



The Effect of Financial Literacy on Personal Financial Management

Yonas Meti^(✉), Rina Silvia, Novriani Monika Wangka,
Gloria Miagina Palako Djurubassa, Herman Sidete, Hermansi Bisio, and Filus Raraga

Universitas Halmahera, Halmahera, Indonesia
Yonasmeti@uniera.ac.id

Abstract. The objective of this research is to analyze the direct and indirect consequences that the personal financial management behaviors of students at Halmahera University have on the direct and indirect implications of their financial literacy and planning. In order to evaluate the data, both the multiple regression analysis and the Classical Assumption test were applied. This study's results demonstrate that financial literacy has no direct effect on financial literacy and student personal financial management. This research did not find any evidence of a connection between student financial behavior and either financial literacy or financial literacy, which includes student financial planning and financial behavior.

Keywords: Financial literacy · financial planning · student personal financial

1 Introduction

Financial intelligence is one of the intelligence required by contemporary people. Financial intelligence is personal financial asset management [1]. People must possess the information and skills necessary to manage their financial resources for their benefit efficiently. In addition to making short-term financial decisions such as savings and loans, one must also consider long-term decisions such as planning for retirement and their children's education. Financial literacy has grown and gained increasing attention in recent years, particularly in wealthy nations. Financial literacy refers to an individual's capacity to judge on managing his resources. Remund [2] outlined five financial literacy components: 1) understanding of financial ideas; 2) the ability to convey financial concepts; 3) the capacity to manage personal finances; 4) the capacity to make financial decisions; and 5) the confidence to prepare for the future. There has been a tremendous increase in financial literacy in recent years. The degree of financial literacy in Indonesia is relatively low compared to other countries. Furthermore, Jorgensen [3] survey of the Visa International Financial Literacy Barometer in 28 nations revealed that Indonesia is ranked 27th with a score of 27.7, behind Vietnam and above Pakistan. The survey revealed that Brazil, Mexico, and Australia occupied the top three positions. From February to April 2012, the survey was administered to 25,500 individuals in 28 nations. According to the Financial Services Authority (OJK), a portion of the Indonesian population with

access to formal financial institutions is still low compared to the percentage of individuals in other Asian nations. According to the findings of the World Bank study in 2011, Indonesia was ranked 6th out of 6 Asian countries, just behind the Philippines, with a rating of 20%. Individual prosperity is inextricably linked to financial literacy. Variables that contribute to the growth of financial literacy include low-interest rates on savings, increasing bankruptcy and rising debt levels, and increased individual decision-making responsibilities, which may impact the financial sector's future [4]. Financial education and the ability to manage personal resources are crucial in daily living. [5] highlighted that financial literacy assists people in avoiding financial difficulties. Financial issues are not just caused by a lack of income (low income). Mismanagement of funds, such as incorrect use of credit or lack of financial planning, can also lead to financial difficulties. Anxiety and low self-esteem might result from financial difficulties. Those who are financially knowledgeable and financially literate are better at managing their financial planning to make the most of their value, time, and money, which will improve their level of life. According to Bhushan and Medury [6], customers with financial literacy can endure difficult economic times since they may have established savings, acquired insurance, and diversified their holdings. Positive financial behaviors, such as paying bills and loan payments on time, conserving money before it runs out, and using credit cards wisely, are strongly associated with financial literacy.

Bhushan and Medury [6] further noted that several new financial products have made financial literacy more complicated in recent years. A basic level of financial literacy is required to comprehend the risks and benefits of financial instruments. Financial literacy enables individuals to utilize financial products and services appropriately, preventing them from being easily deceived by those who sell improper financial products. If individuals understand the financial system, the national economy will not be affected by the global financial crisis, according to Nidar and Bestari [7]. Chen and Volpe [8], who studied the financial literacy of 924 students, admitted that it was inadequate. The findings indicated that students answered correctly 53% of the questions. Shaari et al. [9] discovered a correlation between the year students started college and their financial literacy. It explains that younger students have lesser financial literacy than older students at postsecondary institutions. Based on this research, Hypothesis 3 may be formulated: The year students enroll (class) influences students' financial literacy. Chen and Volpe [8] explained that students with less financial understanding must make better selections. According to Sabri et al. [10], students with a high GPA have fewer financial troubles than those with a low GPA. Krishna et al. [5] discovered that students with a GPA < 3 had better financial literacy than those with a GPA > 3. According to the findings of Krishna's study, financial literacy is not determined by intellectual ability (which is analogous to a GPA) but rather by educational background. Financial literacy is taught at educational institutions.

On the basis of these findings, we may propose the following Hypothesis 4: GPA influences student financial literacy. Because of misconceptions, many consumers incur financial losses due to needless spending and consumption, irresponsible credit card use, and confusion between consumer credit and bank loans. In addition, a lack of financial expertise makes investing and accessing financial markets harder. College is

the first time most students handle their finances without parental oversight [10]. Students will require parental monitoring and assistance to prevent new difficulties and new surroundings. Students must be capable of independently managing their funds and accepting responsibility for their choices. Financial troubles typically emerge for students since they require money, and some still depend on their parents. In addition, students' excessive behavior is sometimes a problem since financial literacy still needs to be developed.

2 Research Method

The population for this descriptive quantitative study was all Halmahera University management and accounting degree students. The study sample includes all management and accounting students who have completed financial management courses. The technique of data collecting employed a knowledge questionnaire and financial planning with a scale ranging from 25 to 100 and included highly agree, agree, disagree, and strongly disagree. After collecting the data, it was evaluated using the standard assumption test, which consists of multicollinearity, autocorrelation, heteroscedasticity, and normality tests.

3 Results and Discussion

If the Tolerance value is greater than 0.10, there is no multicollinearity. If the VIF score is less than 10.00, it indicates that multicollinearity does not exist. In the multicollinearity test, the tolerance value is 0.999, which indicates that $0.999 > 0.10$ indicates no multicollinearity symptoms. The VIF value yields a result of 1.001, corresponding to a value of 1.001 10.00, indicating no multicollinearity issues or symptoms. By examining the tolerance and VIF values, it is possible to infer that the regression model demonstrates that the relationship between financial literacy and planning and financial management behavior does not exhibit multicollinearity symptoms (Tables 1 and 2).

In the linear regression model, it is possible to conclude that there is no autocorrelation by determining whether or not the confounding errors in period t and the confounding errors in the (previous) period are connected. A regression model with no autocorrelation is ideal since it allows for more accurate predictions. The following is a method for determining whether or not autocorrelation is present (Table 3).

Table 1. Multicollinearity Test.

	B	Std. error	Beta			Tol	VIF
(Constant)	59.950	13.887		4.321	.000		
Fin. Literacy	-.159	.135	-.117	1.17	.244	.999	1.001
Fin. Planning	.144	.111	.129	1.295	.198	.999	1.001

a. Dependent Variable: Financial Literacy Behavior

Table 2. Autocorrelation Test.

Model	R	R square	Adjusted R square	Std. error of the estimate	Durbin-Watson
1	.178 ^a	.032	.012	11.85966	1.730

a. Predictors: (Constant), Financial Planning, Financial Management

b. Dependent Variable: Financial Management Behavior.

Table 3. Hypothesis.

Hypothesis 0	Decision	Evidence
There is no positive autocorrelation	No Decision	$dl \leq d \leq du$

Results $d = 1.730$ $dl = 1.613$, $du = 1.376$. $1.613 \leq 1.730 \leq 1.736$. Therefore, it can be concluded that there is no autocorrelation (Fig. 1).

The presence of heteroscedasticity may be deduced from a certain pattern, such as a particular regular arrangement of dots (wavy then narrow). There is no heteroscedasticity when there is no visible pattern and the points are uniformly distributed below and above 0 on the Y axis. As the scatterplot graph shows that the points follow a regular pattern, one may deduce that the Regression Model of Financial Literacy and Financial Planning on Financial Management Behavior has an issue with heteroscedasticity (wavy then narrow) (Table 4).

Scatterplot

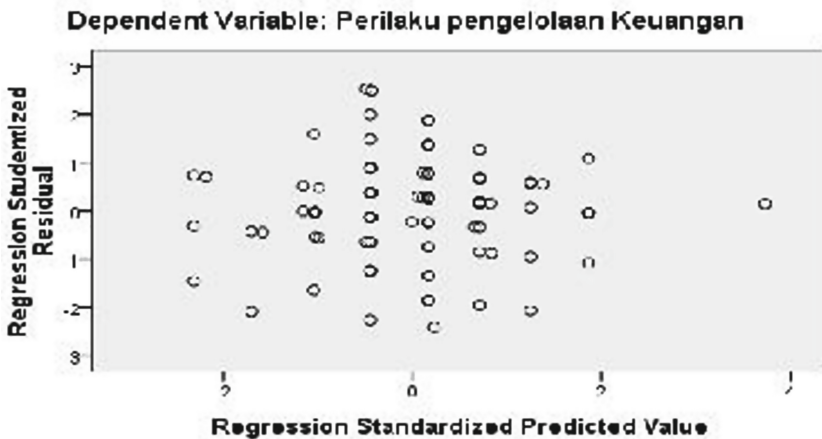


Fig. 1. Heteroscedasticity Test.

Table 4. The Results of the Kolmogorov-Smirnov test for normality One-sample Kolmogorov-Smirnov test.

	Unstandar Residual
N	100
Sig (2 tailed)	0.270

The residual value is normally distributed if the significance value is more than 0.05; otherwise, it is not normally distributed. The significance value for the normality test is $0.270 > 0.05$; hence, the residual values have a normal distribution. Within the confines of this inquiry, a multiple linear regression analysis was carried out to discover whether or not the independent variables affected the variable that was the subject of this inquiry. The results of processing the data using version 16.0 of SPSS for Windows are summarized in the following paragraphs.

If the Sig value is less than 0.05 or the f count is more than the F table, variable X has an influence on variable Y. If the Sig value is more than 0.05 or the F count is greater than the F table, variable X has no influence on variable Y.

$$F \text{ Table} = f(k; n - k) = f(2 : 98) = 3.09$$

Based on Table 5, it is known that the significance for the effect of X1 and X2 simultaneously on Y is $0.210 > 0.05$, and the calculated f-value is $1.585 < f\text{-table } 3.09$, so it can be concluded that H3 is rejected, which means there is no effect of X1 and X2 on Y (Table 6).

If the Sig value is less than 0.05 or the T count is more than the number in the T-table, the X variable influences the Y variable. If Sig is more than 0.05 or the T-count is less than the T-table, then the X variable has no effect on the Y variable.

$$F \text{ Table} = t(a/2; n - k - 1) = t(0.025 : 97) = 1.984$$

Table 5. F test.

F	Sig
1.585	0.210

Table 6. t test.

	t	Sig
Constant	4.321	0.00
X1	-1,71	0.244
X2	1.295	0.198

Testing the H1 Hypothesis with T-test. It is known that the significant value for the effect of X1 (financial literacy) on Y (financial management behavior) is $0.244 > 0.05$ and the calculated T value is $1.171 < 1.984$, so it can be concluded that H1 is rejected which means there is no effect of X1 on Y. Applying the T-test to the H2 Hypothesis. The significant value for the impact of X2 (financial planning) on Y is known to be $0.198 > 0.05$, and the estimated T value is $1.295 < T \text{ table } 1.984$; therefore, it can be concluded that H1 is rejected, indicating that X2 has no effect on Y.

4 Conclusion

Prior research and analysis indicate that financial literacy has little impact on the variable of financial management behavior. Several linear regression tests demonstrate that the Financial Planning Variable (X2) has a coefficient of 0.144, whereas the Financial literacy Variable (X1) has a beta coefficient of 0.159 with a value of $0.159 > 0.05$. As the value of the variable X2 is greater than 0.05, neither the financial literacy nor the financial planning variable influences the financial management behavior variable. Hence, financial literacy and planning have no significant influence on financial management behavior.

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