



# The Impact of Financial Literacy, Peer Influence, and Lifestyle on the Saving Behavior of University Students Living Away from Home in Yogyakarta

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**Abstract.** This study explores the influence of financial literacy, peer influence, and lifestyle on the saving behavior of migrant university students in Yogyakarta, Indonesia. Living away from family, these students face financial challenges that require independent money management. Using a quantitative approach, data were collected from 100 respondents via structured questionnaires and analyzed using Partial Least Squares (PLS) with SmartPLS 4. The findings show that financial literacy, peer influence, and lifestyle each have a significant positive effect on saving behavior. Students with higher financial literacy make better financial decisions, while supportive peer environments and disciplined lifestyles promote consistent saving habits. These results underscore the importance of integrating financial education into university curricula and fostering social settings that encourage responsible financial practices. By understanding these factors, universities can better support students in developing sustainable financial habits that contribute to long-term financial well-being.

**Keywords:** Financial Literacy, Peer Influence, Lifestyle, Saving Behavior.

## 1 Introduction

In today's era of globalization, rapid advancements have brought significant changes, especially in the financial sector, including investment, banking transactions, and the ways people manage their money. Saving is a clear example of good financial behavior that individuals can apply [1]. However, various studies show that university students—particularly Millennials and Generation Z—tend to have a consumptive lifestyle and low levels of financial literacy, resulting in a lack of interest and ability to save consistently [2]. Financial literacy is one of the key factors influencing saving behavior. Individuals with a strong understanding of financial concepts are more likely to plan their expenses, manage their funds efficiently, and make wise financial decisions [3]. In addition, peer influence and lifestyle also play important roles in shaping students' financial behavior. Intense social interactions and exposure to digital lifestyle trends can encourage consumptive behavior that negatively affects saving habits [4]. However, previous studies have mostly focused on university students in general without distinguishing migrant students. In fact, migrant students face different financial challenges, such as the lack of family supervision, higher living costs, and greater exposure to peer influence. Moreover, research specifically examining the simultaneous effects of financial literacy, peer influence, and lifestyle on the saving

behavior of migrant students in Yogyakarta remains limited. This gap highlights the need for further studies to understand the financial behavior of this group and to provide more targeted financial education strategies.

## 2 Literature Review

### Understanding Saving Behaviour

Saving behavior is influenced not only by internal factors such as financial literacy but also by a combination of external motives and self-control. For example, the study by [5] found that financial literacy and self-control simultaneously affect students' saving behavior. Financial literacy and financial inclusion have a significant positive effect on saving habits through the mechanism of self-control [6]. Financial literacy and self-control are partially and simultaneously positively correlated with saving behavior [7]. From these various studies, it can be concluded that students' saving behavior is the result of an interaction between financial literacy (cognitive), self-control (psychological), and social influences or external motives. Therefore, research approaches that combine these three variables simultaneously are highly relevant, especially among migrant students who may face greater social environmental pressures and greater financial independence.

### Financial Literacy

Financial literacy refers to an individual's ability to understand and manage their resources effectively, make economic decisions, and comprehend financial information. Recent studies indicate that knowledge about finance plays a crucial role in shaping students' saving behavior. Financial knowledge encourages students to be more careful in managing their money and to save more frequently [8]. Financial knowledge helps individuals create better long-term financial plans and reduces the risk of consumptive behaviour [9]. However, comparisons between studies show differences in context. Previous research that found indirect effects explained that financial literacy influences saving behavior through self-control [10]. Findings from various studies consistently show that financial literacy affects saving behavior both directly and through psychological mechanisms such as self-control. Overall, research has demonstrated that financial literacy is one of the strongest predictors of students' saving behavior, either directly or through additional mechanisms such as financial planning, self-control, and money management. Therefore, improving the financial knowledge of migrant students could be an important way to enhance their saving behavior and strengthen their financial resilience.

### Peer Influence

Peers are the closest social group that plays an important role in shaping students' financial behaviour, especially for migrant students who live far from family supervision. Peer influence may emerge through group norms, friends' financial habits, and daily social pressure. It has been shown that peers shape students' financial behaviour through processes of imitation and alignment with group norms [11]. Students tend to adjust their spending patterns and saving habits to match those that prevail in their social groups. When peers exhibit healthy financial behaviour, students

are encouraged to save more regularly. Other studies also reinforce this finding by showing that peer influence contributes to the formation of more stable financial behavior patterns [12]. A social environment with a healthy financial orientation can strengthen positive financial habits, including saving behavior, through mechanisms of modeling and social reinforcement. This implies that saving behavior is not only influenced by internal factors but is also significantly shaped by the quality of social interactions within peer groups. Research also indicates that peers influence the formation of financial habits through exposure to social media within friendship groups [13]. In certain consumerist cultures, social pressure may lead students to become more impulsive in their spending. In groups that promote effective money management, social influence can actually help people save more. Synthesis from the above studies indicates that peer influence is two-sided. In positive environments, peers can strengthen saving commitment, encourage financial planning, and reduce consumptive behavior. However, in consumer-oriented peer groups, social influence may weaken saving habits. Therefore, the quality of social groups is a key factor in determining the direction of peer influence on students' saving behavior.

### **Lifestyle**

Lifestyle reflects a person's patterns of activities, interests, and opinions, which are expressed through their consumption choices. In recent years, students' lifestyles have increasingly been influenced by social media, consumption trends, and their social environment. A modern, consumptive lifestyle can reduce the tendency to save because students focus more on fulfilling symbolic needs such as fashion and entertainment [14]. A consumptive lifestyle is one of the main factors that decreases the frequency and amount of student savings [15]. indicates that a consumptive lifestyle has a negative influence on students' saving behavior [16]. Students who frequently follow trends and make impulsive purchases tend to have lower savings allocations. Overall, the synthesis of these studies suggests that lifestyle has a two-way influence. A consumptive lifestyle reduces the tendency to save, while a productive and structured lifestyle can increase students' commitment to saving.

## **3 Methodology**

This study employs a quantitative approach with an associative design, aiming to analysed the relationships between financial literacy, peer influence, and lifestyle on the saving behaviour of migrant students in Yogyakarta. The population consists of migrant students currently enrolled in various universities in Yogyakarta, defined as students originating from outside the region and temporarily residing in Yogyakarta for study purposes. The sampling technique used is purposive sampling with the following criteria: active students at diploma or undergraduate levels, originating from outside Yogyakarta, residing in boarding houses or rented accommodations, and willing to participate as respondents. This approach was chosen to ensure that respondents fully meet the characteristics of migrant students relevant to the study objectives. The sample size was determined using Slovin's formula with a 10% margin of error. Given an estimated population of migrant students of at least 10,000, the Slovin calculation yielded a minimum sample of approximately 100 respondents, considered sufficient for

analysis using SEM-PLS, which performs well with small to medium sample sizes. The research instrument consisted of a structured questionnaire using a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree), developed based on theoretical indicators for each variable. The financial literacy variable (X1) includes basic financial knowledge, money management, and financial decision-making; the peer influence variable (X2) covers cooperation, competition, conflict, and assimilation; the lifestyle variable (X3) encompasses activity patterns, interests, and opinions; while the saving behaviour variable (Y) includes perception of future needs, saving decisions, and saving actions.

Validity and reliability tests were conducted using SEM-PLS with the following criteria: loading factor  $\geq 0.70$  for convergent validity, Average Variance Extracted (AVE)  $\geq 0.50$ , and Composite Reliability and Cronbach's Alpha  $\geq 0.70$ . The analysis results indicated that all indicators met these criteria, making them suitable for further analysis. Primary data were collected via an online questionnaire using Google Forms, chosen for its effectiveness in reaching migrant students scattered across various campuses. Data analysis was carried out using SmartPLS 4.0 in two main stages: the outer model (measurement model), which includes tests for convergent validity, discriminant validity, and construct reliability; and the inner model (structural model), which includes R-Square tests, model fit assessments (SRMR, NFI, Chi-Square), and significance tests of relationships through bootstrapping with the hypothesis acceptance criteria of  $t > 1.96$  and  $p < 0.05$ . This study also adheres to research ethics by providing informed consent to respondents prior to completing the questionnaire, ensuring the confidentiality of respondents' identities and responses, maintaining voluntary participation without coercion, and allowing respondents to withdraw from participation at any time.

## 4 Result

### Test Validity

To determine whether the questionnaire items are valid, a correlation analysis was conducted between the score of each item and the total score of the variable. An item is considered valid if the calculated r-value is greater than the r-table value and the significance level (p-value) is less than 0.05. Based on the validity test results, all items in this study met these criteria and were declared valid.

**Table 1.** Validity Test Results

Variable	Item	Value Loading	Outer	Threshold Value Outer Loading	Decision
Financial Literacy (X1)	Item 1	0.823		0,7	Valid
	Item 2	0.782		0,7	Valid
Peer Influence (X2)	Item 3	0.761		0,7	Valid
	Item 4	0.781		0,7	Valid
	Item 5	0.775		0,7	Valid
	Item 1	0.769		0,7	Valid
	Item 2	0.773		0,7	Valid
Lifestyle (X3)	Item 3	0.771		0,7	Valid
	Item 4	0.884		0,7	Valid
	Item 5	0.870		0,7	Valid
	Item 1	0.853		0,7	Valid
	Item 2	0.902		0,7	Valid
Saving Behavior (Y)	Item 3	0.905		0,7	Valid
	Item 4	0.741		0,7	Valid
	Item 5	0.731		0,7	Valid
	Item 1	0.812		0,7	Valid
	Item 2	0.717		0,7	Valid
	Item 3	0.722		0,7	Valid
	Item 4	0.717		0,7	Valid
	Item 5	0.749		0,7	Valid
Item 6	0.761		0,7	Valid	
	Item 7	0.759		0,7	Valid
	Item 8	0.787		0,7	Valid

Data Source: Data processed with Smart PLS 4, 2025

Each variable—saving behavior, financial literacy, peer influence, and lifestyle—is considered valid, as indicated by the validity test results. The calculated r-value for each questionnaire item is greater than the r-table value and has a significance level (p-value) below 0.05. Therefore, it can be concluded that all components of the questionnaire are suitable for use as research instruments.

**Reliability Test**

If the Cronbach's Alpha value of a variable is greater than 0.600, the variable is considered reliable.

**Table 2 .** Reliability Test Results

	Cronbach's Alpha	Compositr Reliability (rho a)	Composite Reliability (rho c)	Average Variance Extracted (AVE)
Lifestyle	0.884	0.883	0.916	0.689
Financial Literacy	0.844	0.845	0.889	0.616

Peer Influence	0.872	0.872	0.908	0.664
Saving Behavior	0.891	0.892	0.913	0.568

Data Source: Data processed with Smart PLS 4, 2025

All variables have Cronbach's Alpha values above 0.600, as shown in the reliability table. Therefore, it can be concluded that all the questionnaire items in this study are considered reliable because they meet the minimum required Cronbach's Alpha value.

**Table 3.** Model Fit Results

	Saturated Model	Estimated Model
SRMR	0.080	0.080
d_ ULS	1.782	1.782
d_ G	1.128	1.128
Chi-square	534.366	534.366
NFI	0.722	0.722

Data Source: Data processed with Smart PLS 4, 2025

An SRMR value of  $0.079 < 0.1$ , as shown in Table 7, indicates that the model has successfully met the model fit criteria. Since the NFI value is 0.722, it can be interpreted as demonstrating a good model fit, or at least one that approaches the ideal value of 1.

**Table 4.** R Square Results

	R-square	R-square adjusted
Lifestyle	0.627	0.619
Saving Behavior	0.821	0.816

Data Source: Data processed with Smart PLS 4, 2025

With an R-Square value of 0.821, the model demonstrates a strong explanatory power for the Saving Behavior variable. In contrast, the Lifestyle variable has an R-Square value of 0.627, indicating a moderate or average level of explanatory power for that construct.

## Discussion

### Understanding the Validity and Reliability of the Instrument Results

Based on the validity test, all items in the financial literacy (X1), peer influence (X2), lifestyle (X3), and saving behaviour (Y) variables have outer loading values greater than 0.70. These results indicate that each metric adequately explains the construct being measured. This is in line with Hair et al. (2019), who state that strong convergent validity can be indicated by a loading factor  $\geq 0.70$ . Additionally, the reliability test

shows that Cronbach's Alpha values range between 0.844 and 0.891, and composite reliability exceeds 0.88, indicating that the instrument has good internal consistency. These findings support previous studies [17], which also used similar scales and demonstrated that student financial behaviour variables can be measured accurately.

### **Analysing Model Fit**

The Standardized Fit Index (NFI) value of 0.722 indicates that the model has a good level of fit and is approaching 1, which represents the maximum fit standard.

### **Interpretation of R-Square (Model Explanatory Power)**

The saving behaviour variable has an R-Square of 0.821, indicating that peer influence, financial literacy, and lifestyle together account for 82.1% of the variation in saving behaviour. This value is very strong and shows that these three variables play a significant role in determining the saving behaviour of migrant students. In contrast, the lifestyle variable has an R-Square of 0.627, indicating that most of the variation in students' lifestyles can be explained by the components studied. However, other factors, such as an individual's financial situation, social pressure, and access to technology, may also play a role.

### **Relation of Findings to Theory and Previous Research**

#### **Financial Literacy → Saving Behavior**

These results are consistent with the Financial Behavior Model, which states that individuals who understand finance better make more rational financial decisions. Previous studies by [18] also show that students with good financial knowledge have better budget control and a greater commitment to saving.

#### **Peer Influence → Saving Behavior**

It was found that peer influence has a significant and positive effect on saving behavior. This aligns with Social Learning Theory (Bandura), which states that people learn through observation and interaction with others. [19] shows that an individual's financial habits are often influenced by their closest social groups, especially for students living away from their parents.

#### **Lifestyle → Saving Habits**

The results indicate that lifestyle significantly affects students' saving habits. Students with organized, frugal, and disciplined lifestyles tend to save regularly, while a more consumptive lifestyle reduces the tendency to save. This finding aligns with previous studies showing that lifestyle and self-control influence saving behaviour [20]

### **Observational and Critical Analysis**

The study results indicate that:

Financially aware students tend to manage their finances better and avoid unnecessary spending. Saving behavior is strongly influenced by the peer environment, especially when peers have better saving habits. More stable saving behavior is usually

encouraged by a simple lifestyle. These findings demonstrate that internal factors, social environment, and daily habits all influence students' financial behavior.

## 5 Conclusion

Financial literacy, peer influence, and lifestyle each have a significant positive effect on the saving behaviour of migrant university students in Yogyakarta. Improving students' financial competencies, promoting supportive peer environments, and encouraging responsible lifestyle management can strengthen saving discipline.

### Limitation

This study has several limitations. First, the sample was limited to 100 migrant university students in Yogyakarta, which may not fully represent the broader population of migrant students across Indonesia. Second, data collection was conducted through self-reported online questionnaires, which may introduce response bias, such as socially desirable answers. Third, the study only examined financial literacy, peer influence, and lifestyle as factors influencing saving behavior, while other potentially relevant variables—such as digital financial literacy, financial stress, or monthly income—were not included. Fourth, the research employed a cross-sectional design, capturing behavior at a single point in time without analyzing changes in saving behavior over time or under different economic conditions. Fifth, the study did not explore in depth the influence of local cultural factors, broader social norms beyond peer groups, or regional differences in living costs that may also affect saving behavior.

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