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Determinant of Financial Literacy in Generation Z

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Abstract

The purpose of this study is to determine the effect of financial behavior and financial attitude on financial literacy in generation Z. This study is a quantitative research. Data were obtained from questionnaire that containing a list of statements given to respondents. Then the respondent chooses one alternative answer that fits respondent's opinion. Secondary data were obtained through various literatures, written information sources and other books. Data analysis used multiple linear regression. The results showed that: 1) the financial attitude had a significant effect on financial literacy, and 2) there was no significant influence between the financial behavior and financial literacy.

Keywords: *Financial Literacy; Financial Attitude; Financial Behavior*

1. Introduction

Economic developments in this digital era bring changes to the financial system. This is evidenced by the increasing number of financial products and services being offered. With digital developments, people can easily access various financial products. Generation Z, as a technology conscious generation, has the opportunity to access a wide selection of available financial products.

The era of globalization will bring about many changes in the countries of the world and will have a positive and negative impact on people's financial behavior to meet the needs of people's daily lives. People with all needs and desires are not limited. It is one of the factors that cause a consumer lifestyle. People have to work to earn the income used to meet their needs. The income generated must be properly managed for effective and efficient use (Ameliawati & Setiyani, 2018).

Currently, there are so many choices of financial and investment products that are offered, not only products from banking but also products from the marketplace, such as Tokopedia which provides investment features in gold, mutual funds and dream funds. In addition, Gojek also provides a go-investment feature for buying and selling gold. Furthermore, there are various applications that can be downloaded on smartphones for investment. The ease of accessing these various financial features requires the younger generation to have good financial literacy in order to avoid fake investments.

People's behavior in choosing financial products is also an important aspect of general financial literacy. When people try to make informed decisions through shopping around or independent advice, they are more likely to choose the right product for their needs at a lower cost and they are less likely to buy the wrong product, and the chances of experience a sales error are lower (Atkinson & Messy, 2012).

Good financial literacy will make it easier for Generation Z to make decisions related to investments that will be undertaken. However, Generation Z tends to invest without being aware of the benefits and risks involved. Financial literacy is important so that this generation can manage finances better in the future. People need basic financial knowledge and skills to effectively manage their financial resources effectively for well-being (Shalahuddinta & Susanti, 2014).

The lack of financial literacy can cause the younger generation to be trapped in illegal investments. Based on data from a press release from the Financial Services Authority (OJK) in January 2021, there were 14 illegal investments. Therefore, OJK is trying to provide education related to financial literacy and always provide the latest information on illegal investments. In 2019, OJK held a National Survey of Financial Literacy and Inclusion with 12.773 respondents from various age groups, the results showed that the financial literacy index reached 38.03%. The results also show that based on gender the financial literacy index is 39.24% for men and 36.13% for women.

Research conducted by (Krishna et al., 2010) shows that the results of measuring the average score of financial literacy levels in Universitas Pendidikan Indonesia (UPI) was 63%, this indicates that the level of financial literacy of students is still far from optimal. This is because personal finances education in Indonesia has not been included in the lecture curriculum for students from economic and non-economic study programs.

Financial education is still a big problem in Indonesia. Financial education is a long-term course that encourages people to plan their finances for the future in order to achieve prosperity according to the model and lifestyle in which they live. Meanwhile, teaching personal finance in primary schools or universities is still rare in Indonesia (Mukmin et al., 2021).

One of the intelligences that modern people must possess is personal financial assets management intelligence. By applying the right way to manage finances, a person can get the maximum benefit from the money they had (Widyawati, 2012).

But in the reality, many people have financial problems. Some of them are undegraduates. Undergraduates find themselves at a very important stage in their lives when it comes to being independent and taking responsibility for their financial decisions. Based on observation, there are still students who are not wise in making financial decisions. The allocation of undergraduates spending for a month for daily living expenses and pleasure expenses is higher than for savings and basic education needs. In addition, financial behavior is in a negative direction because they are still not able to manage their personal finances properly and effectively. Few undergraduates keep their financial records based on income or expenses (Arofah et al., 2018).

Therefore, the urgency of this study is to determine the financial literacy of Generation Z in the digital era, so that it can provide options for policy forms to give special attention to Generation Z through the synergy of the government and educational institutions. This research is expected to be taken into consideration to open the public's insight about the importance of having good financial literacy for the Generation Z so that it will improve welfare in the future.

2. Literature Review

A. Financial Literacy

Financial literacy is an individual's ability to make decisions regarding personal financial arrangements (Margaretha & Pambudhi, 2015). Financial literacy is essential for everyone to avoid financial problems. Good financial management and good financial literacy are expected to improve the standard of living (Anastasia & Kewal, 2013).

Financial literacy measures how well an individual understands financial concepts and has the ability and confidence to manage their personal finances through making appropriate short-term decisions, long-term financial planning, taking into account life events and changing economic conditions (Remund, 2010). Financial literacy describes the financial management of an individual in achieving prosperity based on the information they have. Financial literacy possessed by individuals is a combination of knowledge and skills related to financial management, as well as behaviors that appear in making financial decisions.

Financial literacy means the ability to understand and consider funding options, prepare for the future, and respond appropriately to situation. Financial literacy also gives individuals successfully participating in economic activity through increasing deposits, rational purchase decisions, proper investment, land management, use of collateral, debt and improved financial well-being (Rahman et al., 2021).

People who have good financial literacy will have strategies to streamline income and are less likely to spend on credit for basic needs such as utilities and groceries. Although it is not always possible to prevent an income shortages, relying on credit for a basic living is risky and unavoidable (Atkinson & Messy, 2012).

B. Financial Attitude

Financial attitude will help a person to understand what is believed to be related to their relationship with money. The formation of good financial attitude, namely by focusing on the present which means to stop contemplating the past and worrying about the future, in addition to acting positive action which means seeing the benefit of the past so as not to repeat it in the present and in the future (Mukmin et al., 2021).

Financial attitude is an important element of financial literacy. Financial attitude is defined as an individual's psychological characteristics related to the individual's financial problems. Financial attitude such as information disclosure, assessment of the importance of financial management, lack of consumption encouragement, direction and responsibility going forward (Andansari, 2018).

Financial attitude can be seen as an important element of financial literacy. For example, if people are slightly negative about saving for the future, they are less likely to exhibit this behavior. If people prefer to prioritize short-term needs over long-term security, people probably won't create their own contingency savings or set up a long-term financial plan (Atkinson & Messy, 2012).

Financial attitude can be defined as an exclusive similarity to financial matters. The ability to plan ahead and maintain important savings accounts. Financial behavior is an essential determinant of an individual's financial literacy and also affects the level of financial literacy (Rai et al., 2019).

H_1: financial attitude has a significant effect on financial literacy.

C. Financial Behavior

Financial behavior is involved with how human handle, manage and use the monetary assets that available to them. Someone who has responsibility of their financial behavior will use budget successfully with the aid of using budgeting, saving, controlling expenses, making investment (Santoso & Sari, 2021).

Financial behavior related to individual financial responsibilities related to financial management. A person's financial behavior can be measures by their behavior in managing basic finances, for example in terms of saving, consuming and even investing. Individual financial behavior can also demonstrated by individual participation in buying financial products, such as buying stocks, gold, bonds or foreign exchange (Mukmin et al., 2021).

Financial behavior is an essential component of financial literacy. Financial literacy benefits come from actions such as spending planning and creating financial guarantees. On the other hand, certain behaviors, such as excessive use of credit can reduce financial wellbeing (Atkinson & Messy, 2012).

H_2: financial behavior has a significant effect on financial literacy.

3. Research Methods

A. Research Type

The type of this study is a quantitative research. The data was obtained by using questionnaire to describe the object as it is and to prove the influence of financial behavior and financial attitude variables on financial literacy generation Z.

In this study, there are three variables consisting of two independent variables and one dependent variable. Two independent variables are financial attitudes and financial behavior while the dependent variable is financial literacy. This variable was measured using eleven statements. The statements are respondent's response to basic knowledge of finance, savings, loans, insurance and investment. The financial attitude variable was measured using ten statements and the financial behavior variable was measured using ten statements. The instruments use a likert scale starting from a scale of 1 to a scale of 5. Where each of these variables is given a list of statements.

B. Population and Sample

The population in this study were all the generation Z who were born from 1995 to 2010. In determining the sample, random sampling was used. Respondents in this study amounted to 116 people. Respondents were spread from various provinces in Indonesia such as East Java, West Java, Central Java, DKI Jakarta, Riau, Riau Islands, West Sumatra, South Sumatra, East Nusa Tenggara, West Nusa Tenggara and East Kalimantan.

C. Data Source

The data used in this study are primary data and secondary data. Primary data was obtained by using a questionnaire containing a list of statements given to respondents, where respondents were limited in providing answers to certain alternatives. Then the respondent chooses one alternative answer that fits respondent's opinion. Secondary data were obtained through various literatures, written information sources and other books.

In this study, researchers used online survey data collection techniques. The survey was distributed online to capture participants who could not be met in person due to the Policy for the Enforcement of Community Activity Restrictions (PPKM) during the Covid-19 pandemic. These online surveys are conducted to collect data as they are more effective in saving time and money and attracting a larger audience. In addition, the survey also ensures the confidentiality of the identity of each participant. Therefore, these participants are expected to be able to give the real answer.

E. Data Analyze

Research requires the analysis and interpretation of data to answer the questions of the researcher's questions to identify specific social phenomena. Data analysis is the process of simplifying data into a form that is easy to read and interpret. Data processing technique that will be carried out is descriptive statistical analysis which is then continued with validity test, reliability test and multiple linear regression test in order.

Descriptive statistics are used to obtain an overview of the characteristics of the respondents in this study such as gender, age, domicile and occupation. In addition, this technique is also to determine the value of the mean and standard deviation.

The validity tests of the indicator tool to determine the validity of the measuring instruments. In this research, the validity test uses the Pearson Correlation. The calculated r value obtained in this study was compared with the r table value to test the validity of the data. If the value of r count > r table, then the question items used in this study are valid.

The reliability test was carried out by calculating Cronbac'h Alpha with the help of Statistical Package for Social Science (SPSS) software program. If the Cronbac'h Alpha arithmetic value is greater than 0.60 then the instrument in this study is reliable.

The method chosen to analyze the data in this study was carried out using multiple regression models. Multiple regression models are generally used to see whether there is an influence given by several independent variables (financial attitudes and financial behavior) on the dependent variable (financial literacy). This technique is used to analiyze how much the dependent variable can be predicted by the independent variable.

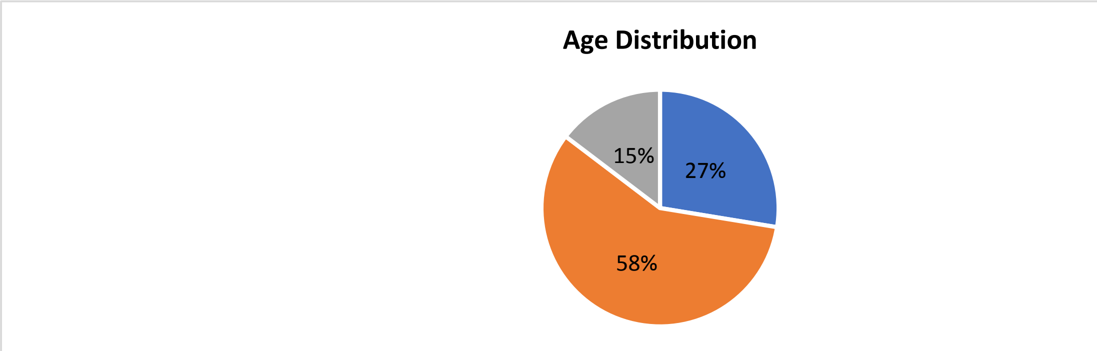
Statistical test can be carried out two stages, namely the R Square Coefficient of Determination Test (Adjusted R^2) and the t-Statistics Test. The coefficient of determination test was conducted to find out how much the independent variables can influence the dependent variable in the model to be studied.

The t-test basically showed how far the influence of one independent variable individually in explaining the variation of the dependent variable (Ghozali, 2013). The t-test was performed at 5% significance ($\alpha = 0.05$).

4. Result and Discussion

A. Respondents Distribution Data

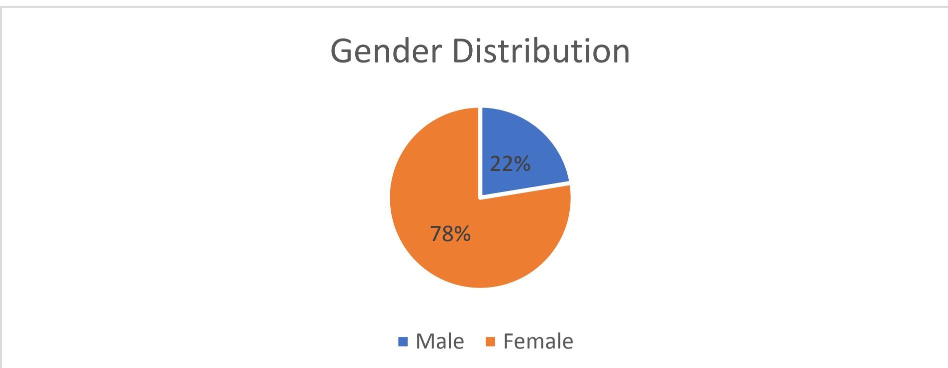
Based on the results of the study, the age distribution of the research respondents is shown in the following figure:



Picture 1. Age Distribution

Based on the picture above, it showed that most of the repondents are aged 19 to 22 years. While the smallest age distribution is 15 to 18 years. It is expected that financial literacy increases with age, as people become more knowledgeable, and their attitude and behavior change accordingly.

Based on the research results, it can be seen that there are more female respondents than male respondents. Female respondents by 78% while male respondents by 22%. The summary to describe the research findings can be seen in the following figure:



Picture 2. Gender Distribution

B. Hypothesis Test Results

This t-statistical test was conducted to determine the significance and influence of the independent variable on the dependent variable and to see whether the coefficient of the independent variable was significantly related to the dependent variable (Baskoro et al., 2019). The t table values in this study with a significance level of 5% are as follows:

t-table = n-k-1 ; α/2
t-table = 116-2-1 ; 0.05/2
t-table = 113 ; 0.025
t-table = 1.98118

Table 1. Data Analyze Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	R^2
	B	Std. Error	Beta (β)			
(Constant)	7.998	4.645		1.722	.088	
Finansial Behavior	.164	.097	.144	1.686	.094	.324
Financial Attitude	.545	.094	.494	5.799	.000	

The multiple linear regression equation in this study is as follows:

$Y = \alpha + \beta1X1 + \beta2X2 + \square$
Where:
Y = Financial Literacy
α = Constants
β1 = Financial Atttitude Coefficient
X1 = Financial Atttitude
β2 = Financial Behavior Coefficient
X2 = Financial Behavior
□ = Error

Financial attitude has a value of 0.494, which means that every 1 point increase in the total score of financial attitude is followed by an increase of 0.494 in financial literacy. A positive value indicates the higher a person's financial attitude, the better in financial literacy. Financial behavior has a value of 0.144, which means that every 1 point increase in the total score of financial behavior is followed by an increase of 0.144 in financial literacy. A positive value indicates the higher a person's financial behavior, the better in financial literacy.

Financial attitude and financial behavior can simultaneously predict financial literacy, with a significance value of $R^2 = 0.324$, which means that 32.4% of financial literacy can be explained by financial attitude and financial behavior variables, but 67.6% of financial literacy is explained by other factors outside of this study.

The regression test results can show the variables that have the most influence on financial literacy. To find out, it can be seen from the larger value of Beta (β). The table above shows that financial attitude has a greater value. This showed that financial attitude has a greater influence than financial behavior on financial literacy.

The t-statistical test aims to partially test the effect of the independent variables on the dependent variable by comparing t-count with t-table and seeing the significant value. Where t-count > t-table, then the gypothesis is accepted. Based on the results of research on the t-test, it shows that the t value for the financial attitude variable is 5.799, the value is greater than the t-table (1.98118). Judging from its significance, the financial attitude variable (sig. 0.000) has a significance value of $< \propto 5\%$, so it has a significant effect on financial literacy.

This means that the better the financial attitude of a person, the increase in financial literacy will be achieved. This is in accordance with research conducted by (Ameliawati & Setiyani, 2018) that financial attitude has significant influence on financial literacy. Someone with an excellent financial attitude can have correct financial literacy as well. Meanwhile, the ones who have a negative financial attitude can have an effect on low financial literacy.

This is supported by research by (Andansari, 2018) which found that financial attitude had a significant positive effect on financial literacy. Financial attitude is an important element in financial literacy. Financial attitude is defined as a person's psychological characteristics related to personal financial problems. financial attitudes such as being open to information, assessing the importance of managing finances, not being impulsive in consumption, future orientation, and responsibility. College student in managing their finances are also influenced by the social environment around them. As a college student, should be able to apply financial attitudes and be able to choose a good social environment in terms of managing finances.

Based on the table above, it is obtained that the t value for the financial behavior variable is 1.686, the value is smaller than the t-table (1.98118). Judging from its significance, the financial attitude variable (sig. 0.094) has a significance value of $> \propto 5\%$, so there is no influence of financial behavior on financial literacy.

This can happen if generation Z follows a trend or something that goes viral without being followed by good financial literacy. Easy access to information on the internet, requires generation Z to sort out whether it is in accordance with their capacity, especially in terms of financial decisions.

In addition, consumtive behavior can also be one reason. A person can have good financial literacy but at the same time have great consumptive and impulsive buying behavior as well. Based on the characteristics of the respondents, it is known that the majority of respondents aged 19 to 22 years are at an age that is prone to consumptive behavior. (Romadloniyah & Setiaji, 2020) explained that adolescents are one of the social groups that are vulnerable to changes in consumption patterns. The consumptive culture that exists in adolescents certainly cannot be separated from human nature as hedonistic creatures where adolescents have a sense of dissatisfaction with everything they have. Consumptive behavior in adolescents develops into a separate lifestyle. This is influences by the increasing needs of teenagers and the emergence of community prestige and also towards other adolescents. For most adolescents, adopting a consumptive lifestyle like this is the most appropriate way to be able to enter into the life of the desired social group.

Another behavioral financial literature, which claims that individuals are not always rational. People who act irrationally are more likely to follow what others are doing and more likely to avoid losses than to make profit. They believe in their abilities even at good times, blame the external factors of failure and explain mistakes through heuristics and behavioral bias (Gerth et al., 2021).

Conclusion

From the results of the analysis above, it can be concluded that there is no significant influence between the financial behavior variable and the financial literacy variable, which if the financial behavior variable increases it does not affect the level of the financial literacy variable, in contrast to the financial attitude variable which has a significant influence on the behavior variable. Which if the level of the financial attitude variable is high, the financial literacy variable also increases.

Suggestion

Suggestions that can be given based on the results of the research are:

a) Generation Z to further improve financial literacy in order to manage finances well. Generation Z is also expected to develop positive financial attitude and financial behavior such as recording expenses, saving or investing regularly and providing emergency funds.
b) It is also recommended for further researchers to use other variables that not examined in this study and to expand the sample.

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