

Effect of Financial Literacy, Financial Confidence, External Locus of Control, On Personal Finance Management (Object of Study on East Java Students)

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Abstract

The level of consumption in the younger generation, including students, is increasing, influenced by the existence of social media. This happens because of the lack of student knowledge of financial management properly. For this reason, students must improve financial literacy and self-confidence both from themselves and factors that cannot be controlled by themselves in personal financial management. Data from the pre-survey results show that personal financial management and financial literacy are on average good, while the external financial locus of control variable tends to be low. This study aims to determine the effect of financial literacy, financial confidence, and external locus of control on personal finance management (object of study on students in East Java). The population in this study were students who were taking higher education educators in East Java. The sample used in this research is 400 respondents from East Java students. The method in this study was a questionnaire distributed randomly in various cities or districts in East Java. From the results of the analysis using SPSS 25. Methods of data analysis using descriptive and quantitative methods with Multiple Linear Regression analysis. The t-test was used to test the hypothesis partially, while the F-test was used to test the hypothesis simultaneously. Based on the results of the study, there is a significant influence between financial literacy, financial confidence, and external locus of control on personal finance management.

Keywords

financial literacy; financial confidence; external locus of control ; personal finance management



I. Introduction

The number of students in Indonesia has increased every year. In the 2016/2017 academic year, the number of new students increased by 3.7%, namely 1.44 million people. This number continues to grow in the 2017/2018 academic year, increasing by 2.4% to 1.47 million people. And experienced a continuous increase significantly. In the Higher Education Statistics 2020 there are 1,051,360 students who carry out education on the East Java campus. This has decreased from the previous year, which amounted to 819,122 students. [8]

Table 1. Number of Universities, Students (Private State) under the Ministry of Research, Technology, and Higher Education by Regency/City in East Java 2020

County town	College		Number of Students	
	Country	Private	Country	Private
Surabaya	6	70	110,2435	147,387
Poor	3	46	123,835	128,067
Jember	2	20	40,812	27,435
Banyuwangi	1	11	3,918	13,458
Kediri	-	17	-	26,986
Madison	1	10	1,88	10,559
Bangkalan	1	4	16,212	2,754

Source: Central Bureau of Statistics of East Java Province, 2021 [9]

Currently, the millennial generation, among Indonesian students, does not yet have the ability to manage finances well. According to Tirta Segara, SE., MBA as a Member of the OJK Board of Commissioners for Education and Consumer Protection, the level of financial literacy is low, where the younger generation plays a critical economic role. In addition, a national survey in 2019, showed that the financial literacy of the 15-17 year old population was 16%, far below the national financial literacy level of 38%, and the younger generation was considered more financially vulnerable. [7]

In addition, based on a survey conducted by the OCBC NISP Financial Fitness Index, it is known that the level of financial literacy of the Indonesian people in 2021 is only at 37.72 level out of a total score of 100, this score is still much lower than the score from Singapore which in 2020 recorded at level 61. It is known that the survey results of 46% of respondents said that the financial planning that they had done would have a positive impact in the future, but of the 46% of respondents only 16% had an emergency fund to maintain their lifestyle if they lost their job at any time.

The ability to manage finances well can be linked to personal finance management. Modern human intelligence is in managing personal assets, by applying personal financial management and planning and controlling the finances of the individual. [5]

From the results of the pre-survey that has been carried out, it shows that 40% are learning about investment. This shows that there are still few who learn about investing in stocks, mutual funds, and the capital market.

From the study of this phenomenon, this research is about "The Effect of Financial Literacy, Financial Confidence, and External Locus Of Control on Personal Finance Management (Object of Study on Students in East Java)".

II. Review of Literature

2.1 Personal Financial Management

Personal financial management is a personal financial planning process that includes budgeting, investment savings, debt management and other aspects related to personal money [2]. There are five aspects of personal financial planning, namely; consumption, cash-flow management, saving and investment, credit management, and insurance. [5]

2.2 Financial Literacy

Financial literacy is a person's ability to read, analyze, manage, and communicate about financial conditions that can positively affect material well-being [4]. There are four

aspects in improving financial literacy, namely; general knowledge, saving and borrowing, insurance, and investment. [3]

2.3 Financial Confidence

Confidence in financial aspects can be defined as an individual's positive attitude towards knowledge and competence in financial aspects. [10]

2.4 External Locus of Control

Locus of Control are those who do not believe in themselves and think that everything that happens depends on their fate and outside forces. [11]

2.5 Framework

The framework for this research is as follows:

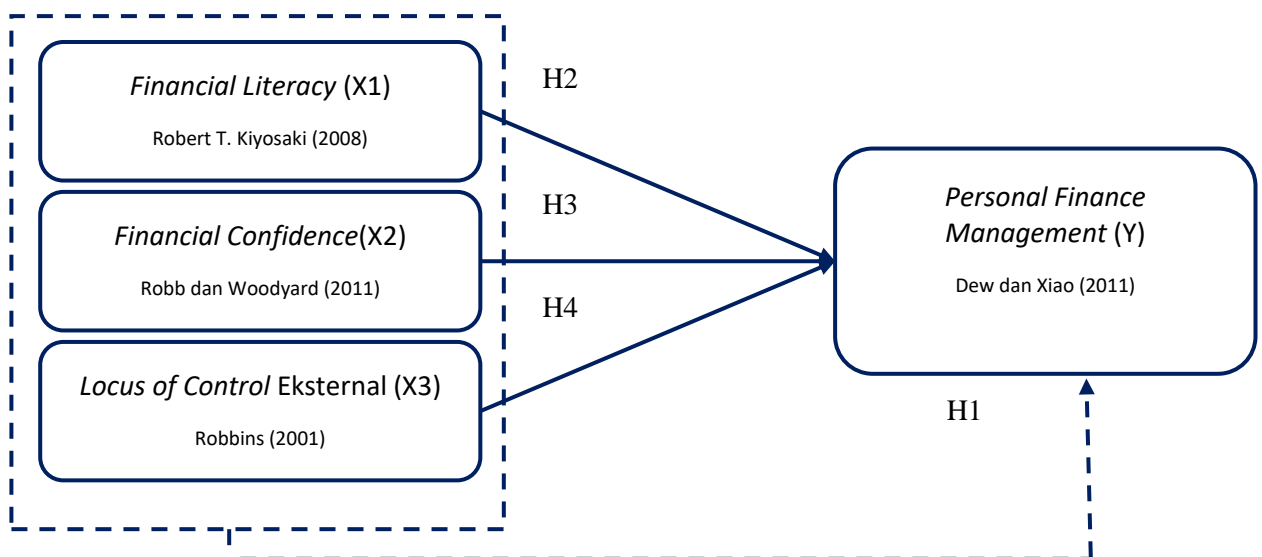


Figure 1. Thought Framework

Source: Processed data, 2022

Research hypothesis:

- H1: Simultaneously there is a significant influence between Financial Literacy, Financial Confidence, and External Locus of Control on Personal Financial Management for Students in East Java.
- H2: Financial Literacy has a significant influence on Personal Financial Management for students in East Java.
- H3: Financial Confidence has a significant influence on Personal Financial Management for students in East Java.
- H4: External Locus of Control has a significant influence on Personal Financial Management for students in East Java.

III. Research Method

3.1 Types of Research

The research method used in this study is a quantitative method with descriptive analysis techniques. The type of this research is causal. Based on the implementation time in this study refers to the cross section. In this research involvement, the researcher did not intervene with the data. The research setting in this research is Non contrived setting .

3.2 Population and Research Sample

The population in this study refers to students in the province of East Java. To determine the sample used in this study, a sampling technique is needed. To determine the number of samples to be studied in this study, using the Slovin formula.

Based on the results of calculations using the Slovin formula, the sample results are 399.80 so that they are rounded up to 400 samples. So the minimum number of samples used in this study amounted to 400 respondents.

IV. Results and Discussion

4.1 Normality Test

The normality test is used to determine whether the predetermined value is normally distributed or not. The data is normally distributed if it is significant > 0.05 . The normality test was carried out using the *one-sample Kolmogorov-Smirnov test*. Based on the output of the calculation results of the normality test, it shows that the *Monte Carlo value*. (2 - tailed) which is 0.000. Because the data is not normally distributed, it is done by removing *outlier data* . From the results after the *outlier* method was carried out by looking at the *blox plot* of the residual value. It can be seen that the residual data is normally distributed with the value of *Monte Carlo Sig. (2-tailed)* or a significance value > 0.05 , which is 0.122. So it can be concluded that the data is normally distributed or the normality test is fulfilled because $0.122 > 0.05$

Table 2. Normality Test Results
One-Sample Kolmogorov-Smirnov Test

			<i>Unstandardized Residual</i>
N			386
<i>Normal Parameters^{a,b}</i>	<i>mean</i>		0.0000000
	<i>Std. Deviation</i>		2.98065137
<i>Most Extreme Differences</i>	<i>Absolute</i>		0.059
	<i>Positive</i>		0.050
	<i>negative</i>		-0.059
<i>Test Statistics</i>			0.059
<i>asymp. Sig. (2-tailed)</i>			.002^c
<i>Monte Carlo Sig. (2-tailed)</i>	Sig.		.122^d
	99%	<i>Lower Bound</i>	0.114
		<i>Confidence Interval</i>	
		<i>Upper Bound</i>	0.131

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. Based on 10000 sampled tables with starting seed 299883525.

Source: Processed data, 2022

4.2 Heteroscedasticity Test

Heteroscedasticity test is done by testing whether in the regression model there is an inequality between one residual and another observation. Tests carried out in the heteroscedasticity test used the glejser test. The glejser test is done by regressing all independent variables to the dependent variable. If the significant value is > 0.05 , then there is no symptom of heteroscedasticity.

Table 3. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,591	0.905		2.862	0.004
	<i>Financial literacy</i>	-0.020	0.048	-0.031	-0.416	0.678
	<i>Financial Confidence</i>	0.024	0.037	0.051	0.640	0.522
	<i>External locus of control</i>	-0.023	0.041	-0.041	-0.557	0.578

a. Dependent Variable: RES4
 Source: Processed data, 2022

Based on the output above in table 3, it can be seen that in the regression model there is no symptom of heteroscedasticity. This is because Sig. on the *financial literacy variable* $0.678 > 0.05$, for the *financial Confidence variable* $0.522 > 0.05$, and on the external *Locus of control variable* of $0.576 > 0.05$.

4.3 Multicollinearity Test

The purpose of the multicollinearity test is to test the regression model, it is found that there is a correlation between the independent variables (independent). To test whether the regression model found a correlation between the independent variables (independent). To see whether multicollinearity occurs or not by looking at the TOL (*Tolerance*) and VIF (*Variance Inflation Factor*) values. If the TOL value is > 0.1 and the VIF value is < 10 , then there is no multicollinearity symptom.

Table 4. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Financial Literacy	0.421	2,373
	Financial Confidence	0.354	2.825
	External Locus of Control	0.444	2.255

a. Dependent Variable: Personal Finance Management
 Source: Processed data, 2022

Based on table 4, the results of the multicollinearity test show that the TOL (*tolerance*) value in each variable has a value of more than 0.10. The *tolerance* value for the *financial knowledge variable* is 0.421. Meanwhile, *financial confidence* is 0.0354. And the external *locus of control variable* is 0.444. While the VIF value of each variable has a

value of less than 10. For the *financial literacy* variable it is 2.375, while the *financial confidence* variable is 2.825, and the *external locus of control* variable is 2.255. So it can be concluded that the regression model formed does not have multicollinearity problems.

4.4 Multiple Linear Regression Test Results

Multiple linear regression analysis method is used to predict the value of the dependent variable, namely *Personal Finance Management* by taking into account the values of the independent variables, namely *Financial Literacy*, *Financial Confidence*, and *External Locus of Control*.

Table 5. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.351	1.382		3.149	0.002
	Financial Literacy	0.532	0.080	0.301	6.678	0.000
	Financial Confidence	0.491	0.061	0.398	8.105	0.000
	External Locus of Control	0.312	0.069	0.200	4.553	0.000

a. Dependent Variable: Personal Finance Management

Source: Processed data, 2022

In the table. It can be seen that the result of the constant (a) for *personal finance management* is 4.351 and the regression coefficient (b) for *financial literacy* (X1) is 0.532, *financial confidence* (X2) of 0.419 and *external locus of control* (X3) of 0.312. From these data shows the results of the multiple regression equation as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$$

$$Y = 4,351 + 0,532X_1 + 0,491X_2 + 0,312X_3$$

The three variables have a positive regression coefficient value. It can be concluded that between *personal finance management*, *financial literacy*, *financial confidence* and *external locus of control* have a *unidirectional relationship*.

4.5 Partial Test (t Test)

The t test is used to test how significant the relationship between the independent variable (variable X) and the dependent variable (variable Y) is individually in the dependent variable. This test is carried out with a determined level of 95% with a significant level of 5% and a *degree of freedom* (df) $n - k$ comparing t count with t table then H0 is rejected and H1 is accepted.

Table 7. Partial Test Results (t Test)

Model		t	Sig.
1	(Constant)	3.149	0.002
	Financial Literacy	6.678	0.000
	Financial Confidence	8.105	0.000
	External Locus of Control	4.553	0.000

a. Dependent Variable: Personal Finance Management

Source: Processed data, 2022

Based on the results from table 4.7, the results of the t-test can be described as follows:

- a. *Financial literacy* variable, the t-count value is 6.678 and the significance value is 0.000 so that the count > t table and the significance value is <0.05. Then H0 is rejected and H2 is accepted, meaning that there is a significant influence between *financial literacy* on *personal finance management* for students in East Java.
- b. *Financial confidence* variable, the t-count value is 8,105 and the significance value is 0.000 so that the count > t table and the significance value is <0.05. So H0 is rejected and H3 is accepted, meaning that there is a significant influence between *financial confidence* on *personal finance management* for students in East Java.
- c. *Locus of control* variable, the t-count value is 4.553 and the significance value is 0.000 so that the count > t table and the significance value is <0.05. So H0 is rejected and H4 is accepted, meaning that there is a significant influence between external *locus of control* on *personal finance management* for students in East Java.

4.6 Simultaneous Test (F Test)

The F test is used to determine whether the independent variables simultaneously or simultaneously affect the dependent variable. If the inner value F_{hitung} is greater than F_{tabel} or sig < p value (the degree of significance used is 0.05) then the alternative hypothesis, which states that all independent variables simultaneously have a significant effect on the dependent variable.

Table 8. Simultaneous Test Results (Test F)

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7927,593	3	2642,531	257,541	.000 ^b
Residual	4063,205	396	10,261		
Total	11990,798	399			

a. Dependent Variable: Personal Finance Management

b. Predictors: (Constant), External Locus of Control , Financial Literacy , Financial Confidence

Source: Processed data, 2022

From table 8, the results of the data processing obtained the calculated F value of 257,541. then the value of F count > F table (257,541 > 2,627) so that H0 is rejected and H1 is accepted. With this it can be concluded that there is a significant influence between *financial literacy*, *financial confidence*, external locus of control on *personal financial management* in students in East Java province.

4.7 Coefficient of Determination Test

The results of the coefficient of determination test are as follows:

Table 9. Results of the Coefficient of Determination

<i>Model Summary</i> ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

1	.813 ^a	0.661	0.659	3.203
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a. Predictors: (Constant), External Locus of Control , Financial Literacy , Financial Confidence

b. Dependent Variable: Personal Finance Management

Source: Processed data, 2022

Based on the value of the coefficient of determination (Kd) above, it shows that the value of the coefficient of determination is 65.9%. It can be concluded that *financial literacy*, *financial confidence*, and *external locus of control* have an influence on *personal financial management* of 65.9%

V. Conclusion

Based on the results of research conducted on financial literacy, financial confidence, and external locus of control on personal financial management, the following conclusions can be drawn:

1. Financial literacy has a significant effect on personal financial management.
2. Financial confidence has a significant effect on personal financial management.
3. Locus of control has a significant effect on personal financial management.

In further research, it is expected to add other variables so that the results obtained are wider. In addition, the data analysis technique used uses more complex methods such as structural equation modeling (SEM). The government is expected to start providing an introduction to financial literacy, starting from the level of senior high school education (SMA) equivalent so that in the future when entering college or the world of work they are better at managing their finances.

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