

Financial Literacy Level and Money Management : A Study From Financial Student of Management Study Program at State University of Makassar

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Abstract

This study aims to know about the level of financial literacy of 100 students concentrating on financial management at the Management Study Program at Makassar State University. Data primary is used to this research with 100 sample. This study used a regression multiple. The results of research found that credit literacy, saving literacy, and investment literacy affect the management and decision-making of student finances, the higher the student's financial literacy, the better the management and decision-making. But, the spending literacy doesn't significant effect on financial management

Keywords: *financial decision, financial literacy, investment literacy, money management, spending literacy*

INTRODUCTION

The level of financial literacy of the Indonesian people's was increase, the index level was at the level of 38.03% in 2019. Although, it has improved compared to previous years, the level of financial literacy is still relatively low from the other countries (Otoritas Jasa Keuangan (OJK), 2019). The result of financial literacy index shows that every 100 people in the population there are only around 38 people who have a good understanding of financial institutions and financial service products. Thus there are 62 other residents who do not yet have financial literacy (OJK, 2019).

In addition, financial crimes in Indonesia have been increasing lately. This relates to one of the factors regarding the level of financial literacy in society. Financial literacy is an important knowledge that must be learned by all levels of society. Financial literacy can provide knowledge about how to manage and allocate money properly. Good financial literacy can promote economic growth and reduce poverty in the long term. Financial literacy can help the society to setting their earning goals, paying debt, determining their investment and planning their retirement funds (Bruine de Bruin, 2017; Mitchell, 2018).

Financial literacy is knowledge and skills in managing finances properly and correctly so as to create stable, safe and prosperous financial conditions in the long term. Financial literacy also provides direction in making policies or decisions effectively and efficiently by utilizing all available financial resources (Jayaraman et al., 2018). This financial literacy is closely related to people's lives regarding budgeting and finance so that people can make financial planning, financial

accumulation, and apply priority scales in managing their finances (Felipe *et al.*, 2017).

The financial knowledge referred to here is an understanding of the features, benefits, risks, as well as rights and obligations related to financial products and services (Oteng, 2019). Financial literacy also measures the correct level of skills, attitudes and behaviour in using financial products and services. With the low level of financial literacy, it takes hard work from stakeholders to encourage increased public understanding of financial service institutions.

Today, many financial products have been offered, this requires young people to have financial intelligence, namely intelligence in managing personal assets. By applying the correct management method, young people are expected to get the maximum benefit from the money they have. However, according to the OCBC Financial Index (2021), only around 16% of Indonesia's population has an emergency fund. This means that there are still many young people who have not been able to set aside their income to become an emergency fund, even though an emergency fund is very important.

Therefore, this study aims to find out how the financial literacy level of management study program students impact to financial decisions, because they will not only face increasing complexity in products, services and markets, but also have to bear greater risks in the future. Therefore financial literacy is a significant thing needed for management students, because financial literacy provides knowledge to make someone smart in managing their finances.

LITERATURE REVIEW

Financial literacy have a strong relationship with financial decision making The relationship shows that the lack of financial literacy will guide the people to choose financial mismanagement (Nayebmohseni *et al.*, 2022). Personal financial management or the practice of planning and managing the finances of individual units or families, is the application of financial management. Money management, spending, and credit are all parts of personal finance, along with saving and investing. Financial failure is not because of low income. financial difficulties can also arise if there are errors in financial management (miss-management) such as overbudgeting, misuse of credit, choosing a wrong investment, and the absence of financial planning (Netemeyer *et al.*, 2018). The concept of financial literacy makes the assumption that people have a combination of financial knowledge and attitudes that can lead to wise financial behavior. The people's poor financial decisions, which have an effect on their future, have been faulted on a lack of knowledge about finances (Jayaraman *et al.*, 2018). Financial knowledge, skills, and attitudes are required for people to be able to make better financial decisions. People's wellbeing is determined by a variety of factors, such as their financial literacy. Therefore, it is crucial to fund financial literacy initiatives that

can assist people in making decisions regarding their spending, saving, and retirement plans (Cossa et al., 2022).

The Hypothesis of Variable

Based on the theory, we can assume that the higher the level of spending literacy, the better money management the people take.

H1: Spending Literation has a positive impact on Money Management

The Hypothesis of Variable

Based on the theory, we can assume that the higher the level of credit literacy, the better money management the people take.

H2: Credit Literation has a positive impact on Money Management

The Hypothesis of Variable

Based on the theory, we can assume that the higher the level of saving literacy, the better money management the people take.

H3: Saving Literation has a positive impact on Money Management

The Hypothesis of Variable

Based on the theory, we can assume that the higher the level of investment literacy, the better money management the people take.

H4: Investment Literation has a positive impact on Money Management

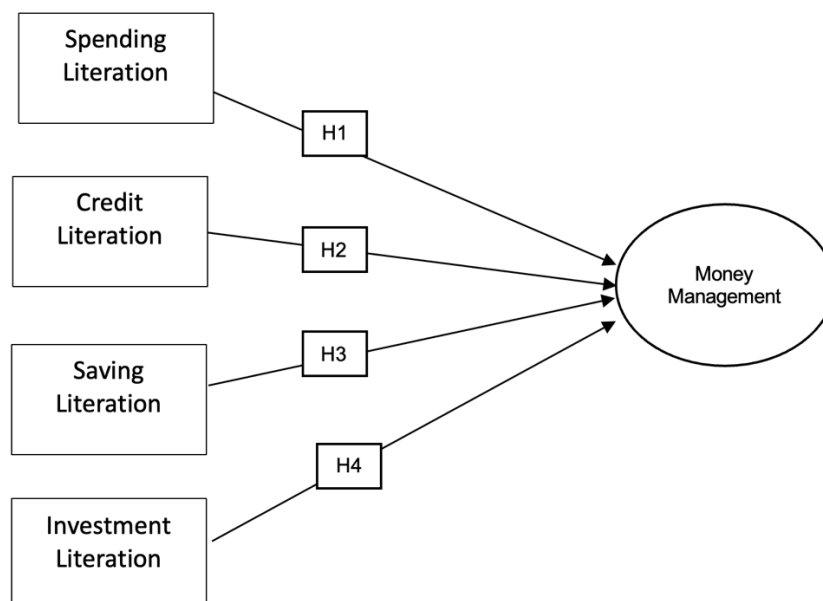


Figure 1
Conceptual Framework

METHOD

The research method in this study is to use data collection through a questionnaire. The sample in this study was 100 students concentrating on financial management at the Management Study Program at Makassar State University. The method of taking samples in this study was by using purposive sampling. The research model used in this study is multiple linear regression analysis. The regression model was used :

$$Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$$

DISCUSSION RESULT

Table 1
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.827 ^a	.683	.670	2.593

a. Predictors: (Constant), Investment Literation, Credit Literation, Saving Literation, Spending Literation

b. Dependent Variable: Money Management

To test the level of financial literacy influence the ability to manage the money and make financial decisions, a regression model test is used, and the results of the analysis in this study indicate that the level of financial literacy of students has a significant effect on the ability to manage and make financial decisions in management students, as seen from the results regression model testing. The table above shows that the variation in management ability and student financial decisions of 67% can be explained by the financial literacy component.

The F test shows that all the independent variables included in the model have a joint effect on the dependent variable which can be seen in the following table:

Table 2
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1378.784	4	344.696	51.278	.000 ^b
	Residual	638.606	95	6.722		
	Total	2017.390	99			

a. Dependent Variable: Money Management

b. Predictors: (Constant), Investment Literation, Credit Literation, Saving Literation, Spending Literation

Statistical test F in table 4 above shows a significance value of $0.000 < 0.005$ or 5%. So from the results of this ANOVA test it can be concluded that some financial literacy variables consisting of credit literacy, savings literacy, and investment literacy simultaneously have a significant effect on the ability to manage and make financial decisions in UNM management study program students. But, spending literacy don't have a significant effect on the ability to manage and make financial decisions in UNM management study program students.

Table 3
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.992	2.685		1.859	.046		
	Spending Literation	.393	.309	.448	1.274	.055	.027	37.167
	Credit Literation	.401	.126	.127	1.593	.025	.524	1.909
	Saving Literation	.778	.105	.643	7.409	.000	.442	2.262
	Investment Literation	.604	.542	.320	1.930	.015	.028	35.651

a. Dependent Variable: Money Management

This table shows partially that credit literacy, savings literacy, and investment literacy have a positive and significant effect on financial management and decisions (money management). The higher the level of credit literacy, savings literacy, and investment literacy, the better money management. But, the spending literacy doesn't significant effect on money management.

CONCLUSION

The test results show that credit literacy, saving literacy, and investment literacy affect the management and decision-making of student finances, the higher the student's financial literacy, the better the management and decision-making. But, the spending literacy doesn't significant effect on money management. Based on the research that has been conducted, researchers see that there is a need to increase financial literacy among students, so personal finance education should be included in the academic curriculum as part of the education system in elementary schools up to the university level. This aims to equip the younger generation with skills and knowledge that are useful for getting a job as well as to increase their ability to manage their personal finances as one of the assets that can improve their quality of life in the future.

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