

The Effect of Financial Literacy and Locus of Control on Student's Financial Management Mediated by Lifestyle

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Abstract

This study aims to determine whether financial literacy and locus of control influence student financial management with lifestyle as the mediating effect. The population in this study were 2019-2020 class management students at the University of Muhammadiyah Malang with a total sample of 100 students. The research method uses a questionnaire with data collection techniques using questionnaires, data measurement techniques using a Likert scale and analysis using the SmartPLS 4 program. The results of the data analysis show that financial literacy has a positive and significant effect on student financial management, and locus of control has a significant positive effect on student finance. Lifestyle has a positive and significant influence on financial management. Lifestyle cannot mediate financial literacy in student financial management, but it can mediate locus of control.

Keywords— financial literacy, locus of control, financial management, lifestyle

Abstrak

Penelitian ini bertujuan untuk mengetahui apakah literasi keuangan dan locus of control berpengaruh terhadap pengelolaan keuangan mahasiswa dengan gaya hidup sebagai efek mediasinya. Populasi dalam penelitian ini adalah mahasiswa manajemen kelas Universitas Muhammadiyah Malang angkatan 2019-2020 dengan jumlah sampel sebanyak 100 mahasiswa. Metode penelitian menggunakan kuesioner dengan teknik pengumpulan data menggunakan kuesioner, teknik pengukuran data menggunakan skala likert, dan analisis menggunakan program SmartPLS 4. Hasil analisis data menunjukkan bahwa literasi keuangan berpengaruh positif dan signifikan terhadap pengelolaan keuangan mahasiswa, dan locus of control berpengaruh positif signifikan terhadap keuangan mahasiswa. Gaya hidup mempunyai pengaruh positif dan signifikan terhadap pengelolaan keuangan. Gaya hidup tidak dapat memediasi literasi keuangan dalam pengelolaan keuangan mahasiswa, namun dapat memediasi locus of control.

Kata kunci: literasi keuangan, locus of control, manajemen keuangan, gaya hidup

INTRODUCTION

Students tend to have a consumerist lifestyle and have poor management due to a lack of sense of responsibility for their finances in the future because they do not have their own income so managing

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their own finances is still not felt to be their responsibility and this responsibility is considered to still be the responsibility of their parents or someone who is still fulfilling it (Ahmed, 2021).

Financial management for students is very important, especially having knowledge about finance from the first semester, such as financial management courses, as well as portfolio theory and investment analysis that have been studied, this makes the student's financial management more organized and focused. According to Joseph (2020), financial management behavior is a person's way and responsibility for managing their funds. Therefore, students need to manage their limited finances for the feasibility of living in the future. Students' lack of awareness of their financial management is proven by the fact that students often carry out useless activities such as not utilizing their time well, for example by hanging out in cafes almost every day and spending hours on activities that are not useful, in fact sometimes students don't need to drink coffee. or come to a coffee shop, but students will still come, this is done with the aim of gaining prestige, prestige and a new lifestyle that is currently popular.

Financial management is an activity that must be carried out by every individual or group to be able to achieve a target in achieving financial independence in the future. Managing finances is considered important because good financial management can determine financial health in the future because these financial funds have been prepared since a long time, good financial behavior will increase a person's standard of living and therefore have sufficient ability and knowledge to improve the quality of life in the future (Rohmanto & Susanti, 2021). Each individual has a different level of financial literacy, which affects the quality of their financial management (Masdupi *et al.*, 2019). The higher the financial literacy, the better the level of skill and quality of decision making, and the influence of financial management behavior will be better (Suwatno *et al.*, 2020). Financial literacy has a big influence on students' personal financial attitudes (Sholeh, 2019). Someone who has a good locus of control will take responsibility for financial management, such as a person's decision to downsize, save money and manage finances more carefully (Fatmawati & Lutfi, 2021). From this statement it can be concluded that locus of control can influence financial management in students, where the higher the student's knowledge, the better their financial management and the lower the locus of control, the worse their financial management.

The influence of this locus of control on a person's financial management means how a person views an event and whether or not a person can control the events that happen to him or her (Widiawati, 2020). So it can be concluded that locus of control is an action carried out by a person where this action can have an impact on that person and whether the person can control whether this will actually happen or not. Based on research results from Natan & Mahastanti (2022) it is said that the variable locus of control has a positive and significant effect on Financial Management Behavior in Students. This means that the higher and higher the locus of control variable, the financial management behavior of the student will get better and improve too.

Carrying out financial control is not easy, therefore not everyone has good financial control, there are many factors that can hinder someone from managing their finances, including lifestyle which is considered to influence student management, which we know that students tend to have poor lifestyles. both with consumer behavior and bad environmental influences. In general, a person's lifestyle can be seen from the routine activities they do, what they think about everything around them and how much they care about it and also what they think about themselves (Dewi & Darma, 2021). Therefore, the purpose of this study is to determine whether there is an influence of financial literacy and locus of control on student's financial management with lifestyle as a mediating variable.

LITERATURE REVIEW

Financial management includes an attitudinal behavioral component, namely a person's personal attitude towards behavior related to beliefs about the consequences of behavior which is called belief behavior. Behavioral beliefs link behavior to certain or various attribute outcomes, such as costs or losses incurred in carrying out the behavior (Sarti, 2020). Xiao (2008) said that financial management behavior is all the actions that humans require with finances. Meanwhile, according to Adiputra & Patricia (2020), a person's behavior is when faced with making decisions related to management, saving and placing things that suit their position in the financial sector and managing finances appropriately.

Financial literacy is an important determinant of financial attitudes (Masdupi *et al.*, 2019). Financial literacy is a qualification or skill that a person must have to change their standard of living by understanding methods of allocating and planning financial resources effectively and accurately (Azizah, 2020). The reason underlying the need for aspects of financial behavior and attitudes in financial literacy is that financial literacy programs only depend on approach knowledge. Financial attitudes and behavior can encourage someone to choose financial goals, have financial planning, make financial decisions and manage finances better to achieve prosperity (Fitri, 2021). Locus of control refers to a construct originating from social learning theory (Rotter *et al.*, 1972). In social studies terminology, locus of control is a general expectation regarding the relationship between personal characteristics or actions and outcomes that develops as an abstraction from certain accumulated encounters where people perceive regularities that occur causally in their lives. Widiawati (2020) states that locus of control is how a person perceives an event and what control that person has over the event that happens to him or not. Locus of control is included in the part that perceives behavioral control. According to Ajzen's opinion in Sartika (2020), human behavior is not only controlled by oneself, but also requires control, such as access to sources of power and opportunities, even in the form of certain skills.

According to Kotler and Keller, lifestyle is a person's way of life when he expresses himself through activities, interests and opinions. Lifestyle shows that everyone is connected to the environment. A way of life determines general patterns of action and interaction with the world. Life is part of every person's secondary needs which can be changed at will to change their lifestyle by (Ulumudiniati & Asandimitra, 2022). Lifestyle can be seen from clothing, behavior and so on. Lifestyle completely describes a person's life in interacting with the environment. Lifestyle is a person's way of living, expressed in activities, interests, and income from shared spending of money and time.

Conceptual frameworks are developed from research questions, problems that describe a collection of designs or show relationships between specific designs. The following framework explains the impact of financial literacy and locus of control through lifestyle as mediators of financial management, then the impact of financial literacy and locus of control on direct financial management, and the impact of direct lifestyle on student financial management. Based on the explanation above, it was found that the hypotheses proposed in this study include:

H1: Financial literacy has an effect positive and significant to student financial management.

H2: Locus of control has an effect positive and significant to student financial management.

H3: Lifestyle influential positive and significant to student financial management.

H 4: Financial literacy has an effect positive and significant to style student life.

H 5: Locus of control has an effect positive and significant to style student life.

H 6: Lifestyle mediate financial literacy against student financial management.

H 7: Lifestyle mediate *locus of control* to student financial management.

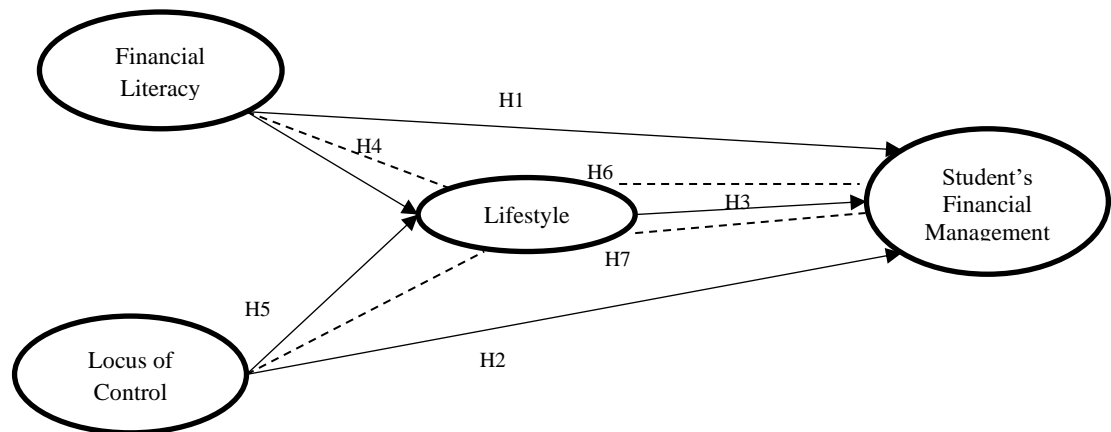


Figure 1. Research Framework

RESEARCH METHODS

This type of research uses quantitative methods. The object of this research was conducted at the University of Muhammadiyah Malang Campus III which is located at Jl. Raya Tlogomas No. 246 Malang, East Java, Indonesia 65144. This research involving students of the University of Muhammadiyah Malang class of 2019 and 2020 with major in Department of Management. The sample used is 100 respondents. Method data collection using questionnaire and method measurement variable use likert scale. The analysis tool used is path analysis using SmartPLS.

RESULTS AND DISCUSSION

The results of the characteristics of the respondents showed that the majority was female (68%) and dominated by ste student of year 2019. The demographic detail can be seen in the following table:

Table 1. Respondent Demography

Information	Item	Amount	Percentage
Gender	Male	32	32%
	Female	68	68%
Student Year	2019	75	75%
	2020	25	25%

Source: primary data processed (2023)

The respondent who filled in questionnaire depending on the year teaching led by class of 2019, with the number of 75% of respondents, while 25% of respondents originate from class of 2020 from total number of respondents in study this.

Table 2. Validity Test

Variable	Indicator	Outer Loading Results	Final Outer Loadings Results	Result
Lifestyle	LS1	0.783	0.780	Valid
	LS2	0.742	0.753	Valid
	LS3	0.832	0.831	Valid
	LS4	0.818	0.823	Valid

	LS5	0.882	0891	Valid
	LS6	0.624	0.602	Valid
	LS7	0.754	0.752	Valid
	LS8	0.702	0.696	Valid
	FL1	0.809	0.810	Valid
	FL2	0.732	0.743	Valid
	FL3	0.682	0.687	Valid
Financial Literacy	FL5	0.715	0.728	Valid
	FL6	0.769	0.794	Valid
	FL7	0814	0.820	Valid
	FL8	0.828	0.831	Valid
	LOC1	0.764	0.764	Valid
	LOC2	0.718	0.718	Valid
	LOC3	0.817	0.818	Valid
Locus Of Control	LOC4	0.776	0.776	Valid
	LOC5	0.790	0.790	Valid
	LOC6	0.787	0.787	Valid
	LOC7	0.816	0.816	Valid
	LOC8	0.805	0.805	Valid
	PKM1	0.852	0.852	Valid
	PKM2	0.802	0.801	Valid
	SFM3	0.749	0.755	Valid
Student Financial Management	SFM4	0.812	0.809	Valid
	SFM5	0.794	0.799	Valid
	SFM6	0.894	0.895	Valid
	SFM7	0.878	0.875	Valid
	SFM8	0892	0.889	Valid

Source: primary data processed (2023)

A questionnaire is said to be valid and suitable for use as research data analysis if the value is greater than 0.7, but for research and initial, a value of 0.5 to 0.6 can be considered sufficient, and for different flexibility, a value of 0.5 can be considered useful. Furthermore, the outer model's measurement stage is the reliability test. This measurement is considered reliable if it has a Cronbach's alpha value better than 0.6 and a composite reliability greater than 0.6.

Table 3. Reliability Test

Variable	Cronbach's Alpha	Composite Reliability	Result
Lifestyle	0.902	0.918	Reliable
Financial Literacy	0.890	0913	Reliable
Locus of Control	0911	0.918	Reliable
Student Financial Management	0.938	0.943	Reliable

Source: primary data processed (2023)

Based on the table above, it shows that the value of Cronbach's alpha and composite reliability for each variable is more than 0.6. This indicates that the variable can be said to be reliable. Next, looking at R Square aims to see how much the variable is influenced by other variables. The R Square value of the variables in this study can be seen in the following table:

Table 4. R-square

Variable	R-square	R-square adjusted
Lifestyle	0.127	0.109
Student Financial Management	0.751	0.743

Source: primary data processed (2023)

Based on the table above, it shows that the R show that financial literacy (X1) and locus of control (X2) have influence by 75.1%. Whereas variable R-squared value style life given mark of 0.127 or 12.7%, p This means that financial literacy variables (X1) and locus of control variables (X2) have an effect to variable style life by 12.7%. Path analysis is used to examine the relationship between variables and other variables, and the test can be seen through the value of the Original Sample (O) and the T-Statistic value to assess the level of significance of the relationship between variables, which is done using the bootstrapping method.

Table 5. Hypotheses Result

Variable	Original Sample (O)	T Statistic	P Values	Note
Financial literacy → student financial management	0.379	3,655	0.000	Significant
Locus of control → student financial management	0.464	4,393	0.000	Significant
Lifestyle → student financial management	0.144	2,725	0.006	Significant
Financial literacy → lifestyle	-0.043	0.217	0.828	Not Significant
Locus of Control → lifestyle	0.391	2,642	0.008	Significant

Source: Data processed (2023)

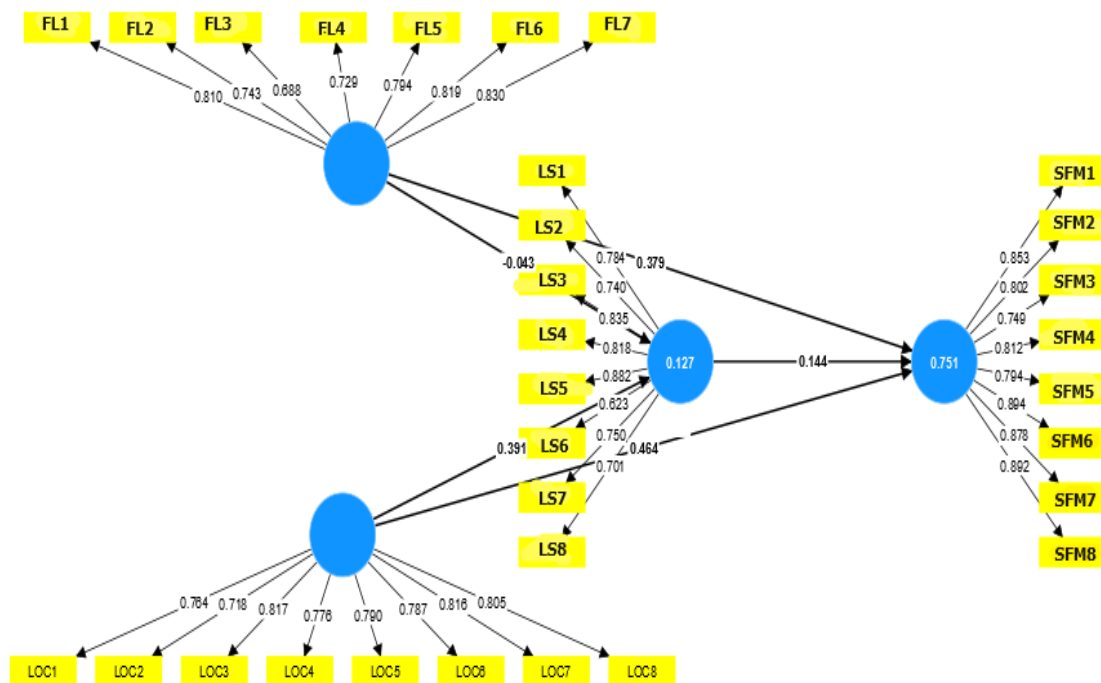


Figure 2. Path Analysis Result

Table 6. Sobel Test Result

Variable	T Statistic	P Values	Note
Financial literacy → lifestyle→student financial management	0.414	0.05	Not Significant
Locus of control → lifestyle→student financial management	0.0291	0.05	Significant

Source: primary data processed (2023)

Based on the results of the first hypothesis, it can be concluded that financial literacy has a positive and significant influence on the financial knowledge of students majoring in Management. This is in line with the Theory of planned behavior (TPB) which states that when someone carries out a planning behavior, a financial behavior arises as a result of the individual's desire to fulfill their life's welfare. This research supports previous research conducted by Dewi & Darma (2021) which states that there is a positive and significant influence on financial behavior, apart from that this is also in line with research conducted by Suwatno *et al.*, (2020), who argue that the higher financial literacy the better the decisions in managing personal finances. The higher the financial literacy a student has, the higher the student's way of managing their finances. When students have good knowledge about financial literacy, students will be more careful in making decisions, especially how they use their money for more profitable things such as investment, business or other things, or just as a means of having fun.

As a result of the second hypothesis that has been carried out, it can be concluded that the locus of control variable has a positive and significant effect on student financial management. This statement shows that the higher the locus of control, the higher the financial management carried out by students. The level of a person's financial management behavior is influenced by their locus of control (Ulumudiniati & Asandimitra, 2022). This research also supports the opinion of Natan & Mahastanti (2022) who says that there is a positive and significant influence between locus of control on personal financial management. When students have a high locus of control and are able to control themselves over the behavior they will carry out, this will have a good impact on the results they will get.

The results of third hypothesis testing that has been carried out regarding the influence of the lifestyle of Management students at Muhammadiyah University in Malang in the 2019-2020 class have positive and significant results. This shows that lifestyle can influence student financial management, where the better the lifestyle, the better the student's financial management. This is in line with research conducted by Gunawan *et al.*, (2021) which states that lifestyle has a positive and significant influence on financial management. This also supports the opinion that someone who has a hedonistic lifestyle will have an impact on a person's financial management behavior, the lower the lifestyle, the higher the financial management behavior (Rohmanto & Susanti, 2021). It can be concluded that students who have a frugal and simple lifestyle will have high financial management, whereas students who have an extravagant and hedonistic lifestyle will have low financial management, in other words, whether a student's lifestyle is good or bad will have an influence on their financial management. So from this statement it is hoped that students will be able to improve their frugal and simple attitudes and be smarter in managing their finances so that they will be even better in the future.

The results of fourth hypothesis testing that has been carried out regarding the influence of financial literacy on the lifestyle of Management Students at the University of Muhammadiyah Malang in the 2019-2020 class did not have positive and significant results. This shows that financial literacy cannot influence students' lifestyles. Knowledge of financial literacy is only a form of knowledge and does not provide a guarantee that the knowledge possessed can be implemented in financial activities used in future life. This statement supports the opinion expressed by Ahmad (2021), who believes that

students tend to have a consumerist lifestyle and have poor financial management as a result of their lack of sense of responsibility. However, this statement contradicts the opinion of Ulumudiniati & Asandimitra (2022) who say that there is an influence between financial literacy and lifestyle. High financial literacy will encourage a good lifestyle, be frugal, care about the environment and be wise in using your money.

The results of fifth hypothesis testing that has been carried out regarding the influence of locus of control on the lifestyle of Management students at the Muhammadiyah University of Malang in the 2019-2020 class have positive and significant results. This shows that locus of control can influence a student's lifestyle, where the better the locus of control, the better the student's lifestyle. This is in line with research conducted by Susana (2016) which states that the lower the locus of control one has, the higher the hedonistic lifestyle. It can be concluded that students who have a high locus of control will influence a frugal and simple lifestyle, whereas students who have a low locus of control will have an extravagant and hedonistic lifestyle, in other words, the level of locus of control that students have will have an influence on his lifestyle. Therefore, from this statement it is hoped that students can increase their locus of control so that they can create a frugal and simple attitude in their lifestyle so that it will be even better in the future.

The sixth hypothesis testing results demonstrate that lifestyle has no influence and is insignificant in mediating financial literacy on student financial management, implying that lifestyle cannot mediate financial literacy on financial management. In contrast to previous research, which found that financial literacy influences financial management through lifestyle (Ulumudiniati & Asandimitra, 2022), this study found that financial literacy influences financial management through education. This demonstrates that, when measured by financial literacy, students already understand financial literacy and how to handle finances; nevertheless, knowledge of financial literacy is only one type of knowledge, and it does not guarantee that the knowledge they possess can be applied in financial activities. A wasteful lifestyle that is unintentionally influenced by various internal and external causes has a negative impact on future life.

The results of the seventh hypothesis testing investigation revealed that there was no significant influence of lifestyle in mediating locus of control on financial literacy. This statement proves that someone with a good locus of control has good financial management, but someone with a high lifestyle has poor financial management. This is also confirmed by prior hypothesis testing results, which show that locus of control has a direct affect on financial management, while lifestyle has a direct influence on students' financial management, implying that lifestyle can mediate the influence of locus of control on financial management.

CONCLUSION

Based on the results of the research that has been conducted and has been described previously, several conclusions can be drawn from the overall research results. Financial literacy has a positive and significant effect on student financial management. This means that the higher the student's financial literacy, the higher the application of student financial management. Locus of control has a positive and significant effect on student financial management. The higher the locus of control a student has, the higher the application of student financial management. Lifestyle has a positive and significant influence on student financial management. The simpler the lifestyle, the better the implementation of student financial management. Financial literacy does not have a positive and significant influence on student lifestyle. Having financial literacy does not guarantee that someone can have a good lifestyle either. Locus of control has a positive and significant influence on student lifestyles. The higher the

locus of control, the better the student's lifestyle will be. Lifestyle does not mediate financial literacy on student financial management. Someone who has good financial literacy does not determine that their lifestyle can be better, because their financial literacy is not implemented directly in their personal life. Lifestyle is able to mediate locus of control on student financial management. Students who have a good locus of control will be able to control their lifestyle so as not to be wasteful and consumptive, so this will also influence student financial management for the better.

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