

The Impact of Financial Literacy, Financial Socialization Agents, and Parental Norm on Money Management of Universitas Tarumanagara Students

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ABSTRACT

The aim of this research is to determine the impact of financial literacy, financial socialization agents, and parental norm on money management of Universitas Tarumanagara students. This study used 163 respondents from the students of the Faculty of Economics and Business, Universitas Tarumanagara. Data collected in this study using a questionnaire. The research design in this study used descriptive research with the sampling technique used non-probability sampling technique, namely convenience sampling. Analysis of the data used is the Structural Equation Model (SEM) using the Smart-PLS version 3.3.5 software as a data analysis tool. The results obtained in this study are financial literacy has a positive and significant impact on money management of Universitas Tarumanagara students, financial socialization agents have a positive and significant impact on money management of Universitas Tarumanagara students, and parental norm has a positive and significant impact on the money management of Universitas Tarumanagara students.

Keywords: *financial literacy, financial socialization agents, parental norm, money management*

1. RESEARCH INTRODUCTION

Since an individual begins to recognize and receive money, the process of money management will not be separated from daily life. Good money management will bring individuals to financial freedom. In addition, poor money management will result in individuals getting involved in debt and bankruptcy. [1] Based on the 2021 Generational Power Index report, shows that Generation Z in the United States has a debt burden that has increased by 67.2% from 2019 to 2020. Based on a statement provided by Virtual Capitalist, the increase in Generation Z debt is also influenced by the Covid-19 pandemic which doubled the unemployment rate. [1] This increase in debt was the result of a 39% increase in loan funds for educational purposes, 33% instalments for personal needs, 12% auto-debit usage, and 19% mortgages. This increase in debt is part of the spending of Generation Z which is included in making decisions in managing money, namely managing individual money.

Financial literacy, financial socialization agents, and parental norms play an important role in money management for young adults, especially among students. [2] If these factors have worked well, then this can contribute broadly to individual financial freedom. It is very important for students to be financially smart from an early age because this will help them in making the right money management decisions and thus will help them to reduce the possibility of bankruptcy and sinking in debt, especially when entering the career life.

Financial literacy has a big impact on the way individuals do money management. Financial literacy is seen as capable of instilling and educating an understanding of money management practices and opportunities for a better life in the future. Additionally, [3] financial socialization is the process by which individuals acquire the skills, information, and attitudes needed to maximize their ability in the financial markets. In addition to the importance of formal financial education and individual

commitment to financial literacy, individual interactions with financial socialization agents such as parents, friends, education and the media are also important to achieve success in good money management.

Not only that, [4] adults who are confident in their financial transactions usually have had sufficient knowledge since childhood, not just from formal financial literacy education. Parents who have encouraged valuable financial behaviour and involved in instilling financial values among teenagers are considered strong by their children as financial replicas so this parental norm from childhood greatly influences individuals in managing money.

Based on the previous discussion, this research has the following objectives: 1) to find out empirically the impact of financial literacy on money management of Universitas Tarumanagara students. 2) to find out empirically the impact of financial socialization agents on money management of Universitas Tarumanagara students. 3) to find out empirically the impact of parental norm on money management of Universitas Tarumanagara students.

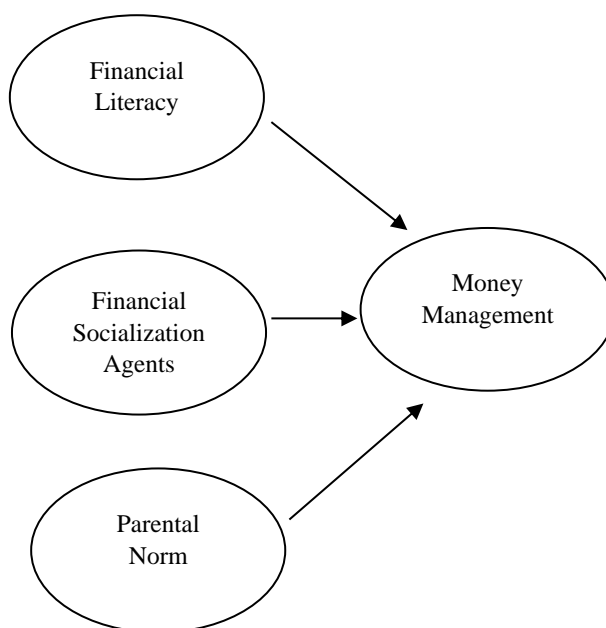


Figure 1 Research Model

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Financial Literacy

[5] Financial understanding and the ability to use it to make good personal financial decisions is called financial literacy. This refers to a person's understanding of how to make good financial decisions when dealing with money, such as how well a person understands banking, investing, personal finance management, etc. [6] Financial literacy is a process in which people use their ability to combine their skills, resources, and contextual knowledge to process information and make decisions, knowing the financial implications of those decisions. Based on the above description, financial literacy is how individuals use all the knowledge and abilities they have to make decisions. In this case, the decision has financial consequences which means that the individual understands exactly what he will get when making their financial decisions.

To reduce or avoid financial problems, everyone needs a good financial literacy. Low income can become a financial difficulty for someone, but not only that. Financial distress can be caused by errors in the daily life of managing money like being involved in debt, low financial planning, wasteful, etc. Therefore, it is important that students have financial literacy skills to reduce the risk of major financial problems.

2.2. Financial Socialization Agents

[7] Socialization is a lifelong process that helps improve an individual's living values, standard of living, social conditions, roles, and social behaviour patterns. It means that socialization is a process of personality formation or self-formation. A good link between consciousness and behaviour will also improve the relationship between the individual and the community. The agents that participate in the socialization of individuals are people and social structures. People can be parents, peers, teachers, and so on. The social structure can be in the form of schools, religion, mass media, work environment, and so on. [3] Financial socialization is a process that takes place in a person's life to acquire the skills, information, and attitudes needed to improve their skills in the financial markets. Based on this explanation, it is explained that through these financial socialization agents, individuals can learn and also acquire skills and obtain information that can increase their ability to enter the financial market. In addition to formal financial literacy or personal financial skills, the impact of personal interactions with socializing agents such as peers, parents, educators, and the media is important for individual decision making to optimize money and wealth.

Therefore, financial socialization agents have an impact on the ability of individuals to make decisions, especially in finance. Through socialization agents, individuals can learn and take important knowledge for their lives, in other words, individuals can be influenced by them.

2.3. Parental Norm

[8] Besides, media and peers who play a role in a person's socialization process, parents are considered to be the main socialization agent for an individual. This means that parents play an important role in the socialization of adolescents and adults, regardless of the influence of the media or peers. Parents were the main source of socialization and were the first to develop knowledge for their children. This is in line with the opinion of [9] which says that parents are the main socialization agents in a child's learning process in managing money and who teach children in the process of developing financial management behaviour that is carried over either intentionally or not through learning in the family. Therefore, parents are expected to be more persuasive when it comes to providing money-related education to their children.

[2] Parental normative communication early in life, coupled with the presence of financial education in school, is the perfect combination to lay a solid foundation that can encourage young adults to make better financial decisions. Therefore, as the first effect of directing individuals, parents play an important role in the successful socialization of their children in all aspects of their lives.

2.4. Money Management

[10] Money management means the process of budgeting, saving, investing, spending, or controlling the use of personal money. [11] The ability to control and manage finance can be reached from effective money management behaviour.

Meanwhile, [12] stated that money management is how far someone can understand, analyse, manage, and communicate the self-financial problem to have financial welfare.

2.5. The Impact of Financial Literacy on Money Management

The most obvious relationship between financial literacy and money management is that with good financial literacy skills, individuals will better understand how to manage their money so that individuals can reduce the consequences of losses in financial problems.

Education about finance today also facilitates literacy, namely knowledge and skills related to finance which are important in carrying out daily transactions and investing wealth accumulation. This helps individuals in managing their own finances and provides themselves with long-term financial security. [13] This information and skills are important for dealing with financial problems in daily life, such as: managing allowances, maintaining bank accounts, investing and saving. According to the previous explanation, information and skills regarding finance are very important to deal with financial aspects found in each individual's daily life. For example, managing benefits, maintaining bank

accounts, investing, and saving. Where these examples are money management for each individual. With good financial literacy skills, individuals can handle financial problems that they encounter daily well. Therefore, we can conclude that financial literacy is a way for people to use their skills and knowledge to manage their money. Therefore, good financial literacy is important for students as their guide in dealing with various financial aspects that they will face daily, such as money management. Based on the explanation above, the first hypothesis (H1) in this study is:

H1: Financial literacy has a positive and significant impact on money management of Universitas Tarumanagara students.

2.6. The Impact of Financial Socialization Agents on Money Management

[14] The previous research notes that peer influence is very important in shaping one's money-related behaviour. In this day and age, many young adults continue to follow their social trends which will have an impact on their behaviour in managing money income and spending. For example, a student who hangs out with someone who is consumptive will lead the student to wasteful behaviour, in this case spending excessive money.

[2] Media is an alternative socialization machinist for teenagers and young adults. Because based on a study, [15] about 33% of secondary schools reported using the mass media and the Internet as the basis for protecting financial information. [16] In addition, another study shows how television affects adolescents' spending power, brand differentiation, materialistic attitudes, and financial practices.

Based on the description above, it can be explained that financial socialization agents are media that have a considerable influence on individuals in making decisions to behave so that this also has an impact on individual decision making in money management. Based on the above explanation, the second hypothesis (H2) is:

H2: Financial socialization agents have a positive and significant impact on money management of Universitas Tarumanagara students.

2.7. The Impact of Parental Norm on Money Management

[2] Parents who have encouraged valuable financial behaviour and engaged in cultivating steadfast among youth are highly regarded by their children as financial replicas. Adults who have received encouragement from their parents, finally carry out appropriate financial activities or can be said to do the right money management. Parent-led communication early in life and financial education at school are the perfect combination, providing a solid foundation that can encourage young adults to make better financial decisions.

Based on the description above, it can be concluded that parents play an important role in the stages of child socialization, including in terms of money management. Parents are the first and main media who provide financial knowledge to children. Therefore, the knowledge given by parents to each individual if properly nurtured and planted will be a guide for the child in dealing with the financial problems he will face later. In other words, the attitudes and behaviour of parents become a reflection of a child. Based on the above explanation, the third hypothesis (H3) is:

H3: Parental norm has a positive and significant impact on money management of Universitas Tarumanagara students.

3. RESEARCH METHODOLOGY

The population in this research were students of Faculty Economics and Business, Universitas Tarumanagara. The sample that was taken are 163 students. The study design used in this study is a descriptive study. The survey method used in this survey is quantitative. This study uses a large sample with a data collection method used in the form of a questionnaire distributed to students of the Faculty of Economics at the Universitas Tarumanagara. The sampling method used in this study was non-probability sampling, namely convenience sampling. The reason for using this non-probability sampling technique is that researchers have not been able to ascertain the exact size of the population. In this study, the independent variables and the dependent variable were measured using a Likert scale

from a scale of 1 to 5, where 1 is the lowest scale and 5 is the highest scale. [18] Financial literacy uses indicators such as knowledge of finance, knowledge of savings and loans, knowledge of investment, knowledge of insurance. [2] Financial socialization agents use indicators such as family, education, friends, and media. [12] Indicators used to measure parental norms are parent direct teaching and adopting parental financial modelling. [12] Money management is measured using indicators such as cash management, credit, savings & insurance. To test the validity and reliability, this study uses SEM (Structural Equation Modelling) analysis techniques using a data processing application, namely Smart-PLS Version 3.3.5. This study examines the outer model analysis and inner model analysis. Outer model analysis is used to determine the specification of the relationship between a latent variable and its index. After passing the outer model test, the inner model analysis will be carried out. The inner model analysis is used to predict causality (causal relationship) between latent variables or variables that cannot be measured directly. The outer model analysis consists of a validity test and a reliability test. The validity test in this study uses convergent validity and discriminant validity. Convergent validity in this study used the loading factor test and Average Variance Extracted (AVE). The discriminant validity used in this study is the Fornell-Larcker Criterion test. The reliability test in this study used composite reliability. Inner model analysis in this study used the coefficient determination (R^2), predictive relevance (Q^2), path coefficients analysis, effect size (f^2), and hypothesis test.

4. RESULT & DISCUSSIONS

The total respondents who participated in this study were 163 respondents whose data was obtained through a google form questionnaire. The data collected aims to prove that this research will impact financial literacy, financial socialization agents and parental norms on money management of Universitas Tarumanagara students, who currently live with their parents.

Of the 163 respondents who participated in the research, all of them were students of the Faculty of Economics and Business, Universitas Tarumanagara students. The participating students consisted of 83 male respondents and 80 female respondents. The majority of respondents participating in this study were students of the 2018 class, all of them were still living with their parents.

This research has passed tests with a measurement model (outer model analysis) and a structural model (inner model analysis), which after testing the data is considered valid and reliable in measurement model test and meets the criteria in the structural model test.

Below are the results of the validity test consisting of convergent validity and discriminant validity. Measuring convergent validity assessed based on the results of the loading factor and Average Variance Extracted (AVE). Discriminant validity can be assessed through the Fornell-Lacker Criterion.

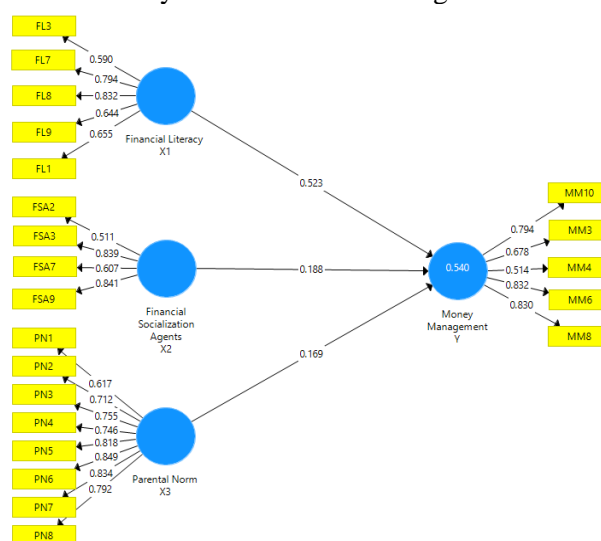


Figure 2 Outer and Inner Model Analysis Results

Figure 2 shows value of loading factor that is in accordance with the criteria, which is above 0.5 [19]. So based on the results of the loading factor, the measuring instrument in this study can be said to be valid.

Data that used to measure each variable has also met the criteria for the validity of The Fornell-Larcker Criterion. This is because after the data was processed, the value of each variable is greater than the value of the correlation itself with other variables so that it satisfies the criteria.

Table 1 Validity and Reliability Results

	<i>Average Variance Extracted (AVE)</i>	<i>Composite Reliability</i>
Financial Literacy	0.503	0.833
Financial Socialization Agents	0.510	0.800
Parental Norm	0.591	0.920
Money Management	0.547	0.833

Table 1. Based on table 1 above which contains the Average Variance Extracted (AVE) value, it can be concluded that the data used meets the validity criteria where the Average Variance Extracted (AVE) value is above 0.5. Besides that, the composite reliability value has also met the criteria because it has a value above 0.60 [20].

Table 2 Effect Size, R-square, Q-square Results

Description	Money Management
Financial literacy	0.458
Financial socialization agents	0.043
Parental norm	0.035
R-Square	0.540
Q-Square	0.284

It can be seen from the table above that the financial literacy variable has an effect size value (f^2) of 0.458, which the value is above 0.35 so it has a large effect. For variables, financial socialization agents and parental norm have an effect size value (f^2) which is classified as having a small effect because it has a value above 0.02 with each value being 0.043 and 0.035. The result of the coefficient of determination test (R^2) has a value of 0.540 or 54%. This means that the dependent variable of this study, namely money management, 54% can be explained by the independent variables of this study, namely financial literacy, financial socialization agents, and parental norms. While the remaining 48.9% can be explained by other variables outside of this study. The Q^2 value obtained is greater than 0, so it can be stated that the variables used in this study can estimate or predict the research model well.

Table 3 Path Coefficients Test Result

	Original Sample	t-Statistics	p-Value
Financial Literacy --> Money Management	0.523	8.727	0.000
Financial Socialization Agents --> Money Management	0.188	2.153	0.032
Parental Norm --> Money Management	0.169	2.220	0.027

Hypothesis 1 which states that there is a positive impact of financial literacy on money management of Universitas Tarumanagara students has been tested and stated to have a positive and significant effect so that hypothesis 1 is accepted. This can be seen from table 3 above so it can be

explained that the higher financial literacy ability of the students, the better their money management will be. On the other hand, if these students have low financial literacy skills, their money management skills will also decrease. To improve students' financial literacy skills, it is also necessary for students to obtain sufficient financial knowledge [12]. [2] The results of this study support previous studies that also have a positive effect on the handling of money in financial literacy studies. Young adults with little financial literacy are less likely to effectively accumulate and manage wealth [2]. In addition, this study is consistent with other studies in which financial literacy has a significant positive impact on money management [12].

In hypothesis 2 which states that there is a positive and significant impact of financial socialization agents on money management, it can be seen from the results of table 3 above. So, if the impact given by the financial socialization agent is greater, the individual's money management will be better, on the contrary, if the impact of the financial socialization agent is getting smaller, the ability to manage money will also decrease. [2] The results obtained from this study support the previous research which financial socialization agents have a positive and significant impact on money management. In addition, this study also supports another research in which financial socialization agents have a positive and significant influence on financial management [21]. This is in line with the basic Theory of Planned Behaviour (TPB) which explains that the role behind the Theory of Planned Behaviour (TPB) is social and information as well as other components of The Theory of Planned Behaviour (TPB) such as subjective norms which also represent socialization agent variables. finance [22].

The last hypothesis is hypothesis 3 which states that the positive and significant impact of parental norms on money management is also accepted. This means that the better parental norm obtained by the individual, then the student's money management will be better. Conversely, if the parental norm obtained by the individual is not good, then the individual's money management will also be lacking. This study is in line with the previous research which parental norm has a positive and significant impact on money management [2]. Other research that is also in line with this research said that parental norms also have a positive and significant impact on money management [12].

5. CONCLUSION AND IMPLICATION

Based on the results of the research discussed in the previous chapter, it can be concluded that: (1) There is a positive impact of financial literacy on money management of Universitas Tarumanagara students. (2) There is a positive impact from financial socialization agents on money management of Universitas Tarumanagara students. (3) There is a positive impact of parental norms on money management of Universitas Tarumanagara students

For further research, it is recommended to expand the scope of research by adding research samples, changing research subjects that do not only focus on students or adding new independent variables that are related to money management so that the research data obtained can be more accurate and diverse.

From this study, students or practitioners are expected to continue to improve their financial literacy skills by continuing to learn and seek knowledge about financial knowledge so that students can make the right decisions when doing money management. This can reduce the chances of students getting into debt and bankruptcy and can make them easier to achieve financial freedom. Academicians is expected to improve their skills by always learning and sharing the information for the beginner so that can be useful for each other.

Parents are expected to be able to provide good norm for their children in all aspects, including money management. Parents must become good role models for their children because parents are the first teachers for their children to behave.

The community is expected to be a good agent of socialization so that it can help other people to achieve their success in good money management. This socialization agent can be in the form of family, media, educational institutions, and peers. The media is expected to display educational and useful content so it can add good knowledge to the behaviour and mindset of individuals. Educational institutions are expected to be a good source for individuals to gain knowledge that is useful for every aspect of their lives so that the decisions taken are appropriate and full of confidence. Family and peers

are also expected to always be good supports for individuals in good aspects so that individuals do not fall into the wrong association and drown in problems.

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