

The Influence Of Financial Literacy In Financial Decision Making On The Financial Behavior Of Adolescents And Adults

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Abstract

In this study, it is proven that an understanding of financial literacy and the ability to make financial decisions can play an important role in managing one's finances. The purpose of this study is to compare the impact of financial literacy in the financial decision-making process between two age groups, namely adolescents and adults. This study aims to identify differences in the influence of the level of understanding of financial literacy on decision making in the two groups. The sample of this study involved 111 individuals, with 43 adolescents and 69 adults, spread across Luwu district. Data was collected through surveys in the form of questionnaires, then analyzed using statistical methods to evaluate financial literacy and financial decisions. The hypothesis test was used to determine the effect of financial literacy and financial decisions on both groups positively and significantly. The results of this study show that the higher the understanding of financial literacy, the better the ability to make financial decisions. In this study, it can be concluded that financial literacy and financial decisions have a great influence on a person's financial behavior. The level of understanding and knowledge in financial literacy is a major factor in shaping the way individuals make financial decisions.

Keywords: financial knowledge, financial decisions, and financial behavior

1. Introduction

Understanding the importance of financial literacy is very essential for every individual. People who do not understand this will experience difficulty in managing their finances, both to pay debts and for daily expenses[1]. Financial literacy is used to understand financial services, institutions and products. It involves attempting to improve a person's well-being through changing their financial attitudes and behavior[2]. Wise financial attitudes and actions depend on a person's ability to set goals, design financial plans, be able to manage finances, and understand quality financial products and services.[3]. Lifestyle patterns in the past were much different from the lifestyles of today's teenagers, both in terms of financial management. Countries whose residents have good financial management skills will have a significant positive impact on the country. Lack of understanding about finances is the reason some individuals fall victim to illegal investment schemes[4]. Financial literacy can also be

called a very important investment in human resources for middle economic countries like Indonesia, because it is closely related to efforts to encourage the country's economy. According to data from (Central Statistics Agency and Financial Services Authority), the group recognized as the adult generation are individuals born between 1980 and 2000, or who are currently aged between 20 and 40 years, while adolescence lasts between 12-21 years. Teenagers today are in the digital stream with various conveniences in carrying out financial transactions. In this situation, teenagers are most vulnerable to spending habits based on desires, not based on their needs, this will also plunge teenagers into debt and other bad financial situations.[5]. According to Azizah (2020), financial literacy is a mandatory requirement for everyone to avoid financial problems.

Lina et al. (2023) Saying that with current economic conditions, many of the younger generation are not aware of the importance of prioritizing life's needs so they prioritize their lifestyle. Some researchers say that the younger generation was born at a time when technology was developing rapidly so that as the younger generation gets older, they are used to the technology that exists today. The development of information technology and the widespread spread of globalization have resulted in the style of life moving towards modernity, the digital lifestyle is a style that is owned by the majority of society today. The digital lifestyle is a lifestyle revolution or can be called a culture of life due to the development of information and communication technology which is increasingly developing nowadays[7]. With the development of technology in the current era, it is very important for every individual to have effective direction for making the financial decisions they have to make every day.(Profitability et al., 2022).

The problem formulation of this research is to reveal how the two generation groups manage their financial aspects. This research will also conclude that the level of financial understanding has a significant influence on the way the two generational groups make financial decisions. However, the impact of the level of financial literacy on decision making may vary due to differences in experience, tolerance for risk, thinking ability, and access to financial products and services.

Through the problem formulation, there are two research objectives that can be determined, namely: 1). To compare the role of financial literacy in financial decision making between adolescents and adults. 2). To identify differences in the impact of financial literacy on decision making for these two groups. This research will also conclude that the level of financial literacy significantly influences financial decision making between teenagers and adults. However, the impact of financial literacy levels on decision making may differ between the two age groups due to varying experiences, risk tolerance, cognitive abilities, and access to financial products and services. This research uses as many facts as possible and is analyzed using statistical tests and hypothesis testing.

Behavioral Economic Theory

Behavioral economic theory is an approach that integrates economic principles with psychological concepts to explain individual economic behavior. This theory highlights that

economic decisions are not always rational, but are influenced by psychological and social factors. Some key points in behavioral economics theory include:

1. Recognition of Information Asymmetry: Recognizing that individuals may access economic information with different levels of equality, which may influence their decisions.
2. Research on Perceptions of Risk and Uncertainty: Investigating how individuals perceive risk and uncertainty can influence investment and consumer decisions.
3. Recognition of the Importance of Social Context: Recognizing that social factors, such as social norms and group pressures, can play a role in economic decisions.
4. Understanding the Importance of Experience and Learning: Looking at how experience and the learning process can influence the way individuals make economic decisions in the future.

By integrating these psychological dimensions, behavioral economic theory seeks to provide a more comprehensive understanding of actual economic behavior, which classical economic theory may not fully explain.

Financial Literacy

Financial literacy is a personal skill in applying financial management, both in processing and assessing general data used for decision making and considering the impacts caused[9]. According to Chen and Volpe (1998), financial literacy is the understanding needed to make the right decisions in financial matters and their implementation. Financial literacy is also the ability and expertise to apply an understanding of principles, potential risks and financial skills in the financial decision-making process, and aims to improve society's financial stability.[4]. Financial literacy refers to a deep understanding of financial aspects, including personal financial management, investments, retirement planning, banking, insurance, and basic concepts related to currencies and financial markets. This includes the ability to manage money effectively, make smart investment decisions, and recognize and reduce financial risks. With good financial literacy, a person can make wiser financial decisions and manage their finances in the long term. Financial literacy is also considered the ability to make decisions and plan financially for the future (Eresia-Eke & Raath, 2013).

Financial Decisions

Financial decisions include decisions regarding capital investment, decisions about funding sources, profit sharing decisions, short-term financial planning, long-term financial planning, and financial risk management.[10]. Financial decisions include steps taken by individuals, companies or other organizations regarding the management and distribution of funds and financial assets. This includes decisions regarding capital investment, sources of funds, and distribution of profits, as well as financial planning, both short and long term. In many situations, financial decisions are taken by considering investment risk and return factors, tax policies, and the financial targets to be achieved. Therefore, decision makers are expected to strike a balance between their personal preferences and organizational norms,

goals, and expectations. Empirical data shows that in everyday life, decision makers rarely balance costs and benefits or attempt to optimize profits (Literacy et al., 2022). In the national financial literacy guide, every family must understand the importance of the fund allocation system for carrying out joint activities related to financial literacy (Goso, 2022a).

Financial behavior

Financial behavior refers to an individual's way of thinking, beliefs and behavior related to financial aspects. Financial attitudes have a significant influence on how a person manages their finances, makes financial decisions, and plans their future. According to Muhammad and Nadia (2018), Financial Behavior is a view of money analyzed from a psychological perspective, which is reflected in a person's ability to control themselves regarding financial spending, financial planning, budget preparation, and actions in making wise financial decisions. Financial behavior is related to how individuals treat, manage and optimize their financial skills. (Herdjiono and Damanik, 2016). Financial behavior refers to the capabilities or steps taken by someone in designing and managing aspects of their finances. This includes planning, spending, monitoring, recording finances, as well as responsibility for available financial resources. Financial behavior is based on the extent to which a person's desire to fulfill their living needs is in line with the income they earn. The goal of behavioral finance is to help individuals understand their own financial habits and make wiser financial decisions to achieve long-term financial well-being. Financial behavior involves behavioral interactions that include aspects such as emotions, traits, preferences, and various other internal factors in individuals as intellectual and social creatures. It plays a role in underlying and influencing decisions to undertake financial actions.

2. Methodology

In this research, the samples used were the younger generation and adults, some of whom were of working age. The sampling method used in this research is data collection or what is known as quantitative research. Quantitative research, namely by Analyze data collected from surveys using validity tests, reliability tests, hypothesis tests, linear regression analysis, and correlation tests. This research was conducted by distributing questionnaires to the number of respondents in this study as many as 111 individuals. In this research there are several variables, namely the independent variable (free) and the dependent variable (bound), where the independent variable is X1 (financial literacy), and variable X2 (financial decisions). While the dependent variable is Y (financial behavior). Below is a general description of the characteristics of respondents used in the survey based on age and gender. For clarity, information from the general description of respondents is filled in in table 1 as follows:

Table I. Results General Description of Respondents

Respondent Characteristics	Amount
Gender	
Man	38
Woman	75
Age	
12-20 years	43
20-45 years	69

TABLE OF OPERATIONAL INDICATORS ON VARIABLES

Table II. operational definitions of variables

Variable	Definition	Indicator	Source
Financial literacy (X1)	Financial literacy or financial understanding refers to a person's abilities or their level of knowledge about how money works.	An understanding of basic financial principles, including savings, investments, loans, and financial risks, and the skills to plan budgets and manage income efficiently.	[12]
Financial decisions (X2)	Financial decisions include selection and arrangements related to efficient management of funds and assets, including budget planning, investment, debt and expenses.	Understand the extent to which individuals can manage their financial decisions wisely and effectively, including the ability to make purchases within a set budget and prioritize spending based on needs.	[13]
Behavior Finance (Y)	Financial behavior refers to actions and decisions relating to aspects of an individual's finances, involving how a person acquires, manages, uses and stores their funds.	Understanding how well a person uses financial resources, such as in terms of consumption, purchasing goods, and saving, includes financial behavior that also reflects responsibility for managing finances efficiently.	(Shefrin, 2000)

3. Results And Discussion

a. RESULTS

1. Test data quality

Table III. Validity Test

Variable	Statement items	Corrected item-Total correlation	r table	Information
Literacy Finance (X1.1)	X1.1	0.721	0.186	Valid
	X1.2	0.533	0.186	Valid
	X1.3	0.818	0.186	Valid
	X1.4	0.738	0.186	Valid
	X1.5	0.811	0.186	Valid
Decision Finance (X. 2)	X2.1	0.855	0.186	Valid
	X2.2	0.822	0.186	Valid
	X2.3	0.837	0.186	Valid
	X2.4	0.810	0.186	Valid
	X2.5	0.809	0.186	Valid
Behavior Finance (Y)	Y.1	0.737	0.186	Valid
	Y.2	0.745	0.186	Valid
	Y.3	0.762	0.186	Valid
	Y.4	0.769	0.186	Valid
	Y.5	0.818	0.186	Valid

From the table above, all questions from the variables financial literacy (X1), financial decisions (X2) and financial behavior (Y) have an R table of 0.186 with a population of 111. The results of the validity test in the table above can be seen that all variables and statement items are declared valid. MPearson correlation R count > R table or person correlation above 0.186. Followed by a reliability test to strengthen the results of data analysis, whether the measuring instrument remains consistent if the measurement is repeated. The formula used is if the alpha value is ≥ 0.6 (reliable), and if the alpha value is ≤ 0.6 (not reliable).

Table IV. Reliability test

Variable	Alpha cronbach's	Information
Financial literacy	0.870	Reliable
Financial decisions	0.831	Reliable
Financial behavior	0.861	Reliable

Based on the results of data processing in table 4, the results obtained show that the variables financial literacy, financial decisions and financial behavior show that Cronbach's alpha results are greater than 0.6 so that all variables are declared reliable.

2. Hypothesis testing

1) t test

Table V. T test

Model	Q	Sig.
(Constant)	1,925	,057
Financial literacy	4,705	,000
Financial decisions	5,052	,000

sig value < 0.05 calculated t value $>$ table t value. $t_{table} = t(a/2 : nk-1) a = 5\% = t(0.05/2 : 30-3-1) = 0.025 : 112 = 1.981$. Variable X1 to Y has a significant value of $0.000 < 0.05$ t count $>$ t table $5.052 > 1.981$. In accordance with the table, the results of the t test show that the significance value of the influence of financial literacy (X1) on financial behavior (Y) is $0.000 < 0.05$ and the calculated t value is $5.052 >$ t table value 1.981, so H_0 is accepted so that there is no significant influence between the independent variables and bound. The sig number < 0.05 means H_0 is accepted so there is a significant influence between the financial literacy variables and financial decisions.

2) Test f

Table VI. F test

Model	F	Sig.
Regression	111.80	0,000
Residual	5	
Total		

f table = $t(a/2 : nk-1) a = 5\% = t(0.05/2 : 30-3-1) = 0.05 : 112 = 3.08$. Variables X1 and The sig value for financial literacy (X1) and financial decisions (X2) is $0.00 < 0.05$ and calculated f is $111.805 >$ f table value 3.08.

- Hypothesis testing (H1)

Known sig value. for the effect of X1 on Y of $0.000 < 0.05$ and the value of t calculate $5.052 > 1.981$ so that it can be concluded that H1 is accepted which means there is an influence of X1 on Y.

- Hypothesis testing (H2)

Known sig value. for the effect of X2 on Y of 0.000 and the value of t calculate by $5.052 > 1.981$ so that it can be concluded that H1 is accepted which means there is an influence of X2 on Y.

- Hypothesis testing (H3)

Known sig value. for the effect of X1 and X2 on Y by $0.00 < 0.05$ and f calculate by $111.805 > 1.981$ so that it can be concluded that H3 is accepted which means that there are X1 and X2 simultaneously with Y.

3. Linear regression analysis

Table VII. R square

Model	R Square
1	0,674

Based on table 7, it is influenced by the R Square (R²) coefficient value of 0.674 or 67.4%. So it can be concluded that the magnitude of the influence of the financial literacy variable on Financial behavior of 0.674.

Table VIII. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	Q	
(Constant)	2,743	1,425		1,925	,057
Financial literacy	0.480	0.102	0.419	4,705	,000
financial decisions	0.386	0.076	0.450	5,052	,000

The a value of 2,743 is a constant or condition when the generation variable has not been influenced by other variables, namely the financial literacy variable (X1) and financial decisions (X2). If the independent variable does not exist then the generation variable does not change.

- b1 (X1 coefficient value) of 0.480, indicating that financial literacy variables have a positive influence on financial behavior which means that each unit of generation variable will affect financial literacy by 0.480 assuming that other variables are not studied in this study.
- b2 (X2 coefficient value) of 0.386 indicates that financial decision variables have a positive influence on financial behavior which means that every increase in financial decision variable units will affect financial decisions by 0.386 assuming that other variables are not studied in this study.

4. Correlation test

Table IX. Correlations

		Financial literacy	financial decisions	Age factor
Financial literacy	Pearson Correlation	1	0.787	0.773
	Sig. (2-tailed)		,000	,000
	N	111	111	111

financial decisions	Pearson Correlation	0.787	1	0.779
	Sig. (2-tailed)	,000		,000
	N	111	111	111
Financial behavior	Pearson Correlation	0.773	0.779	1
	Sig. (2-tailed)	,000	,000	
	N	111	111	111

If the significance value is < 0.05 then it is correlated

If the significance value is > 0.05 then it is not correlated

These three variables have a positive (+) influence and have a strong correlation.

3.2. Discussion

1. The influence of financial literacy (X1) on financial behavior (Y)

Based on the results of testing the hypothesis, it can be seen that the significance value is $0.000 < 0.05$ and the calculated t value is $5.052 > 1.981$, so it can be concluded that the financial literacy variable has a significant influence on financial behavior specifically for adults and teenagers. Financial literacy has a significant impact on individual financial behavior. This includes a person's understanding and knowledge of financial principles, such as money management, investments, debt, financial planning, and other aspects related to personal finance. Therefore, financial literacy not only increases an individual's knowledge of finance, but also has a positive effect on overall financial behavior. Financial literacy and financial education programs can play a key role in helping people improve their personal financial management. This is in accordance with the statement put forward by Nurul Safura Azizah, (2020) that there is a relationship between financial literacy in adolescents and adults because the better the literacy level, the higher the financial behavior. Furthermore, research by Andarsari and Ningtyas (2019) shows that financial literacy has a positive impact on financial behavior. Financial knowledge is considered an important foundation in everyday life. And the results of research conducted by Laily (2013) show that financial literacy has an impact on financial behavior, which directly influences how a person manages their finances. And it can be concluded that the higher the knowledge and skills an individual has in managing finances, the wiser they will be in managing finances.

2. Influence of financial decisions (X2) on financial behavior (Y)

Based on the test results, it can be seen that the significance value for the influence of X2 on Y is 0.000 and the calculated t value is $5.052 > 1.981$. This can be interpreted as meaning that financial decisions influence financial behavior, but on the other hand, financial management of teenagers and adults pay attention to the high level of income earned and the amount of risk at risk. Financial decisions have a significant influence on a person's financial behavior and involve various aspects, from daily expenses to long-term investments. How individuals make, manage, and evaluate financial decisions can have an important impact on their financial condition. Therefore, financial decisions not only influence the current

financial situation, but also form the basis for long-term financial sustainability. A solid understanding of finances and the ability to make intelligent decisions can help individuals achieve their financial goals and manage financial risks more effectively. Judging from the average adult respondent, they have income in the form of salary, wages, bonuses or pocket money. Today's teenagers are teenagers who are able to use digital financial services such as online and offline purchases and payments, this is very related to financial decisions because by looking at the price listed on the product it allows us to decide on a price that suits our personal finances (Luh Putu Junita , 2023). The results of a study researched by Upadana and Herawati (2020) show that financial decisions have an influence on financial behavior.

3. The influence of financial literacy (X1) and financial decisions (X2) on financial behavior (Y)

Based on the test results, it can be seen that the significance value is $0.00 < 0.05$ and the calculated f is $111.805 > 1.981$. This can be interpreted as meaning that the influence of the financial literacy variable (X1) and the financial decision variable (X2) simultaneously influences the financial behavior variable (Y), which means that teenagers and adults have a positive influence in decision making and are influenced based on an understanding of financial literacy. It can be concluded that financial literacy and financial decisions have a big influence on a person's financial behavior. The level of understanding and knowledge in financial literacy is a major factor in shaping the way individuals make financial decisions. Those who have high financial literacy have a better ability to manage money wisely, make investment decisions based on good information, and manage debt effectively. Financial decisions, from everyday spending to long-term investments, form the basis of financial behavior patterns, impacting short-term financial stability and helping to achieve long-term financial goals. Therefore, financial literacy and financial decisions have a central role in forming financial behavior patterns that can have a significant impact on a person's financial condition. Financial literacy and financial decisions can be associated with Behavioral Economic Theory, which highlights that economic decisions are not always based on complete rationality and are influenced by psychological, social and emotional factors. Individuals who lack understanding of financial aspects may be more susceptible to mistakes in money management, unthinking risk taking, or unsustainable consumer behavior. Therefore, the influence of financial literacy and financial decisions on financial behavior can be considered as a manifestation of concepts in behavioral economic theory, which emphasizes the influence of psychological factors and knowledge on economic behavior and financial decisions.

4. Conclusion

This study aimed to compare the role of financial literacy in financial decision making between adolescents and adults. And to identify differences in the impact of financial literacy

on decision-making for these two groups. From the results of research and discussion on financial literacy and financial decisions on financial behavior, the following results were obtained: There is a significant influence of financial literacy on adolescents and adults. The effect of financial decisions on adolescents and adults states that financial decisions affect financial behavior in a (only partial) manner depending on how individuals understand financial literacy. And the influence of financial literacy and financial decisions on young people and adults has a positive and simultaneous influence.

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