

## **DO HEDONISM LIFESTYLE AND FINANCIAL LITERACY AFFECT TO STUDENT'S PERSONAL FINANCIAL MANAGEMENT?**

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### **ABSTRACT**

*The purpose of this study was to determine the effect of Hedonism Lifestyle and Financial Literacy on Students' Personal Financial Management. The sample in this study was all university students, which in the end used the convenience sampling method to select the sample so that a sample of 81 students from the 2018 class of Faculty of Economics and Business Tarumanagara University. The data analysis technique used is Structural Equation Modeling (SEM) employed by the Smart-PLS program. The results of this study are hedonism lifestyle and financial literacy have a significant influence on personal financial management. However, the hedonistic lifestyle has a different direction sign with financial literacy as a determining factor for students' personal financial management. The managerial implication of this research that occurs is that parents need to emphasize more financial literacy than the hedonistic lifestyle in order to form a better personal financial management attitude in the future.*

**Keywords:** *Hedonism Lifestyle, Financial Literacy and Student's Personal Finance Management*

## **1. INTRODUCTION**

The development of the era of lifestyle is supported by the rapid growth of technology. One of these technologies is information technology. Lifestyle has been attached to every human individual and is not limited by gender, age and income, including students. It can be seen that the University is no longer a place of education but a place for students to express their identity through the appearances given and competing to show off what they are wearing.

The level of consumption and student lifestyle is supported by almost all of the University's locations close to shopping centers (malls) and cafes. The addition of new hang-out places, and social media influencers who provide content about the latest clothing trends (updates), the latest hairstyles, luxury goods and also famous culinary places/cafes. This will make students interested and follow the trend. The hedonistic lifestyle is a pattern of life in which individuals only seek the pleasures of life.

The wide spread of shopping centers and cafes around the University's location makes students prefer to spend their time outside the home, such as during breaks or after learning, students will choose to go to the mall or cafe to just hang-out, eat, do assignments together or shopping outside the needs indirectly the lifestyle of students having a lifestyle like this affects the lifestyle to be more extravagant and hedonistic. This is because some of them still do not understand and understand the extent of knowledge in managing their personal finances [8] and [10].

The Financial Services Authority (OJK) as the financial regulator in Indonesia has conducted research to determine the level of financial literacy among the public. It is shown that the results of the obtained are 38.03% where this number is inversely proportional to public financial inclusion which has reached 76.19%. The university has equipped students by providing

courses and learning about finance. In fact, students still cannot control themselves to spend their money to fulfill their desires so that money always runs out prematurely, by shopping online, snacking on excess food due to hunger and assuming branded goods are mandatory and others. Some students still don't realize or know their spending history because they always run out prematurely, the students themselves don't even know for what purposes and just think the money given is not enough.

This is of course because students do not yet have a mindset and more insight into financial literacy in education of allocation of money, students who do not make budget planning in advance and the addition of students who only pay attention to prestige, thus spending a lot of money to fulfill satisfaction or have fun. Therefore, it is necessary to understand and apply an understanding of financial management properly and correctly so that students can make the most of the money they have. So sure that's why this research needs to be done. That is, whether hedonism is indeed a relevant determining factor for students' personal financial management decisions. refer to studies [2], [5], [8], [9] and [10].

## **2. THEORETICAL UNDERPINNING AND RESEARCH FRAMEWORK**

### ***Theoretical Underpinning: Theory of Planned Behavior***

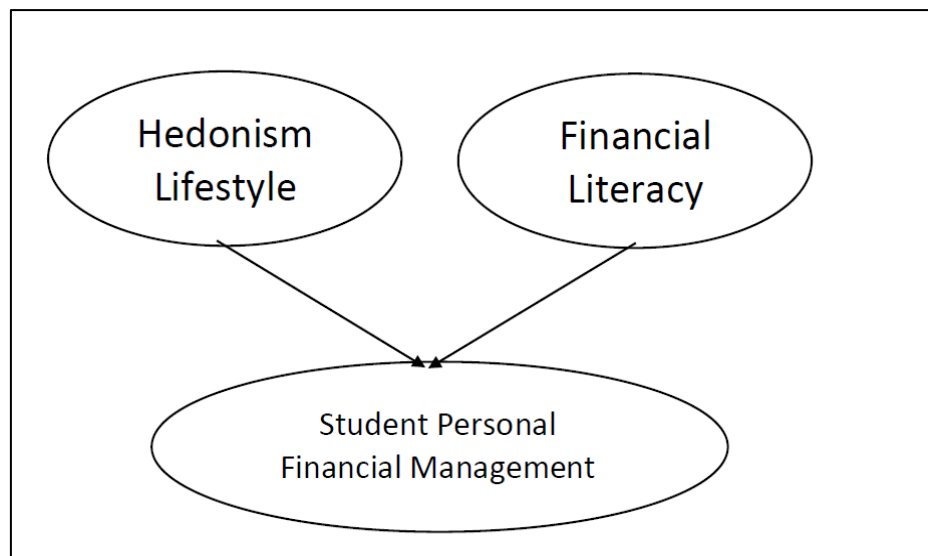
This theory was proposed by Ajzen in 1991, where there is an entry that explains the prediction of the intention of a behavior. This theory is used as a theoretical basis in explaining the hedonistic lifestyle and financial literacy (1). According to [3] and [4], the theory of planned behavior (TPB) is a concept used to predict the purpose of behavior and establish the truth of the existing theory. This theory uses some of the main concepts in the social and behavioral sciences combined, and in this theory also defines how to predict and understand a certain behavior and in a certain context. The theory of planned behavior is a continuation of the theory of reasoned action which is made from the original limitation model in dealing with behavior in which a person's control in having a will that is out of control. TPB is the original theory of reasoned action is the same as the main factor in the theory of behavior, namely the intention of the individual in showing behavior.

### ***Research Framework***

Personal financial management is something that must be done by every individual. In carrying out financial management requires financial planning to avoid consumptive behavior. [5], [6] and [7].

The hedonistic lifestyle is a lifestyle of someone who only cares about pleasure and puts aside needs in order to get what they want. This can be caused by individuals who are not good at managing finances and lack of knowledge about finances. The hedonistic lifestyle can have an unfavorable effect on financial management so that one's personal financial management is low.

Financial literacy also has a very important role in financial management, individuals need to have knowledge of how to manage and analyze their finances. It is also said that the higher a person's financial literacy, the better his financial management will be, and vice versa, the worse a person's financial literacy, the worse his financial management will be. Indirectly, it can be concluded that financial literacy is a science that studies how to analyze and manage finances so that individuals can manage their income and expenses well for the future.



**Figure 1.** Research Framework

Based on the framework above, it can be concluded that this research hypothesis is as follows:  
H1: Hedonistic lifestyle will affect toward on personal financial management.  
H2: Financial literacy should have impact to personal financial management

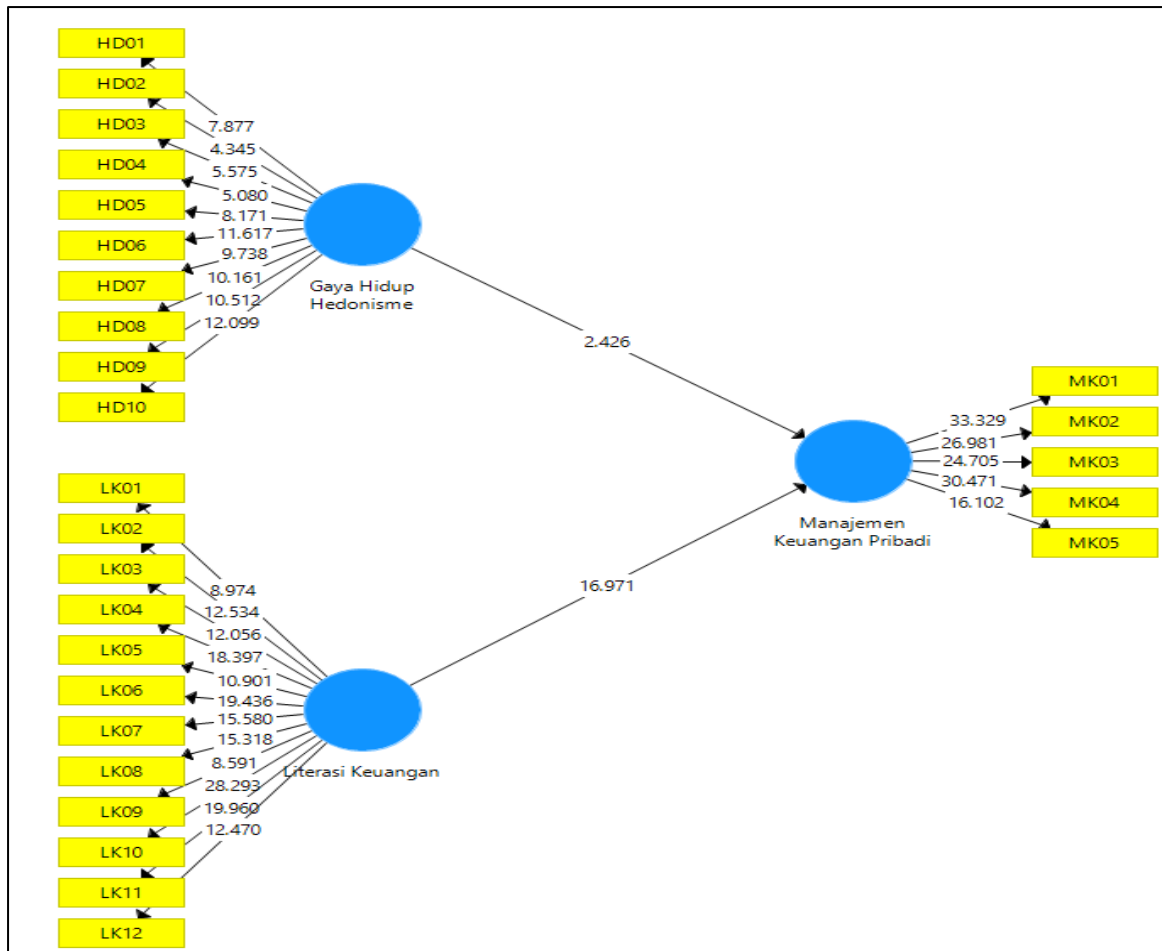
### **3. RESEARCH METHOD**

This research is a quantitative research with a descriptive research design. The population of this study is the 2018 students of the Faculty of Economics and Business at Tarumanagara University with a sample size of 100 respondents. The data collection technique used is non-probability sampling with the type of convenience sampling. The data analysis technique used is Structural Equation Modeling (SEM) which need the outer model and the inner model as the feasibility of model. The detailed implementation of the SEM analysis was carried out according to research studies [4], [7] and [8].

### **4. RESULTS AND DISCUSSIONS**

#### **Result**

Hypothesis testing in this study was carried out in order to find out the truth of the statements in this study so that they could be considered as truth. Hypothesis testing was carried out using the bootstrapping method to analyze the results of the t-statistic and p-value tests. Bootstrapping of the PLS SEM analysis is as follows:



**Figure 2.** Bootstrapping Test Results

Hypothesis testing, can be seen based on the direct, indirect effect of the total. The criteria in the test use a significance level ( $\alpha$ ) of 5%, which is if the t-statistic is greater than 1.96. Besides being seen from the t-statistics, it can also be seen from the p-value, the variable is declared to have an effect if the p-value is  $<0.05$  and it is stated that there is no effect if the p-value is  $>0.05$ .

**Table 1.** Path Coefficient Test Result

Indicators	Path Coefficient	T-Stat	P-Values
Hedonism Lifestyle → Personal Financial Management Decisions	-0.159	2.426	0.016
Financial Literacy → Personal Financial Management Decision	0.790	16.971	0.000

Figure 2 shows the results of the path coefficient test of the independent variables (hedonism lifestyle, financial literacy) to the dependent variable (personal financial management decisions). The path coefficient value of the hedonistic lifestyle has a negative direction of -0.159 and financial literacy has a positive direction of 0.790.

The results of the t-statistic and p-value tests have been presented in the path coefficient table. The following are the results of hypothesis testing:

### ***First Hypothesis Testing***

H1: Hedonistic lifestyle will affect toward on personal financial management.

Based on the results of testing the first hypothesis (H1) in table 1, it can be seen that the t-statistic value of the hedonistic lifestyle is 2.426 where the number is greater than 1.96 ( $2.426 > 1.96$ ) which states that (H1) is accepted, with p-value of 0.016 where the number is smaller than 0.05 ( $0.016 < 0.05$ ) which indicates the effect of hedonistic lifestyle on personal financial management is significant,

With a path coefficient value of -0.159 which shows the influence of a hedonistic lifestyle on personal financial management is strong and negative. Thus the first hypothesis (H1) in this study which states "there is a significant negative effect between the hedonistic lifestyle on personal financial management" (accepted) with a 95% confidence level, can be interpreted as the higher the hedonistic lifestyle, the lower financial management will be inferior.

### ***Second Hypothesis Testing***

H2: Financial literacy should have impact to personal financial management

Based on the results of the second hypothesis (H2) in table 1, it can be seen that the t-statistic value of financial literacy is 16.971 where the number is greater than 1.96 ( $16.971 > 1.6$ ) which states that (H2) is accepted, with p-value of 0.000 where the number is smaller than 0.05 ( $0.000 < 0.05$ ) which indicates the influence of financial literacy on personal financial management is significant, and the path coefficient value of 0.790 which indicates the influence of financial literacy on personal financial management is strong and positive. So that the second hypothesis (H2) in this study which states that "there is a significant influence of financial literacy on personal financial management" (accepted) with a 95% confidence level, so it can be interpreted that the higher financial literacy, financial management will also increase.

## **Discussion**

Starting from the description of the research subject where it is known that this study uses a questionnaire distributed online through the google form. The results of the respondents who were collected with the sample criteria in this study were students of the Faculty of Economics and Business Class of 2018 at Tarumanagara University, amounting to 138 respondents but only 100 respondents who met the criteria where the sample was categorized by year of class, faculty, and university.

Based on the sample that has been collected through google form, there are 47 respondents (47%) male and 53 respondents (53%) female. If categorized by place of residence, there are 83 respondents (83%) who live with their parents and 17 respondents (17%) who live privately. If categorized based on the largest expenditure, there are 45 respondents (45%) having the largest expenditure in the culinary category (food and beverages), 19 respondents (19%) the largest expenditure in the beauty care category, 14 respondents (14%) having the largest expenditure in the entertainment category. and 22 respondents (22%) with the largest expenditure in the fashion category. If categorized based on monthly (personal) expenses, then

there are 39 respondents (39%) personal monthly expenses <Rp. 2,000,000, 29 respondents (29%) personal monthly expenses of respondents are in the range of Rp. 2,000,000 to Rp. 4,000,000 and 32 respondents (22%) personal monthly expenses of respondents > Rp. 4,000,000.

In this study, there are two tests, namely testing the outer model and testing the inner model. In testing the outer model in this study using validity and reliability tests. The results of the outer model test are obtained where the variables of hedonism lifestyle and financial literacy are declared valid and reliable. The inner model testing in this study uses the coefficient of determination ( $R^2$ ), effect size ( $f^2$ ), predictive relevance ( $Q^2$ ), path coefficient, goodness of fit (Gof), and hypothesis testing. The test results of the coefficient of determination ( $R^2$ ) are 0.676, meaning that 67.6% of the personal financial management variables can be explained by the hedonistic lifestyle variables and financial literacy, the remaining 32.4% can be explained by other variables.

The results of the test effect size ( $f^2$ ) of the variables of human lifestyle and financial literacy on personal financial management are 0.077 and 1.93. That is, the variables of hedonism lifestyle and financial literacy have a large changing effect on financial management. The results of the predictive relevance test ( $Q^2$ ) in this study were 0.493. This means that the research model carried out has good relevance. The result of the goodness of fit (Gof) test is 0.66. This means that the model in this study has a high Gof level. The results of hypothesis testing in this study are as follows:

### ***First Hypothesis Testing***

The result shows that the hedonistic lifestyle has a t-statistic value is ( $2.426 > 1.96$ ) and the p-value of the hedonistic lifestyle on personal financial management is as large as ( $0.016 < 0.05$ ). So the results of the first hypothesis ( $H_1$ ) "There is a significant influence of a hedonistic lifestyle on personal financial management" (accepted). With the results of the path coefficient of -1.80 which indicates a negative and strong influence. This means that there is an influence of a hedonistic lifestyle on students' personal financial management. The more luxurious and hedonistic of a person's lifestyle, the worse his personal financial management will be. On the other hand, if the hedonism attitude decreases and the student's lifestyle is luxurious, the better the financial management students at Tarumanagara University especially for class 2018 will be. This is comparable to previous studies in [1], [2], [6], [8], [9] and [10] on the lifestyle is a person's lifestyle in the world which is expressed in his activities, interests, and opinions.

This can also be seen from the responses of respondents at Tarumanagara University regarding the largest expenditure, namely: where respondents who are students spend the most of their money to buy food or drinks (culinary) in excess. In addition, students are always updated about the latest trend so that it looks cool, and not outdated like by visiting the latest cafes or culinary delights and not feeling extravagant about it. Along with that, students also spend their pocket money to go to shopping centers and the newest cafes to just hang-out with friends and take pictures to share on social media. And students strongly agree that looking neat and fashionable is a must where at this time, where looking neat is very important because people will judge what students are wearing, not only that, students also buy goods to satisfy their desires even though these items are not necessarily included in the case. What is needed, especially according to the results of student respondents wearing branded and expensive clothes is more attractive with the addition that when there are new accessories or clothes, students will immediately buy to support their appearance. Therefore, students tend to be more

extravagant and excessive because they use their money to buy clothes, go to trendy places (shopping centers, cafes, etc.) which require them to look attractive.

After looking at it, it turns out that not only social media (influencers) affect students' lifestyles, but housing and pocket money also affect students' personal financial management, due to the expenses needed to meet their needs. Based on the table of respondents' answers regarding lifestyle, it can be concluded that the majority agree 37 respondents (44.3%) on the statement about where students live is with their parents with pocket money <Rp. 2,000,000.

### ***Second Hypothesis Testing***

The result shows that financial literacy has a positive influence on personal financial management where the t-statistic value shows results greater than 1.96, which is 16.971. And the p-value of the hedonistic lifestyle on personal financial management is 0.000 which is smaller than 0.05 ( $0.000 < 0.05$ ). So the results of the first hypothesis (H2) "There is a significant influence of financial literacy on personal financial management" (accepted). With the results of the path coefficient of 0.790 which indicates a positive and strong influence. This means that there is an influence of a hedonistic lifestyle on students' personal financial management. This means that the better the individual financial literacy of each student, the better the management of students' personal financial management.

This outcome of our study are supported by several previous studies where it is stated that the better a person's knowledge about finances, the better the individual will be in managing their finances, and vice versa if an individual does not have sufficient knowledge about finance, the individual will have difficulty managing his personal finances. well.

The level of knowledge possessed by each individual is a personality or general attitude that is able to influence a person's perspective on something, the better the knowledge of something, each individual will consider the information they have and consider the impact of the actions to be taken either directly or indirectly impacts.

In financial literacy, students are given knowledge in the field of finance so that students can intelligently manage their personal finances. Especially in introductory courses in economics, microeconomics and macroeconomics, which explain how to consume efficiently and effectively.

Students of Faculty of Economics and Business Class of 2018 know the benefits of personal finance and the majority of students strongly agree that they know and participate in their personal financial planning (saving, keeping records and investing). Furthermore, students also strongly agree that when I want to buy something, I make a decision first what to buy.

Then, students strongly agree that they always record and evaluate their expenses at the end of each period, not only that they also save some monthly money for long-term needs, they do this in order to avoid waste and a luxurious lifestyle that is hedonism. Based on the distribution of financial literacy, it can be concluded that the majority strongly agree that financial planning can control finances so as to avoid excessive spending.

## 5. CONCLUSION & SUGGESTION

From the results of research that has been obtained regarding the Influence of Hedonism Lifestyle and Financial Literacy on Students' Personal Financial Management (Case Study of 2018 Students, Faculty of Economics and Business, Tarumanagara University). The researcher concludes that the financial literacy variable has a positive and significant effect on students' personal financial management. The higher a person's financial literacy, the better his financial management will be. While the hedonism lifestyle variable shows that the results of the researcher's hypothesis are partially influential on the personal financial management of students where, the higher a person's lifestyle, the more difficult it is for someone to manage their finances.

Further researchers can improve the limitations that exist in this study by increasing the number of samples where in this study only samples of 2018 class students, Faculty of Economics and Business, Tarumanagara University, Jakarta. Based on this, it is recommended for further researchers to take samples from all faculties of Tarumanagara University, and for further research it is expected to be able to develop research by adding other variables such as socio-economic parents, peers, spiritual intelligence and so on. Parents of each students need to emphasize more financial literacy than a hedonistic lifestyle in order to form a better personal financial management attitude in the future.

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