

THE EFFECT OF FINANCIAL LITERACY AND ATTITUDE TOWARD MONEY TO PERSON FINANCIAL MAGAMENENT (CASE STUDY ON FACULTY ECONOMI RIAU KEPULAUAN UNIVERSITY)

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Abstract: This study examines the impact of financial literacy and attitudes toward money on the personal financial management of students in the Faculty of Economics at the University of Riau Islands, Batam. Utilizing Slovin's formula, a sample of 91 respondents was selected through random sampling, and primary data were collected via a questionnaire. The results indicate that financial literacy has a significant positive effect on students' personal financial management, while attitudes toward money do not significantly influence this aspect. However, when considered together, both financial literacy and attitudes toward money significantly affect students' financial management practices. The independent variables account for 13.7% of the variation in the dependent variable, suggesting that 86.3% of the variation is influenced by other factors not examined in this study. These findings highlight the importance of enhancing financial literacy among students to improve their personal financial management skills.

Keywords: financial literacy, attitude toward money, financial management

1. Introduction

Money management in general is the activity of managing funds in everyday life, both by individuals and groups, which aims to achieve financial welfare. Good financial management allows the use of funds as needed and avoids waste. To achieve optimal management, financial responsibility is required in processing money and assets in a positive way (Ida & Cinthia, 2010). Personal financial management is crucial because the funds owned by each individual must be managed wisely through actions such as saving and investing. However, the reality is that there are still many individuals who find it difficult to set aside funds for this purpose. One of the main causes of this phenomenon is low financial knowledge or financial literacy.

Financial literacy refers to an individual's knowledge and understanding of financial concepts and products. According to Lusardi, in Krisna's (2008) research, financial literacy is a person's ability to understand and use financial knowledge to achieve welfare. This level of literacy plays an important role in determining the quality of one's financial management. Based on the latest survey conducted by the Financial Services Authority (OJK) in 2022, the level of financial literacy of the Indonesian people has increased to 49.68%, while the financial inclusion index reached 85.10% (OJK, 2022). This increase shows a significant development in public awareness of the importance of good financial management.

In addition to financial literacy, another factor that influences personal financial management behavior is attitude towards money. This attitude relates to how individuals perceive and treat money. Money, as a universal need, can significantly influence a person's behavior and

mindset. The theory of planned behavior proposed by Ajzen states that attitudes towards something will affect a person's behavior indirectly (Ajzen, 1991). Shohib (2015) reinforces this theory with empirical evidence showing that a person's attitude towards money, especially in terms of viewing money as a symbol of power or success, is related to debt behavior. Attitude towards money is thus an important factor to consider in effective personal financial management.

2. Literature Review

Financial Management

Financial management behavior refers to the way individuals manage their funds, which relates to their responsibility in handling finances. Financial responsibility involves managing money and financial assets properly (Ida & Cintia, 2010). Individuals who demonstrate financial responsibility tend to manage their finances effectively. With good financial management, they can avoid falling into limitless desires (Meliza & Norma, 2013).

Good financial management behavior can be measured through five components that reflect an individual's ability to budget, save, and manage expenses (Perry & Morris, 2015). These five components include the ability to spend only as necessary, pay monthly obligations on time, plan finances in a timely manner, prepare finances for future needs, save, and set aside funds for oneself.

According to recent studies, personal financial management encompasses not only fund management but also four main areas: fund usage, source of funds selection, risk management, asset management, and retirement planning (Warsono, 2020). The following are explanations of each component:

a. Use of Funds

In general, after working for one month, someone will get a salary or wage. The person is how to allocate these funds to meet the needs properly. In some literature, it is stated that there must be priorities in the allocation of funds, such as for 60% consumption, 10% savings and 30% investment. However, to be more flexible, consumption should not exceed 65% so that the rest can be saved and invested. If you want to invest, you need to have a systematic plan and do not use money that is still needed for other expenses. In accordance with the adage in the financial world that high risk high return.

b. Determination of Source of Funds

With the increasing needs and demands of life, in reality not all current expenses, such as the purchase of houses and vehicles, can be funded with the income they get now. To overcome these large expenditures, debt sources of expenditure can be considered. Based on the price of funds, debt or loans can be grouped into three types, namely:

- Inexpensive loans (can be obtained from parents or family members)
- Medium-priced loans (can be obtained from commercial banks and savings and loan cooperatives)
- Expensive credits (obtained from finance companies, retailers, and banks through credit cards).

Furthermore, a prudent source of debt expenditure allows people to enjoy life by consuming goods and services now, and only paying for them with future income. Under certain conditions, debt spending is actually quite beneficial. For example, bank debt used to build a house, based on experience so far, is quite profitable because inflation in the

property and real estate sector in Indonesia is high, sometimes even exceeding the interest rate on bank loans.

c. Risk, life and asset management

One should have good protection for preventive measures when unexpected events occur. This needs to be considered because the probability of good and bad events is equal. The technical form is that one is expected to participate in insurance. Furthermore, in choosing an insurance program, it is necessary to critically examine the overall pluses and minuses of the insurance. This needs to be done because according to previous experiences many well-known companies also experienced financial difficulties and some ended in bankruptcy.

d. Retirement Planning

Retirement is the time when someone is no longer working formally. The formal definition in this context is that they have given up the main job they have been doing. Technically, in retirement planning, there are four steps that need to be decided, namely: 1. Analyze the assets and liabilities owned (for the net value of assets); 2. Estimate the necessary expenses and adjust them for inflation (to be aligned with the availability of financial resources). 3. Evaluate planned retirement income (mainly from pension benefits); and 4. Increase income by working part-time (to increase income to pay for expenses while still interacting with others). With good retirement planning, it is expected that people or communities can still enjoy life for a longer period of time. This is what everyone dreams of with the anecdote: work hard when young, have fun in old age, then die in heaven.

In connection with the above, Karvof (2010) states that personal financial decisions include:

- Charity, amounting to 10% of total income.
- Education and protection, amounting to 20% of total income
- Investment, 30% of total income.
- Living expenses, 40% of total income.

The reason is that charity of 10% is a form of individual social responsibility (personal social responsibility) to fellow human beings, so that with good financial literacy, a person is also required to empower others (philanthropy) to achieve financial freedom. The definition of financial freedom according to Karvof (2010) is a condition where passive income exceeds active income or exceeds expenses in a certain period of time, while passive income is defined as income received even though the person is not working or not active.

Education and protection are intended for how a person continuously improves financial knowledge so that they will continuously understand changes in finance and be able to make the right financial decisions throughout the life cycle, while protection is intended to protect in the event of an unexpected event. For investment, 30% of income is intended to more quickly multiply cash inflows, and the last is the cost of living aimed at how to live frugally but not based on stinginess or miserliness. The meaning of stinginess is not spending money even though it is capable and necessary, while frugality is only spending money if necessary.

According to Farah (2018), the practical steps that can be used in managing personal finances are as follows:

a. Know and find sources of income

You need to inventory all sources of funds that become your income. Some of these sources of funds are fixed sources of funds such as parental remittances, salaries,

scholarships, and others. There are also additional sources of funds, for example, competition awards (prizes), writing fees, wages for certain research projects and others. By knowing the fixed sources of funds and additional sources of funds, you will know your overall source of income to manage.

b. Analyze your expenses

After knowing your income, take an inventory of your expenses.

- Start by dividing the percentage of your expenses by purpose. For example 70% for daily expenses (for 1 month), 20% for savings, 10% for investment.
- Next, manage 70% of your daily expenses. Start with a detailed inventory of your monthly expenses, such as rent, electricity & water, boarding fees, the cost of buying monthly necessities (soap, toothbrushes, gallon water and others). After inventorying, set aside these costs or immediately use the expenses for your monthly fixed needs.
- Furthermore, the remaining funds from the 70% that have been used to finance fixed monthly needs, use them efficiently for daily needs, such as eating, photocopying lecture materials, snacks and others. Use these costs wisely and if there are other activities that can reduce these costs, then do not rush to divert costs, but think about the priority scale.
- After you have taken inventory of your income and analyzed your expenses, plan and manage your personal finances. Do not let expenses exceed income, but manage all incoming sources of funds efficiently.
- When carrying out a personal financial management plan for one month, and there is income from other additional sources of funds (outside those already inventoried), then save it to be included in the financial income planning for the following month. This is important, so that your personal financial management is not disturbed by uncontrolled incomes beforehand.
- If at the end of the month there is a surplus from personal financial management, then use the surplus as income for the following month.

Doing personal financial management should have ensured that everything goes according to the financial plan, but often there are bad habits that interfere with financial management. Those bad habits are:

- Always making expenditures outside the plan, because of a consumptive attitude and cannot stand external influences or invitations.
- Always using the “patchwork” principle. Using tomorrow's expenses for today, so that it is not consistent with the personal financial plan that was made.
- If there is income outside the plan, often the income is immediately spent.
- Often if you get funds from fixed income (such as salary and / or remittances) 10% is immediately used to treat friends or do fun activities.
- Using savings or investment funds for unexpected expenses that are not important.
- Going into debt for things that are not necessities, so that in the following month the needs (plus debt) become large.

Financial Literacy

The definition of financial literacy varies widely. Lusardi and Mitchell (2008) define financial literacy as the knowledge of finance and the ability to apply it in daily life. According to them, financial literacy is not only about knowledge but also the ability to make sound financial decisions (Lusardi & Mitchell, 2014). In *The Economic Importance of Financial Literacy:*

Theory and Evidence, they explain that financial literacy strategies should be tailored to specific groups based on education levels, social strata, and age groups.

Dones and Hira (2010), as well as Chen and Volpe (2011), define financial literacy as the knowledge required to manage finances (financial literacy is money management knowledge). Meanwhile, The President's Advisory Council on Financial Literacy (PACFL) (2008) in Hung (2009) defines financial literacy as the ability to use knowledge and skills to manage financial resources effectively for long-term financial well-being.

Manurung (2009) defines financial literacy as a set of skills and knowledge that enables individuals to make effective decisions regarding their financial resources. This is supported by Kaly, Hudson, and Vush (2008) in Widyawati's (2012) study, which states that financial literacy is the ability to understand financial conditions and concepts and to transform that knowledge into appropriate behavior.

According to Otoritas Jasa Keuangan (OJK) (2022), financial literacy is the ability to understand and manage one's finances to secure a better future. OJK emphasizes the importance of financial education to help people manage their finances wisely and avoid falling into high-return investment products without considering the risks. The National Financial Literacy Strategy promotes three main pillars: (1) financial education and national literacy campaigns, (2) strengthening financial literacy infrastructure, and (3) developing accessible financial products and services. Implementing these three pillars is expected to improve the financial literacy levels of Indonesian citizens, allowing them to make informed choices about financial products and services to enhance their well-being.

Kusumaningtuti (2018) notes that financial literacy is a key tool in achieving financial inclusion. It involves basic knowledge and skills for understanding the financial sector, and recognizing the characteristics of financial products and risk profiles is crucial to avoid becoming a victim of financial transactions. The important steps in financial literacy involve massive outreach and education on different financial products, their risks, and the fundamentals of good financial management.

In financial literacy, there are four key stages necessary to gain comprehensive understanding of the financial sector:

a. Literacy

Is the main tool in realizing financial inclusion, this stage contains the content of introducing basic knowledge and basic skills in understanding the financial sector with programs such as education and national campaigns carried out by the OJK, this is in line with one of the objectives of the Financial Services Authority in accordance with the financial services authority law No. 21 of 2011 concerning financial services authorities which mandates the financial services authority to educate and protect consumers to the public.

OJK implements financial literacy programs with the aim that people not only become well literate in financial matters, but also use financial products and services to meet their financial needs as a form of implementation.

Education and campaigns carried out by OJK are carried out by compiling a national financial literacy education and campaign program.

b. Penetration

It is an advanced stage in realizing financial literacy, at this stage the community already has an awareness of the need for financial services. The most important need at this stage is the supply side of financial services, both in the form of products and financial service infrastructure such as offices, agents, information technology. In the strategy program

carried out by OJK in collaboration with the financial services industry, activities such as public lectures, training of trainers, education expos.

c. Density

Density is a stage where the conditions of the community as consumers and financial service institutions as producers are already in a qualified condition to build a relationship of cooperation. At this stage, the most important thing is the design of products and financial services that are attractive and acceptable in the market. KUR is an example of density.

d. Delivery

Delivery is the stage where financial literacy and financial inclusion have occurred, characterized by the fact that financial products and services are well accepted by the market. At this stage, the most important requirement is that financial institutions must choose a distribution channel (delivery channel) that is close, easily accessible to the little people and cheap. As in the laku pandai program, which is an officeless financial service in the context of financial inclusion.

The basis of the financial literacy program is the findings of the World Bank (2014) that the level of access of Indonesian people to financial institutions is only 36.1% or lower than other ASEAN countries such as Thailand, Malaysia and Singapore. Another reason for the importance of financial literacy is Indonesia's savings to GDP ratio of around 31%, which is lower than Singapore's 49%, the Philippines' 46%, and China's 49%.

This is also influenced by the level of literacy of the Indonesian people, where the definition of financial literacy itself is that everyone has sufficient knowledge to plan and manage their personal finances with the aim of achieving prosperity.

An adequate level of literacy can improve a better life, avoiding financial difficulties. Financial difficulties are not only due to a person's low income, financial difficulties experienced by a person are not from income alone, but can also be caused by mismanagement.

The implementation of education in order to improve the financial literacy of the community is very necessary because based on a survey conducted by OJK in 2013, that the level of financial literacy of the Indonesian population is divided into four parts, namely:

- a. Well Literate (21.84%), i.e. having knowledge and confidence about financial service institutions and financial service products, including features, benefits and risks, obligations related to financial products and services and having skills in using financial products and services.
- b. Sufficient Literate (75.69%), i.e. have knowledge and confidence about financial service institutions and financial service products, including features, benefits and risks, and obligations related to financial products and services.
- c. Literate (2.06%), only have knowledge about financial services institutions and financial products and services.
- d. Not Literate (0.41%), do not have knowledge and confidence about financial service institutions and financial service products, and do not have skills in using financial products and services.

Attitudes toward Money

Attitude refers to the feelings or actions exhibited by an individual towards others or towards objects. Each individual possesses different attitudes. In the Theory of Planned Behavior proposed by Ajzen (2008), it is explained that attitudes can influence intentions to behave.

Intentions to behave, in turn, affect actual behavior. From this theory, it can be interpreted that attitudes indirectly influence behavior.

Shohib (2015) defines attitudes toward money as an individual's perspective or behavior regarding money. According to Durvasula and Lysonski (2007), attitudes toward money indicate that money holds various meanings depending on an individual's understanding and personality. For some, money is an important part of life, a source of respect, a means to improve quality of life, a gateway to freedom, and, in some cases, associated with crime. Yamauchi and Templer (as cited in Zahriyan, 2016) explain that there are five dimensions of attitudes toward money:

- a. Power-Prestige: Money is viewed as a source of power, a means to attain status, recognition from others, competition, and ownership of luxury goods.
- b. Retention Time: Money is considered an important factor in life that must be managed carefully for future needs through well-planned expenditures.
- c. Distrust: Money can be a source of suspicion, creating doubt and distrust in decision-making when it is used.
- d. Quality: Money is seen as a symbol of success or quality, reflecting an individual's achievements.
- e. Anxiety: Money is depicted as a cause of anxiety that can lead to stress for its owner.

An individual's attitude towards money is influenced by various factors, including childhood experiences, education, financial situation, socio-economic status, and family background (Taneja, 2012). Understanding people's attitudes toward money is crucial as it can determine an individual's financial behavior. Social behaviors arising from individuals can be observed in how someone views money; spending behavior or other economic behaviors (such as saving, borrowing, investing, and working) can be linked to attitudes toward money, and mental health can also be associated with financial matters.

3. Method

Research Type

The research is conducted using a quantitative approach. Quantitative research methods can be defined as research methods based on positivist philosophy, used for researchers on a specific population or sample. The sampling technique is generally performed randomly. Data collection employs research instruments, and data analysis is quantitative/statistical with the aim of testing established hypotheses (Sugiyono, 2010).

Operational Definitions of Variables

The explanations for the variables of financial literacy, attitudes toward money, and personal financial management in this study are as follows:

Financial Literacy

Refers to the knowledge and skills that enable individuals to make informed and effective decisions regarding their financial resources. This includes understanding financial concepts such as budgeting, saving, investing, and managing debt. Financial literacy can be measured through standardized assessments that evaluate an individual's understanding of financial principles and their ability to apply that knowledge in real-life situations.

Attitudes toward Money

This variable represents the feelings, beliefs, and behaviors an individual holds regarding money. It encompasses various dimensions, such as viewing money as a source of power, a means to achieve goals, or a cause of anxiety. Attitudes toward money can be assessed using surveys that gauge an individual's perspective on the role of money in their life and its impact on their financial decisions.

Personal Financial Management

Refers to the processes individuals use to manage their financial resources effectively. This includes budgeting, tracking expenses, saving for future needs, and making investment decisions. Personal financial management can be evaluated by analyzing an individual's financial practices, such as their ability to create a budget, save consistently, and make informed investment choices.

Population and Sample

The population in this study consists of personal financial managers among students at the Faculty of Economics, Universitas Riau Kepulauan (UNRIKA), Batam. The sample for this research includes 91 students from the Faculty of Economics at UNRIKA. The sampling technique employed in this study is random sampling. The sample criteria used are personal financial managers who are active students of the Faculty of Economics at UNRIKA and who complete the data in the questionnaire.

4. Result and Discussion

The results of processing the financial literacy variable (X1) obtained a t value of 3.484 with a probability of 0.000. With t count 3.848 greater than t-table 1.666 or probability 0.000 smaller than 0.05 then H₀ rejected and H_a accepted. So it can be stated that Financial Literacy has a significant positive effect on the personal financial management variables of Riau Islands University Faculty of Economics Students.

The results of the study are also in line with previous research from Yulianti and Silvy (2013) which shows that there is an influence of financial knowledge or financial literacy on financial management, especially in terms of investment.

The processing results of the attitude towards money variable (X2) obtained a t value of 0.996 with a probability of 0.322. With t count 0.996 smaller than t-table 1.666 or probability 0.322 greater than 0.05 then H₀ is accepted and H_a is rejected. So it can be stated that the variable attitude towards money has a positive but insignificant effect on the personal financial management variable of students of the Faculty of Economics, Riau Islands University. The results of this study support research conducted by Moch Zakki Zahriyan (2012) which aims to determine the effect of attitudes towards money on family financial management behavior. The results of Moch Zakki Zahriyan's research state that attitudes towards money have an insignificant influence on family financial management behavior.

The results of the SPSS calculation in table 1 show the calculated F value of 8,148 > 3.10 F table with a significance of 0.001 < 0.05, which means H_a is accepted and H₀ is rejected. This means that together Financial Literacy and Attitudes Toward Money have a significant and positive influence on Personal Financial Management of Students of the Faculty of Economics, Riau Islands University. The results of this study are inversely proportional to research conducted by Moch Zakki Zahriyan (2012) which has the results of financial literacy having a

positive and insignificant effect on family financial management and attitudes towards money having a negative and insignificant effect on family financial management.

**Table 1. Partial Test Results (t Test)
Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
	(Constant)	21.311	4.866		
1 Financial Literacy	.390	.112	.355	3.484	.001
Attitude Towards Money	.081	.081	.101	.996	.322

a. Dependent Variable: FINANCIAL MANAGEMENT

Source: attachment of data processing output on SPSS, 2023

5. Conclusions

Financial literacy has a significant positive effect on the personal financial management of students of the Faculty of Economics, Riau Islands University. This is indicated by the t test statistics for the financial literacy variable which produces a t count of 3.484 which is greater than the t table 1.666. Based on these results, it can be known that there is a significant positive effect of financial literacy on the personal financial management of students of the Faculty of Economics, Riau University Kepulauan.

Attitude towards money has a positive and insignificant effect on the personal financial management of students of the Faculty of Economics, Riau University. This is indicated by the statistical t test for the financial literacy variable which produces a t count of 0.996 which is smaller than the t table of 1.666. Based on these results, it can be seen that there is a positive but insignificant influence of attitudes towards money on the personal financial management of students of the Faculty of Economics, Riau University.

Financial literacy and attitudes towards money together have a positive and significant effect on the personal financial management of students of the Faculty of Economics, Riau Islands University. This is indicated by the calculated F value of 8,148 > 3.10 F table with a significance of 0.001 < 0.05 which means H_a is accepted and H_0 is rejected. This means that Financial Literacy and Attitudes Toward Money have a joint influence on the Personal Financial Management of Students of the Faculty of Economics, Riau Islands University.

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