The formation of behavior will affect financial satisfaction. A study by [2] defined financial behavior as the ability of individuals to manage their finances to be successful in life while [3] pointed the money management habits. Moreover, [4] stated as budgeting, saving, or timely payment. Based on these statements, financial behavior is a good habit that is owned by individuals in managing finances which creates a sense of satisfaction in fulfilling their financial needs. Behavior has a role in fostering satisfaction so this study points to the mediation effect on financial behavior. Many factors influence financial behavior e.g., financial knowledge, financial attitude, and financial socialization [2][5][6].

 

Financial knowledge is defined as the basic understanding of financial concepts by [2]. Based on [4] it is familiarity with basic financial terms and concepts which are needed to function daily in society. Furthermore, [7] defines it as a particular type of capital acquired in life through learning the ability to manage income, expenditure, and savings safely. Based on these statements, financial knowledge is the understanding of fundamental financial concepts acquired through education, learning, and experience in managing income, expenses, and savings in such a way that it benefits the individual. The influence of financial knowledge on financial behavior can be explained by the theory of financial literature by [8], which states that understanding financial concepts will reflect greatly on one's money management behaviors.

Furthermore, financial attitude is defined by [6] as a state of mind, opinion, and judgment regarding finance, [6] also states that financial attitude is a psychological tendency that is expressed when evaluating financial management practice that is recommended by the level of deal or no deal. According to [7] financial attitude is a combination of concepts, information, and emotions that results in a readiness to react favorably. Based on these statements, financial attitude can be defined as a psychological tendency in judgments and opinions regarding financial matters that prepares individuals to act in ways that benefit the individual. The influence of financial attitude on financial behavior can be explained by the theory of planned behavior [9], which states that one's intentions are the root of their behavior. Hence, financial attitude forms the intentions which push one's behavior to form.

Financial socialization is defined by [2] as the process by which young individuals obtain the attitude, knowledge, and behavior which contributes to their well-being. Moreover [3], financial socialization is the process of acquiring knowledge, skills, attitudes, and beliefs about money. Based on these statements, financial socialization can be defined as the process of acquiring knowledge, information, attitudes, and behaviors regarding money obtained from an individual's community and society. The influence of financial socialization on financial behavior can be explained by the theory of consumer socialization by [10], which states that behavior is often adopted from one's society or so-called socialization agents such as parents, family members, friends, and peers.

The point of the study hypothesizes the role of financial behavior in mediating the link of some factors above toward financial satisfaction. This mechanism is important thinking to prepare the education and opportunity for millennials. Aligning with psychology approaches, the three constructs have a closed relationship toward behavior and satisfaction. Some prior studies such as [4][5][7][11][12] stated the significant positive relationship between financial knowledge and financial behavior. On the other side, it has a positive impact on satisfaction e.g., [2][12][13]. Based on these impacts, financial knowledge is an antecedent of financial behavior so millennials must understand financial concepts sufficient enough to support their financial satisfaction.

A further consideration relates with an attitude whereas the theory of planned behavior (TPB) stated that attitude is an antecedent of intention which can shape the behavior. Generally, the person's behavior will be affected by attitude so it is an important factor for understanding the financial behavior among young adults. It is proven by [4][5][7][11][14]. Besides that, the financial attitude has a positive effect on satisfaction [6]. Based on these reasons, the study places attitude as a determinant of behavior so that will be direct shape the financial satisfaction.

The thinking of well-being must be an important factor in shaping financial behavior among young adults. Aligning with a socially inclusive approach, financial literation is an important aspect of informing financial behavior. Hence, financial socialization is a process of gaining knowledge, skills, attitudes, and behavior towards money from the surrounding environment [3] so that it can have a positive effect on behavior. In line with the previous pattern, financial socialization is ensured to affect their satisfaction with financial fulfilment. It is suitable with studies such as [2][13][14].

This model emphasizes the potential of the formation of respect for responsible consumption among millennials. In line with the pattern of relationships in the research model, it is expected to form the ability or habits for the millennial generation in managing their finances or money well. Along with the knowledge, attitude and financial socialization can encourage the ability to manage finances so that they can pursue expectations of income, be able to take action in financial emergencies, and be able to meet their primary needs. Continuity in carrying out this mechanism will help realize sustainable prosperity for millennials to reduce the gap between generations in meeting their financial needs. Lastly the results of this study serve as suggestions for educational institutions in transferring financial literacy to students while for financial services authorities in preparing financial regulations that support the millennial segment.

## 2. RESEARCH METHOD

This research is divided into several stages. **Firstly**, the population of this research are millennials aged 16-26 living in Jakarta, Indonesia. This group has been selected since most of them are financially struggling as a result of the pandemic. Cluster sampling method has been chosen to gather 255 respondents. 64% of respondents are women and 36% are men. Figure 1 shows that as many as 78% of respondents has received higher education or are currently in university, the latter is the majority; meanwhile the remaining 22% are still in high school.

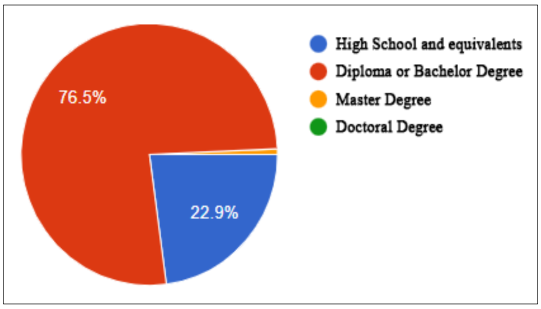


**Figure 1** Percentage of Respondents Based on Education

However, more than half of the respondent shows high spending behavior, where over 53% of respondents spend between Rp 1.000.000 to Rp 5.000.000 every month, but the majority are unemployed (58%), runs their own small business (20%) or simply works as a part timer (13%) as shown in figure 2. This indicates that millennials in Jakarta are spending as much as their income and some even more than they earn, which is not in line with the concept of responsible consumption.

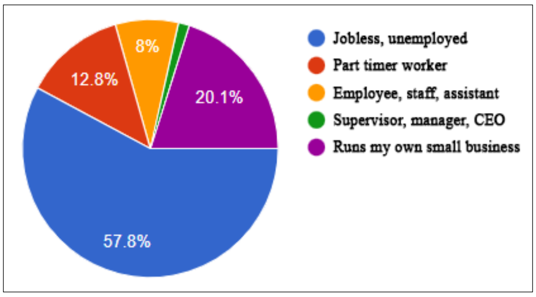


**Figure 2** Percentage of Respondents Based on Occupation or Employment Status

**Secondly**, the research model consists of three independent variables such as financial knowledge, financial attitude and financial socialization while the financial behavior is placed as a mediating variable. Moreover, the financial satisfaction is as dependent variable. All variables are measured using 5 indicators each so totally 25 items. The developing instruments are as follows: financial satisfaction [2],[13], financial behavior [5],[7], financial knowledge [2],[5], financial attitude [5], and financial socialization [12].

**Thirdly,** all indicators have four latent variables developed into a questioner with an ordinal scale, meanwhile financial knowledge uses a dichotomous scale using a true (1) or false (0) statement. Questionnaire is distributed using google forms. Validity test adhere to convergent validity and discriminant validity while reliability test follows the composite reliability.

**Fourthly,** cohering to past researches, a model is designed to highlight the direct influence of financial knowledge, financial attitude and financial socialization towards financial behavior as well as the influence of indirect influence of the three independent variables towards financial satisfaction. Therefore, financial behavior plays a mediating role in realizing financial satisfaction, so that in the analysis it will be identified as full mediation or part mediation. Thus, the formulated hypotheses are as follow:

- H1: Financial knowledge negatively influences on financial satisfaction
- H2: Financial knowledge postively influences financial on behavior
- H3: Financial attitude positvely influences on financial satisfaction.
- H4: Financial attitude positvely influences on financial behavior
- H5: Financial socialization positvely influences on financial satisfaction
- H6: Financial socialization positvely influences on financial behavior
- H7: Financial behavior positvely influences on financial satisfaction
- H8: Financial behavior mediates the relationship between financial knowledge and financial satisfaction
- H9: Financial behavior mediates the relationship between financial attitude and financial satisfaction
- H10: Financial behavior mediates the relationship between financial socialization and financial satisfaction

**Lastly,** hypotheses are tested using a structural equation model regression approach using Smart-PLS 3.2.9 software with a significance level of 5%. Results of this study serve as a suggestion for educational institutions in transferring financial literacy to students while for financial services authorities in preparing financial regulations that supports the millennial segment.

## 3. RESULTS

Based on the result of running the data is shown as follows. Table 1 shows that each variable has the highest correlation with itself than any other variables fulfilling the convergent validity; also, each variable has an AVE higher than 0.5. Moreover, Figure 3 depicts the outer model, which shows that the loading factors have met the required minimum 0.5 fulfilling the requirement of convergent validity. Figure 3 also shows that only one out of five indicators is able to measure financial knowledge, this hints that the respondent's financial knowledge is suspected to be low. Hence, explaining the inconsistency in answering the true false statements used to measure financial knowledge. Table 1 shows that all composite reliability is higher than 0.7. This model has been proven to be valid and reliable.

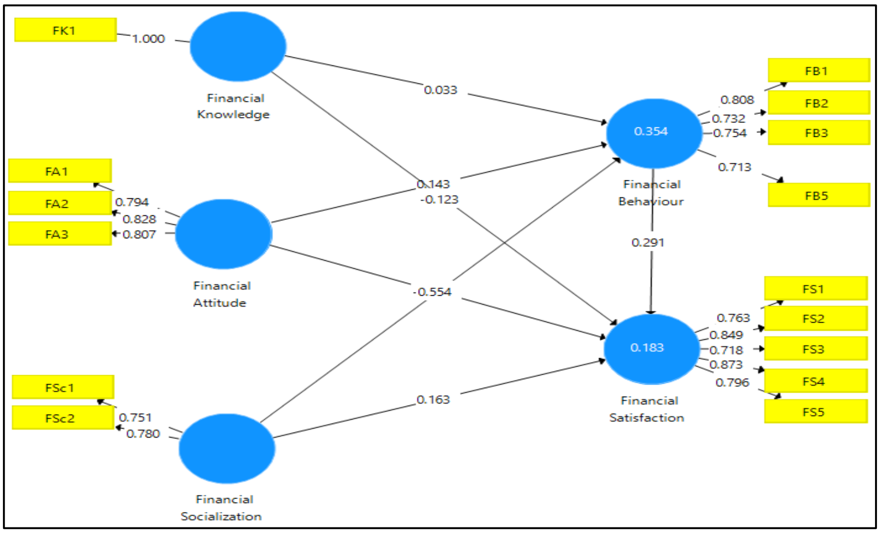


**Figure 3** Outer Model Specification

**Table 1** Validity & Reliability Results

| **Construct** | **Fornell-Lacker** | | | | | **Composite Reliability** | **AVE** |
|---|---|---|---|---|---|---|---|
| | **Financial Attitude** | **Financial Behavior** | **Financial Knowledge** | **Financial Satisfaction** | **Financial Socialization** | | |
| Financial Attitude | 0.809 | | | | | 0.851 | 0.655 |
| Financial Behavior | 0.232 | 0.753 | | | | 0.839 | 0.566 |
| Financial Knowledge | 0.113 | 0.05 | 1 | | | 1.000 | 1.000 |
| Financial Satisfaction | -0.111 | 0.334 | -0.13 | 0.802 | | 0.899 | 0.643 |
| Financial Socialization | 0.155 | 0.576 | 0.001 | 0.301 | 0.765 | 0.851 | 0.655 |

**Table 2** Bootstrapping Results

| **Hypothesis** | **Path Coefficients** | **t-Statistics** | **p-Values** |
|---|---|---|---|
| Ha1 | -0.123 | 2.188 | 0.029 |
| Ha2 | 0.033 | 0.655 | 0.513 |
| Ha3 | -0.190 | 3.771 | 0.000 |
| Ha4 | 0.143 | 2.970 | 0.003 |
| Ha5 | 0.163 | 1.977 | 0.049 |
| Ha6 | 0.554 | 10.223 | 0.000 |
| Ha7 | 0.291 | 3.686 | 0.000 |
| Ha8 | -0.042 | 0.613 | 0.540 |
| Ha9 | 0.044 | 2.531 | 0.012 |
| Ha10 | 0.148 | 3.139 | 0.002 |

In order to determine the direction and significance of each variable, bootstrapping is done to show the path coefficients which indicates the direction and p-values which specifies how significant the influence is as seen in Table 2.

The result shows that financial knowledge significantly influence financial satisfaction (p-value: 0.029; $p < 0.05$) but is not significant towards financial behavior (p-value: 0.513; $p > 0.05$), therefore accepting the first hypothesis (Ha1) and rejecting the second hypothesis (Ha2). Financial attitude very significantly influences both financial satisfaction (p-value: 0.000; $p < 0.01$) and financial behavior (p-value: 0.003, $p < 0.01$), accepting both hypothesis three (Ha3) and four (Ha4). Financial socialization significantly influences financial satisfaction (p-value: 0.049; $p < 0.05$) accepting the fifth hypothesis (Ha5). However, financial socialization has a more powerful influence towards financial behavior (p-value: 0.000; $p < 0.01$) than financial satisfaction. Financial behavior itself is found to be the best predictor of financial satisfaction (coefficient: 0.291; p-value: 0.000) compared to other variables, having the largest path coefficient among hypothesis one (coefficient: -0.123), three (coefficient: 0.190) and five (coefficient: 0.163). Next, we look into the ability of financial behavior to mediate the effects of financial knowledge, financial attitude and financial socialization to financial satisfaction. As seen in Table 2, hypothesis eight (Ha8) has been rejected (p-value: 0.540; $p > 0.05$), this indicates that financial behavior does not create a significant influence in mediating financial knowledge towards financial satisfaction. We will get into this deeper in the discussion section. Hypothesis nine (Ha9) and ten (Ha10) has been accepted ($p < 0.05$) which shows that there is a significant indirect influence between financial attitude and financial socialization towards financial satisfaction when mediated by financial behavior.

## 4. DISCUSSION

Financial knowledge is empirically proven to significantly decrease the financial satisfaction among millennials in Jakarta. This result is in line with [12] whose respondents are from Bekasi. This confirms that understanding financial concepts simply makes one realize how far from satisfactory their current financial situation is, which consequently reduces their financial satisfaction.

Financial knowledge positively influences financial behavior however, its effect is insignificant with a p-value of 0.513. Though this contradicts previous findings by [7] who conducted research in a developed country like Brazil, there is a possibility that young millennials in Jakarta lacks the confidence as to where and how to start investing their savings despite understanding fundamental financial concepts. Additionally, unlike a previous study by [4] whose respondents are fully university students in Turkey, 22% of our respondents are high school students. Hence why young millennials in Jakarta may not have received sufficient financial knowledge to create the confidence required to significantly impact their financial behavior.

Financial attitude is empirically proven to directly decrease one's financial satisfaction. This contradicts a previous study from [6] who also conducted research in Jakarta whose respondents are employees and entrepreneurs with fixed income. Whereas, in this research 57% of respondents are unemployed, jobless and young. This distinction suggest that millennials are aware of what they should do to achieve financial satisfaction but lacks the income as well as the discipline which grows with age to execute it. Hence, a more objective financial attitude will make one judge themselves more harshly making them feel disappointed at themselves.

On the other hand, financial attitude significantly influences a better financial behavior. This conclusion is most reasonably and is in congruence with the theory of planned behavior which explains that in order for a behavior to form, one must already have the intention to perform such behavior. It is in line with TPB, [15] this mechanism also relates with psychological aspects including other behavioral cases such as in shaping of entrepreneurial intention among adults and aligns with financial sustainability issues.

Further, moving on to the next variable, a supportive financial socialization is seen to directly increase financial satisfaction with a p-value of 0.049. This is very likely because such environment makes one sets more realistic and achievable financial goals. Moreover, a nurturing financial socialization also significantly creates better financial behavior as young individuals tend to follow as well as heed advice from their friends, family and colleagues in overcoming financial challenges. According to [9] even though family is found to be one of the best socialization agents, it is very likely for other agents to have impact on one's behavior. In fact, financial socialization influences financial behavior most significantly compared to other independent variables in this model. Such results are in congruence with previous findings by [2] who studied in India, whose respondents are Indian citizens old enough to have their own household and had savings in several instruments. This proofs that financial socialization goes beyond parents but to friends and spouses too.

Financial behavior is empirically proven to directly increase financial satisfaction. When mediating financial attitude, financial behavior is able to reverse the direction of its influence towards financial satisfaction from negative to positive. When mediating financial socialization, there is a significant and positive impact towards financial satisfaction. However, when mediating financial knowledge, it is not significant ($p > 0.05$). It is also seen that the indirect influence has a far smaller negative (coefficient: -0.042) than the direct influence of financial knowledge towards financial satisfaction (coefficient: -0.123). This indicates that the financial behavior of millennials in Jakarta aren't good enough to reverse the direct influence of financial knowledge towards financial satisfaction. This further proof that millennials do struggle to save up their income and invest them despite having sufficient education. Therefore, we can conclude that millennials in Jakarta indeed do not practice responsible consumption. Their current way of spending, saving and investing will not be able to sustain their short-lived financial satisfaction or lack thereof. If this irresponsible consumptive behavior is maintained, as a generation caught up in the middle of mass unemployment and low-income rates due to the pandemic, millennials will continue to gradually worsen their financial condition and severely increase poverty.

## 5. CONCLUSION

The purpose of this research is to reveal the level of responsible consumption of millennials aged 16-26 in Jakarta by analyzing the level of their financial satisfaction and its predictors. Though millennials are well aware of the importance to save money and invest their savings, millennials are divided into two segments: those who earn enough income to have savings and those who do not earn enough to have savings.

For the first segment, these millennials are well educated enough to earn sufficient amount of income to amass some savings. However, they lack the confidence to invest their savings and lacks the ability to maintain the consistency required to yield the desired returns and therefore fails to create a sustainable financial satisfaction.

For the second segment, these millennials spends as much as they earn and lacks the financial knowledge to perform favorable financial behavior, hence they fail to save up to elevate their financial satisfaction.

The essence of irresponsible consumption is present in both segments shown by their disappointing financial satisfaction. Additionally, based on respondent demographics, 70% of respondents have little to no income, only 43% spends less than IDR 1.000.000 while another 42% actually spends between IDR 1.000.000 to IDR

3.000.000. This further confirms that millennials are irresponsibly consuming goods and services.
In conclusion, financial attitude and financial knowledge no longer pioneers the creation of favorable financial behavior, at least not for millennials in Jakarta. Rather, it is financial socialization that plays a huge role in shaping millennial financial behavior which in turn significantly influences their financial satisfaction.
Financial socialization derives from a multitude of socialization agents, some of the most influential ones include family and friends. Family no doubt influences how one spends and saves their money and has been proven to have a long-lasting effect [12]. So, it is safe to say that millennials who impulsively spends their money, most likely receive poor financial socialization from their parents. However, as millennials begin to enter adulthood, they too begin to take charge of their own financial decisions and therefore are introduced to new socialization agents such as friends, peer groups and communities. Thus, providing an opportunity for these millennials to adopt a better and more advantageous financial behavior. This method is in line with the theory of consumer socialization which states that behavior is easily adopted from one's surroundings especially during adolescent.
Therefore, to ensure that these millennials grow up feeling financially satisfied, educational institutions must be able to encourage a nurturing environment for their students with the objective of shaping favorable financial behavior. This objective can be achieved by forming student communities focusing on how to save and invest properly. Such communities must be able to guide students in practicing favorable financial behavior and gather like-minded students to practice together and support each other. Moreover, these communities must not be exclusive to economy students only, but rather open its doors to students from other faculties who are more likely to not receive adequate financial education. Through the education can literate young adults in understanding their financial behavior so that it will help millennials in matching with the one of the goals of sustainable development to be responsible consumption and production in the future.
Though this research has been conducted with as much precision and accuracy as time constraints allow, there remains to be several limitations to this study. Firstly, this research studies millennials in Jakarta city and hence may not be generalized to other geographic regions. Secondly, this research studies respondents aged 16-26 years old in order to highlight the impact of the pandemic on those whose career will likely be affected, which are university students, recent graduates and entry-level workers. However, this range of age are often debated to be either millennial or generation z, some informally calls them "zillennials". Thus, results may reflect not only millennials but also a glimpse of generation z.
Future research may consider identifying more specifically which socialization agents has the largest influence on the financial behavior of both millennials and generation z in a more separate fashion.

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