

# The Influence of Financial Literacy on Personal Financial Management of Students of The Faculty of Economics and Business, Andi Djemma University

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## Abstract

In today's modern era, students must have financial intelligence, namely intelligence in managing finances. When a student is able to make the right decisions about finances, there will be no financial problems in the future and is able to show healthy financial behavior and be able to determine which needs are not wants. However, not a few students tend to spend their money on things they want rather than for brand needs. Therefore, this study aims to determine the effect of financial literacy on personal financial management of students of the Faculty of Economics, Andi Djemma University. Data collection using primary data obtained from questionnaires, interviews and observations. The sample in this study was 93 students of the Faculty of Economics and Business, Andi Djemma University. The data analysis technique used is simple linear regression using the SPSS application. The results showed that partially financial literacy had a positive and significant effect on personal financial management of students of the Faculty of Economics and Business, Andi Djemma University. This means that the better the financial literacy of students, the better the management of students' personal finances will be well organized. And vice versa when student financial literacy is not good, students' personal financial management will be chaotic.

*Keywords: Financial Literacy; Personal Financial Management*

## 1. Introduction

Financial literacy is knowledge and skills in managing finances. The existence of this awareness has long-term effects that can keep financial conditions stable, safe, and prosperous. Financial literacy is not only important for individuals, but also influential in the economic progress of a country. That is why one of the indicators of a country experiencing progress is marked by public awareness of the importance of financial literacy. Financial literacy can also be said to be a person's ability to obtain, understand, and evaluate relevant information for decision making by understanding the financial consequences it causes.

Financial literacy about financial concepts and the ability to apply numeracy skills in a financial context [1]. Financial literacy is the ability to identify and understand financial risks by using available information and advice and utilizing financial resources appropriately in order to achieve the expected goals [2]. Personal financial management is the process of achieving personal financial goals through the foundation of structured financial management science [3]. Personal financial management is a way for a person to manage his finances optimally in order to achieve financial goals [4]. Financial management is part of personal management, is the process by which a person or individual meets the needs of life through activities to manage financial resources in a structured and systematic manner. A person can be

said to have good personal financial management if they are able to manage the budget and control their finances. If someone is able to apply financial management, especially to his personal finances well, then someone will be accustomed to being thrifty and wise in managing his finances. Therefore, personal financial management is very important to do to achieve prosperity in the future.

Several studies suggest that financial literacy has an impact on personal financial management. Such research conducted by [5][6][7][8][9] found that financial literacy has a significant influence on personal financial management. According to [10] everyone must have financial skills and understanding or financial literacy from an early age, because it makes it easier for everyone to manage their finances. People who lack financial skills and understanding can become missteps and result in consumptive behavior. High consumptive behavior ultimately causes individual financial management to become uncontrollable.

Students of the Faculty of Economics and Business, Andi Djemma University themselves can be said to be consumptive, it is certainly due to several factors such as often shopping online, hanging out in cafes, traveling and so on. Even though he should be a student labeled a student of the Faculty of Economics with the provision of various sciences related to economic management and financial management. Students at the Faculty of Economics and Business, Andi Djemma University also have a lifestyle that is almost the same as most students at other universities. Students of the Faculty of Economics and Business, Andi Djemma University are known as a young generation who are consumptive and have a hedonistic lifestyle, which means students will seek as much happiness as possible and try to avoid things that have the potential to hurt themselves.

Based on the facts stated above, researchers are interested in conducting research activities. This research activity is entitled The Effect of Financial Literacy on Personal Financial Management of Students of the Faculty of Economics and Business, Andi Djemma University.

## **2. Research Methods**

### **Data Collection**

The data collection method used by researchers is through observation and questionnaires. Observation is a systematic recording of the symptoms studied. Observation activities on the object of this study to obtain more accurate data information on the matters studied related to the Effect of Financial Literacy on Personal Financial Management of Students of the Faculty of Economics and Business, Andi Djemma University. According to [11] Questionnaire is a data collection technique carried out by giving a set of questions or written statements to respondents to answer. Questionnaires are an efficient data collection technique when researchers know exactly what variables will be measured and know what can be expected from respondents. This questionnaire consists of questions or statements with dependent variables of financial literacy and independent variables of financial behavior. This questionnaire was given to respondents to determine the effect of financial literacy on personal

financial management of students of the Faculty of Economics and Business, Andi Djemma University.

### **Population and Sample**

The population in this study is all active students at the Faculty of Economics and Business, Andi Djemma University, which is 1343 students. The sample in this study was 93 students of the Faculty of Economics and Business, Andi Djemma Palopo University. The samples in this study were taken using purposive sampling techniques. Purposive sampling is a sampling technique with certain considerations [11]. The considerations in determining the sample are 1. Students of finance concentration, 2. Students of class 2020 and 2021.

### **Data Analysis Methods**

#### 1. Validity Test and Reliability Test

##### a. Validity Test

Validity test is the level of state and expertise of the measuring instrument used, the instrument is said to be valid, meaning that the measuring instrument used to obtain data is valid or can be used to measure what should be measured [11]. Thus a valid instrument is a truly appropriate instrument to measure what is to be measured. A ruler is valid if it is used to measure length, but becomes invalid if it is to measure weight. This means that a ruler is appropriate to use to measure length, but it becomes invalid if a ruler is used to measure weight. The validity test is useful to find out if there are statements on the questionnaire that should be discarded or should be replaced because they are considered irrelevant.

##### b. Reliability Test

Instrument reliability tests can be performed externally or internally[11]. A reliable instrument is one that is used multiple times to measure the same object, producing the same data. Reliability analysis shows the extent to which measuring devices are trustworthy or reliable.

#### 2. Simple Linear Regression

A simple regression analysis method is a procedure for obtaining mathematical relationships in the form of equations between bound variables and single independent variables. In simple linear regression there is only one independent variable (X) linked to one bound variable (Y). A mathematical relationship used as a regression model used to forecast or predict an output value (Y) based on a particular input value (X). This regression analysis was used to determine the effect of financial literacy on the financial behavior of students of the Faculty of Economics and Business, Andi Djemma University. The equation of simple linear regression is as follows:

$$Y = a + bX$$

Information:

Y = Personal financial management

X = Family financial education

a = Constant

b = Regression coefficient

a. Partial Test (T Test)

T test testing is intended to determine whether the independent variable has a significant effect on the dependent variable. Provided that if  $t$  is calculated  $>$  table, it is said to be significant where there is an influence between the independent variable under study and the dependent variable, on the other hand, if  $t$  is calculated  $<$  table it is said to be insignificant.

b. Coefficient of determinant ( $R^2$ )

The determinant coefficient ( $R^2$ ) is a number that expresses or is used to determine the contribution or contribution made by one or more variables X (free) to variable Y (bound). If ( $R^2$ ) is greater (close to one) then it can be said that the influence of variable X is large on variable Y. The value of R indicates the relationship between variables. The greater the value of R, the relationship between variables X and Y is tighter.

### 3. Research Results and Discussion

#### 3.1. Result

##### 1. Validity and Reliability Test

Validity and reliability tests are carried out to determine the validity and reality of a questionnaire used in research. This test can be done using SPSS V.25 then the results are as follows:

a. Validity Test

Financial Literacy (X) and Personal Financial Management (Y) provide information regarding validity tests. To find out which statements are valid seen from the correlation value located in the columns Financial Literacy (X) and Personal Financial Management (Y). The criteria of a statement are said to be valid if the value of  $r$  is calculated  $>$   $r$  table.

For the number of 93 respondents, the correlation value of the table designates a number. So it can be seen from 21 statements of variables X and Y can be declared valid. Test criteria if  $r$  calculate  $>$   $r$  table with a significant level of 5% then the tool is valid, and vice versa if  $r$  calculate  $<$   $r$  table then the measuring instrument is invalid.

Table 12: Financial Literacy Validity Test Results (X)

No.	Statement	R count	R table	Category
1	X1	0,427	0,203	Valid
2	X2	0,493	0,203	Valid
3	X3	0,631	0,203	Valid
<b>4</b>	<b>X4</b>	<b>0,707</b>	<b>0,203</b>	<b>Valid</b>
5	X5	0,569	0,203	Valid
6	X6	0,677	0,203	Valid
7	X7	0,467	0,203	Valid
8	X8	0,634	0,203	Valid

9	X9	0,509	0,203	Valid
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Source : SPSS output 24

Based on the test results above, it can be explained that each statement item has a calculated r value  $>$  r table (0.203) and a positive value presented on the Family Financial Literacy (X) variable questionnaire according to the validity test results on SPSS, there are nine statements on this variable declared valid.

Table 13: Personal Financial Management Validity Test Results (Y)

No.	Statement	R Calculate	R Table	Category
1	Y1	0,511	0,203	Valid
2	Y2	0,599	0,203	Valid
3	Y3	0,593	0,203	Valid
4	Y4	0,608	0,203	Valid
5	Y5	0,498	0,203	Valid
6	Y6	0,637	0,203	Valid
7	Y7	0,571	0,203	Valid
8	Y8	0,508	0,203	Valid
9	Y9	0,587	0,203	Valid
<b>10</b>	<b>Y10</b>	<b>0,659</b>	<b>0,203</b>	<b>Valid</b>
11	Y11	0,546	0,203	Valid
12	Y12	0,576	0,203	Valid

Source: SPSS Output 24

Based on the test results above, it can be explained that each statement item has an r value calculated  $>$  r table (0.203) and a positive value presented on the Personal Financial Management variable questionnaire (Y) according to the results of the validity test on SPSS, there are twelve statements on this variable declared valid.

#### b. Reliability Test

Table 14: Financial Literacy Reliability Test Results (X)

Reliability Statistics	
Cronbach's Alpha	N of Items
0,848	9

Source : Output SPSS 24

Based on the results of table 14 above, the results of reliability tests on financial literacy variables can be concluded that from the 9 statement items in this study, *Cronbach's Alpha* total is 0.848, which is greater than 0.600 based on the provisions above, so the data in this study can be said to be reliable.

Table 15: Personal Financial Management Reliability Test Results (Y)

Reliability Statistics	
Cronbach's Alpha	N of Items
0,878	12

Source: SPSS 25 output

Based on the results of table 15 above, the results of reliability tests on student personal financial management variables can be concluded that from the 12 statement items in this study, *Cronbach's Alpha* total is 0.878, which is greater than 0.600, so the data in this study can be said to be reliable.

## 2. Simple Linear Regression Analysis

*Simple linear regression* is used to measure the magnitude of one independent variable or independent variable or financial literacy (X) against the dependent variable or dependent variable or personal financial management variable (Y). The results of the questionnaire data will later be processed using the SPSS program application and entered in a predetermined regression equation.

### a) Test Results t

Table 16: Test Results t (Partial)

Coefficients <sup>a</sup>					
Type	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	28,179	4,287		6,573	0,000
totalx	0,497	0,122	0,394	4,084	0,000

a. Dependent Variable: totally

Source: SPSS Output 24

The table above describes the findings of the t-test or hypothesis test. Testing the hypothesis of the effect of Financial Literacy on Student Personal Financial Management based on the Output coefficient above has a calculated t value of  $4.084 > t$  table 1.665 with a significance value (Sig.)  $0.000 < 0.05$ , showing that Financial Literacy (X) has a positive and significant effect on Personal Financial Management of Students of the Faculty of Economics and Business, Andi Djemma University. Based on table 15 to analyze the Effect of Financial Literacy on Student Personal Financial Management as follows:

$$Y = 28.127 + 0.497X$$

Where:

1. The Personal Financial Management variable of 28.127 means that the X variable (Financial Literacy) values 0, then the Personal Financial Management variable is 28.127.
2. The regression coefficient of the Financial Literacy (X) variable of 0.497 means that if Financial Literacy in Students of the Faculty of Economics and Business, Andi Djemma University increases by 1 unit, then the Personal Financial Management (Y) variable will increase by 0.497.

### b. Test Coefficient of Determination ( $R^2$ )

The  $R^2$  test is designed to help researchers find the percentage of influence of the independent variable on the dependent variable. The results of the determinant test for this study are shown in the following table.:

Table 17: Test Results of Coefficient of Determination ( $R^2$ )

Model Summary				
Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.394a	0,155	0,146	629,069
a. Predictors: (Constant), FINANCIAL LITERACY X				

Source: SPSS Output 24

Based on the data in the table above, the result of  $R^2$  (R Square) is 0.155 or with a percentage of 15.5%. It is known that the independent variable Financial Literacy (X) has an effect of 15.5% on Student Personal Financial Management (Y). The difference in data between independent and dependent variables is about 15%. The rest ( $100\% - 15.5\% = 84.5\%$ ) outside this research model was influenced by other variables.

### 3.2. Discussion

Based on the results of the research conducted, it was found that financial literacy has a significant and positive effect on personal financial management of students of the Faculty of Economics and Business, Andi Djemma University. This means that the better the knowledge of student financial literacy, the better the student's personal financial management. And vice versa, if the application of student financial literacy is not good, the student's personal financial management will be chaotic. Financial literacy of students consisting of financial attitudes, financial practices and financial knowledge is good. Financial literacy helps students to manage finances properly, save expenses so that they can be balanced, and set aside money to save. In addition, students at the Faculty of Economics and Business, Andi Djemma University can prevent consumptive behavior well and can foster discipline in spending or spending money.

The results of this study are in line with the results of research conducted by [1] which concluded that financial literacy, *financial self efficacy*, and *financial technology payment* simultaneously and partially have a significant influence on students' personal financial management. The results of the study are also in line with the results conducted by [7] which show that financial literacy affects student personal financial management, campus environment affects student personal financial management, financial literacy and campus environment affects student personal financial management.

### 4. Conclusion

Based on previous research and research that the author has done, it can be concluded that there is an equation, namely the Financial Literacy variable has a positive and significant effect on the Personal Financial Management variable. The better financial literacy, the better the

student's personal financial management in this case is financial planning, financial storage and financial use.

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