Family Financial Socialization and Financial Behavior on the Covid-19 Perspective

The Mediating Role of Self-efficacy

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Abstract. The Covid-19 pandemic has had a very high impact on students' monthly expenses. This is indicated by a decrease in pocket money, changes in the source of pocket money income, and a significant change in student spending. This study investigates the effect of family financial socialization on financial behavior mediated by self-efficacy. The survey was conducted online to 157 private and public undergraduate and postgraduate students in Indonesia, including questions about demographics, family financial socialization, financial behavior, and self-efficacy. The research model consists of three hypotheses tested using structural equation modeling. The results show that family financial socialization has a positive effect on financial behavior directly. Family financial socialization has a positive effect on financial behavior indirectly through self-efficacy.

Keywords: family financial socialization · financial behavior · self-efficacy · the Covid-19 pandemic

1 Introduction

Most students started managing their finances for the first time without supervision from their parents, namely during the university period [1]. Students must be able to independently manage their finances effectively and be responsible for their decisions. The phenomenon related to students' financial problems is that they do not have income; the source of student acceptance still depends on their parents [2].

In addition, the attitude of being easily influenced by the surrounding environment and the development of social media in the fashion and culinary fields have led to the emergence of irrational consumptive attitudes among students [3, 4]. From an early age, students, as the younger generation, must know about personal finance [5]. One example of major changes that occur in students is managing personal finances. This management can be seen when students open bank accounts in their names and are involved in borrowing and paying off a certain amount of money.

The condition of student uncertainty caused by Covid-19 disrupts student's financial management [3, 4]. Moreover, the Covid-19 pandemic gives experience regarding the urgency of parental direction regarding finances to achieve economic welfare. Family

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financial socialization provides standards and knowledge about finance that can contribute to the welfare [6]. The role of the family is very important in this process. Some of the methods used for socialization include discussions and concrete actions to solve financial problems that are free but bound by family. Families, especially parents, will provide some financial experience to children to avoid financial risks that occur in the future [2, 6].

This study aims to investigate the effect of family financial socialization on financial behavior, either directly or indirectly, through self-efficacy during the Covid-19 period. Major student changes during college become a very important aspect of financial studies, especially financial behavior [7]. There are still very few systematic studies linking family financial socialization and self-efficacy to financial behavior, especially in uncertain times like the current Covid-19 condition.

The structure of this paper consists of several parts: Sect. 1 introduction and research background. Section 2 theoretical foundation. Section 3 Research methods used in the study. The last section is the analysis of the results and discussion.

2 Literature Review

2.1 Experiential Learning Theory (ELT)

Experiential Learning Theory (ELT) is a process of transforming experience into knowledge. The transformation process requires learning and development that is formed from several aspects: concrete experience, conceptual, reflective, and active experimentation [6, 8].

Concrete experiences occur when students think about decisions that have an impact on the success (failure) of a goal. For example, when making a loan to an institution such as a bank or credit card [2, 9]. This decision has consequences that have an impact on financial management so that they can still pay off. The experience gained in the past conditions of the students themselves can be called from internal parties.

The conceptual stage is an experience that involves external parties such as family or formal education that provides direction for making decisions on alternative choices [10, 11]. The reflective stage can occur because there is no direct interaction, but it is still within the range of observations and lessons from parents' experience [12]. Finally, the active experimental stage can be realized if the financial knowledge gained is implemented through practice.

2.2 Covid-19 Perspective and Student's Financial Management

Financial socialization in the family occurs from the communication process of the family (parents) regarding financial problems to their children. They have several financial topics to discuss. They consider children to be skilled consumers. Important aspects of socialization are parenting styles and family communication [2, 9]. The traditional structure of the family serves as a strong network in ensuring the family's economic well-being.

In Indonesia, the universal social security system is still rare to implement. The existence of a family is a must and an inexpensive guarantee [5]. The investment provided is knowledge about personal savings that children can apply wherever and whenever. This argument is in accordance with the theory of consumer socialization, namely the occurrence of learning as a result of family communication [1, 6]. At first, communication affects learning outcomes, becoming financial attitudes and financial behavior.

2.3 Family Financial Socialization and Financial Behavior

Financial socialization in the family occurs from the communication process of the family (parents) regarding financial problems to their children. They have several financial topics to discuss [5, 7, 13]. They consider children to be skilled consumers. Important aspects related to socialization are parenting styles and family communication. Communication between families and children is a key process so that children can become financially literate. The teaching and formation of value in the financial aspect occur through dialogue. Family finance socialization presents the learning process and financial practice to students through observation and modeling from parents [6, 12]. Students imitate the problem-solving style of their parents, such as consuming branded products and shopping at the same store. Families have a habit of saving and encourage children to save using a bank account as a backup for financial problems in adulthood. This habit will continue to imprint on children's behavior until they are adults. In addition, learning about children's involvement in financial practices such as charitable donations and helping to finance family expenses will shape the mindset of children to adults to divide the money they have into several portions [1].

H1: Family financial socialization has a positive effect on financial behavior.

2.4 Family Financial Socialization, Financial Behavior, and Self-efficacy

Self-efficacy describes the level of confidence in financial ability, for example overcoming financial problems without being overwhelmed. A high level of self-efficacy shows that in dealing with financial problems, they have the motivation to solve them well. In addition, high self-efficacy forms students to achieve goals in various ways [9, 13]. In terms of financial management, self-efficacy makes students more responsible and optimistic about the existing financial challenges. Self-efficacy plays an important role in the socialization of family finances on student financial behavior because it will be formed in the self-efficacy process after communicating and parenting styles to children [5, 7].

H2: Family financial socialization has a positive effect on financial behavior indirectly through self-efficacy.

3 Research Method

This study used a quantitative approach with a causal locus design. The primary data were sourced from respondents' responses obtained through online questionnaires. The media for distributing the questionnaire was Google Form. The variables in this study were family financial socialization as the independent variable, financial behavior as the

Table 1. Measurement Variables

Variable	Indicators	Reference
Family financial socialization	1. They discussed the risk profile with me 2. They provide an overview to build a good credit rating with me 3. They discussed the family's financial problems with me 4. They taught me about the right investment 5. They taught me good financial planning	[1, 5, 6]
Financial Behavior	1. I have a savings account in a privately owned bank account 2. I pay all bills on time 3. I use a spending plan or budget 4. I have a neat financial record system 5. I can track my monthly expenses very easily 6. I have a credit card 7. I did a comparison of several offers before applying for credit	[14–17]
Self-efficacy	1. I have good financial management qualities 2. I am able to do many things at one time well 3. Overall, I am satisfied with myself 4. I am confident in my future financial condition 5. I can take unexpected financial decisions well	[2, 8, 9, 13, 18]

dependent variable, and self-efficacy as a mediating variable between family financial socialization and financial behavior.

The population in this study was all private and public students in Indonesia. The purposive sampling method sets specific criteria for the sample and snowball sampling, namely the random method, was used to select the sample. The sample criteria were active students who have savings in personal bank accounts. The scale used is a 5-point Likert scale. The sample data collected were 157 respondents who met the criteria. This study used the Structural Equation Model (SEM) using the Smart-PLS software to analyze the existing data. The initial stage in the test was to use the outlier and normality prerequisite tests. Then proceeded with validity and reliability tests and hypothesis testing. Table 1 exhibits a statement item or a measuring tool for the questionnaire used in each variable.

Table 2. Respondent Profile

Profile	Characteristics	%
Gender	Male	39%
	Female	61%
Age	18–20	58%
	20–22	12%
	22–24	20%
Education	Bachelor's degree	73%
	Master's degree	27%
In 1 week how many transactions using a debit card	1–2 time (s)	32%
	3–5 time (s)	61%
	6–8 time (s)	7%
Residence	Apartment cost/rent	42%
	Parent's house	56%
	My own house	2%
Owned business	Yes	23%
	No	77%

4 Results and Discussion

4.1 Profile of the Respondents

The questionnaire that met the criteria and was used as a sample was 157 respondents. The results of data processing are presented in Table 2.

Based on Table 2, most respondents were females. Most respondents were aged 18 to 20 years. This is in accordance with the percentage of education level, namely bachelor's degree as much as 73%. Based on the number of transactions, most respondents (61%) have an intensity of 3 to 5 transactions a week. Most respondents live with their parents. Table 3 shows that the reliability test for the financial behavior variable (Y) is reliable. That is obtained from Cronbach's alpha value of 0.762. Where the reliable condition is >0.60. The relationship of family finance to student financial behavior is shown in Table 4. The conceptual framework of this study is shown in Fig. 1.

The traditional structure of the family serves as a strong network in ensuring the family's economic well-being [1, 6]. In Indonesia, the universal social security system is still challenging to implement. The existence of a family is a must and an inexpensive guarantee. The investment provided is knowledge about personal savings that children can apply wherever and whenever. This argument follows the theory of consumer socialization, namely the occurrence of learning as a result of family communication. At first, communication affects learning outcomes, becoming financial attitudes and financial behavior [6, 8].

Table 3. Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
0.762	0.769

Source: Data processed by the authors (2022)

Table 4. Family financial to Financial Behavior

Variable	Financial Behavior
Family Financial	0.375
Self-efficacy	0.421
Sig.	0.000

Source: Data processed by the authors (2022)

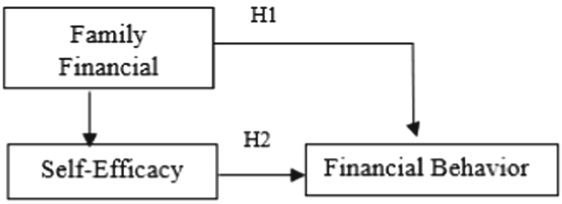

Fig. 1. The Conceptual Framework

In a pandemic condition, the average student income only comes from the pocket of money from parents. In addition, students tend to have higher consumption levels than pensioners, young workers, and entrepreneurs. Family finance provides stimulation in thinking independently to control their spending or consumption.

Self-efficacy is described as a level of self-confidence in behaving so that it affects aspects of life. In addition, parents' experience is the best learning for children [5, 13]. The level of economy and family welfare has decreased due to knowledge of good financial management, and failure factors in managing finances have been given to children. Finally, the experience becomes the child's best efficacy in making individual financial decisions.

The lessons taken from the financial family are used as a strong foundation for deciding attitudes. Even in crisis conditions such as a pandemic, these lessons are still used. The foundation that occurs when acting creates financial behavior in students [19, 20]. That is, self-efficacy is a mediating factor between family financial aspects of financial behavior [17, 21, 22].

5 Conclusion

Most students started managing their own finances for the first time without supervision from their parents during the university period. Students must be able to independently manage their finances effectively and be responsible for the decisions they have made. Moreover, the Covid-19 pandemic gives experience regarding the urgency of parental direction regarding finances to achieve economic welfare. Family financial socialization provides standards and knowledge about finance that can contribute to welfare. In terms of financial management, self-efficacy makes students more responsible and optimistic about the existing financial challenges. Self-efficacy plays an important role in the socialization of family finances on student financial behavior because financial behavior will be formed in the self-efficacy process after communicating and parenting styles to children. The lessons taken from the financial family are used as a strong foundation for deciding attitudes. Even in crisis conditions such as a pandemic, these lessons are still used.

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