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Financial Literacy as a Mediation of Financial Attitudes and Financial Experience on Financial Management Behaviour

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Abstract

The purpose of this study was to examine the model of the influence of financial attitudes and financial experience on financial management behaviour either directly or indirectly through financial literacy as a mediating variable. The population of this study is the students of the Faculty of Economics, University da Paz (UNPAZ) Timor-Leste in 2022 overall 569 students and taking a sample of 235 students based on the Slovin formula. The sampling technique used was random sampling. This study uses a quantitative approach. Methods of data collection by using a questionnaire. Technical data analysis using path analysis.
The results of this study indicate (1) there is a positive influence of the influence of financial attitudes on financial management behaviour. (2) there is a positive influence of financial experience on financial management behaviour. (3) there is a positive influence of financial literacy on financial management behaviour. (4) there is a positive influence of financial attitudes on financial literacy (5) there is a positive influence of financial experience on financial literacy (6) there is a positive influence of financial attitude on financial management behaviour through financial literacy (7) there is a positive influence of financial experience on financial management behaviour through financial literacy.

Keywords: Financial Attitude, Financial Experience, Financial Management Behaviour, Financial Literacy.

INTRODUCTION

The era of the industrial revolution 4.0 brought many changes to countries in the world and had a positive and negative impact on people's financial behaviour to meet the needs of daily life. Humans with all their unlimited needs and desires are one of the factors causing a consumptive lifestyle. Humans have to

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work to earn income which is used to fulfil their needs and wants. The income earned must be managed properly so that it can be used effectively and efficiently.

Countries with low GDP per capita compared to other countries, including poor countries. According to the United Nations, poverty is more than a lack of income. Poverty has many different socio-economic dimensions. Some indicators of poverty include: Advertisement Ability to access services and social protection and to express opinions and choices. The country of Timor-Leste is the third poorest economy in Southeast Asia in 2021. With a ranking of 133, Timor-Leste is below the Human Development Index. 20% of Timor-Leste's national population is unemployed, 49.9% live below the poverty line, and almost half of the population cannot read. Based on these data, firstly, low-income East Timorese do not demand formal financial services on the grounds that the costs required are quite expensive. Second, many high-income East Timorese are not familiar with using financial products, thus causing the demand for financial services to decline. This implies that low financial knowledge will reduce the demand for financial services. This financial knowledge is closely related to financial literacy.

The impact of globalization also has an impact on the people of Timor-Leste. The people of Timor-Leste with financial behaviour that tends to be consumptive cause various kinds of bad financial behaviour such as a lack of saving, investing and budgeting activities for the future. Banco Central Timor-Leste in 2021 in its year-end report stated that the people of Timor-Leste are increasingly consumptive and abandon the habit of saving, which is reflected in the decreasing Marginal Propensity to Save in the last 5 years and the increasing Marginal Propensity to Consume. (Marsh, B. A. 2006) stated that students are one component of society that is quite large in contributing to the economy.

Financial foundations can start to be built when a manager is 20-30 years old (Selcuk, E. A. (2022). At this level also applies to a student, the average age of students should be able to build good financial foundation habits. As students, they are in a transition period from previously being tied to their parents' finances, becoming individuals who must be able to make their own financial decisions to use according to their needs. Students will face financial problems because most of them have no income, even though they get scholarships, they can only be used for a limited time every month. Students' financial problems can be due to delays in sending money from parents or monthly money runs out prematurely (Homan, H. S, 2022). Sometimes, the friendship environment is supported by many lucrative entertainment and culinary facilities that affect financial management and consumption patterns of students in the past. generally.

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Furthermore, the results of a survey conducted by Amanah, et al (2016) on 200 Telkom University Students on Personal Financial Management Behaviour showed that the level of financial knowledge was minimal and financial management behaviour was not good. Students are more concerned with desires that are met first than needs. In addition, students do very bad credit management. Based on research conducted by Dewi (2017), the allocation at FEB Unisbank Semarang student spending in one month shows that the need for fun is higher than student spending for savings and educational needs. The percentage of expenditure is 46%. The need to eat, drink, and save has a percentage of 20%. Transportation needs have a percentage of 20%. However, for learning needs such as buying books, attending seminars and printing, the percentage is 14%.

The attitude of students in allocating money from their parents depends on their individual behaviour. There are groups that spend all the money sent by their parents, even always asking for extra money, there are also groups that set aside some of their money. money to save and invest. Student behaviour in spending money depends on their knowledge, Pankow, D. (2012). If students are not equipped with knowledge and expertise in the field of finance, the possibility of errors in the management of financial resources will be greater. This will distinguish everyone in having the motivation to hold money. The difference will make the financial setting (financial setting) different for each person. Kindness and foresight in determining finances will have an impact on the long-term provisions.

This study examines the Behaviour of Financial Management at the Faculty of Economics, University da Paz in 2022. Students are in the seventh semester and have acquired more financial knowledge than lower semester students. They complete the courses Introduction to Management, Introduction to Accounting, Financial Management, Financial Accounting and Investment Management. Based on this, the seventh semester students have knowledge and experience in managing finances, so they must be able to behave well in managing finances. The higher the level of students' knowledge, the better their financial behaviour will be, Jorgensen, B. L. (2007).

This reality is based on conditions in the field, the application of behavioural financial management is not an easy thing to do. This phenomenon was found through initial observations using a questionnaire to 30 students of the Faculty of Economics, University of da Paz (UNPAZ) Timor-Leste in 2022 showing the percentage of students using the most money for other needs such as parties, hangouts and fashion has a percentage of 59.8%. However, spending on

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college needs is only 31.2%. The data shows that the student budget for higher education needs is smaller than for other needs.

Students spend their money for fun rather than they needs. Students do not make their own expense budgets, record daily and monthly expenses and expenses, and do not provide funds for unexpected expenses. In addition, from the observations that have been made, it shows that students at the Faculty of Economics at the University da Paz are students who receive scholarships from the government, churches and international institutions such as Non-Governmental Organizations (NGOs) and embassies that have representatives in Timor-Leste. The money that students receive every month is still not managed properly. Students are often faced with a variety of financial choices that are quite complicated, ranging from paying tuition fees, renting a boarding house, making a budget, saving, taking insurance, and some even working so they have to balance their lives both at work, college, and their social life. Students are also more likely to use money to fulfill desires such as buying clothes, shoes, bags and other necessities. The data can be concluded that students at the Faculty of Economics, University da Paz tend to behave consumptively, prioritize lust over needs, they have not behaved well in financial management.

Financial management behaviour is a person's ability to manage (planning, budgeting, controlling, using, searching, and storing) daily financial funds (Ibrahim, D., Harun, R., & Isa, Z. M. (2009). Mien and Thao (2015) states that there are three factors that can influence students' financial behaviour, such as financial attitude factors, financial knowledge factors and locus of control factors as external factors, while Johnson, E., & Sherraden, M.S. (2007), argue that these factors -Factors that can influence financial management behaviour include: locus of control, financial knowledge and income.

METHOD

The population in this study were students of the Economics Faculty of the University da Paz in 2022 totalling 569 students consisting of three majors, namely: Accounting 201 students, Management 159 students and banking 209 students. Sampling of 235 students based on the Slovin formula. Sampling technique using Incidental Sampling. Methods of data collection by using a questionnaire. The data analysis technique uses path analysis with SPSS Version 26 program. The research variables are as follows: (1) Financial Management Behaviour variables are proxied from Marsh (2006) with organizational behaviour, shopping behaviour, saving behaviour indicators and waste. (2) The financial attitude variable is proxied from Anthony (2011) with attitudes towards daily financial behaviour, attitudes towards safety planning, attitudes towards

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financial management and attitudes towards indicators of future financial ability. (3) The variable of financial experience proxied by Lusardi and Tufano (2009) consists of experience with traditional loans, excluding credit cards, experience with alternative financial service loans, experience with savings/investments and payments. (4) Financial literacy variables are proxied from Chen and Volpe (1998) with general knowledge of personal financial literacy, savings and loans, insurance and investment.

RESULT AND DISCUSSION

The results of the descriptive statistical analysis are as follows:

Table 1.1

Descriptive Statistic

Descriptive Statistic					
	N	Minimum	Maximum	Mean	Std. Deviation
FMB (Y)	235	34.00	54.00	47.03	3.663
AF (X1)	235	33.00	55.00	47.57	4.602
FE (X2)	235	16.00	55.00	35.12	4.568
FL (X3)	235	30.00	60.00	49.21	4.654
Valid N (listwise)	235				

Based on the results of the descriptive analysis in table 1, it can be concluded that of the 11 statement items given for the Financial Management Behaviour variable, the highest score is 54 and the lowest value is 34. The standard deviation is presented in table 3.663, which means that of the 235 students who became the sample, the variation in the answers of the students of the Faculty of Economics, University da Paz's 2022 school year is still relatively small. The average value is 47.03 which is included in the good category. Meanwhile, financial attitude shows that from 235 samples, the highest score is 55 and the lowest value is 33. The average value for the financial attitude variable is 47.57 which is included in the very good category, the standard deviation shows a value of 4.602. Descriptive analysis of financial experience gives the highest score of 55 and the lowest score of 16. The standard deviation is presented in table

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4,568, which means that from 235 students who became the sample. The average value of financial experience of 35.12 is included in the good category. Financial literacy showed that 235 samples obtained the highest score of 60 and the lowest score of 30. The average score of 49.21 was included in the good category.

The results of statistical analysis of path analysis have been carried out to produce the following regression coefficients: Based on the results of path analysis of the SPSS output regression coefficients in table 1. the first regression equation is as follows:

FMB (Y) = 0,522 AF + 0,216 FE + 0,168 FL

Regression Equation Test Results

Model	**Independent Variable**	**Dependent Variable**	**B (Contant)**	**Koefisien Path (Beta)**	**t-hitung**	**Sig.**
Pers. Reg 1	Financial Attitude	Management Financial Behaviour	9.654	0.522	12.424	0.000
	Financial Experience			0.216	5.279	0.000
	Financial Literacy			0.168	4,698	0.000

The Effect of Financial Attitude on Financial Management Behaviour.

The results obtained that financial attitude have a positive and significant effect on financial management behaviour. Based on the results of the analysis obtained positive and significance 0.00 <0.05. The magnitude of the direct influence of financial attitudes on financial management behaviour is 0.522. This explains that every financial increase in the attitude variable of one unit will cause an increase in financial management behaviour of 0.522 with the assumption that the variables of financial knowledge, financial experience and financial literacy remain. This shows that students of the University da Paz Faculty of Economics in 2022 have a very good attitude towards their own finances.

A very good financial attitude will have an impact on Behaviour. Financial management is also good, students will be more responsible in managing personal finances. Financial attitude is an important contributor in achieving the success or

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failure of the financial aspect. A good attitude will affect good behaviour too, good and appropriate.

Behaviour Financial management can be started by implementing good and correct financial governance as well as attitude. Without the application of a good attitude in financial management, it will be difficult for students to have savings in the long term.

The results of this study are in accordance with the theory of social learning, namely: a three-way relationship that interlocks behaviour, the environment, and inner events that affect perceptions and actions. In this study, the inner events in question affect the financial behaviour of financial attitudes. This study is also relevant to the research of Mien and Thao (2022), Amanah et al (2016), and Herdijono and Darmanik (2016) that financial attitudes affect financial management behaviour.

The Effect of Financial Experience on Financial Management Behaviour.

Most people make decisions based on what has happened. From a financial perspective, experience is an equally important factor for a person in relation to financial management behaviour. The more financial experience a person has, the better the behaviour in managing finances, because someone who has a lot of experience in the financial field is able to distinguish what to do and what not to do and has understood the risks that will occur if one manages finances wrongly, and If a person's financial experience is still small, then the behaviour in managing finances is still not good. This explains that if every increase in the financial experience variable is one unit, it will cause an increase in Financial Management Behaviour by 0.216.

The Theory of Planned Behaviour (TPB) shows that background such as experience will affect one's beliefs about something that will affect one's behaviour. Based on the results of this study where financial experience affects a person in determining financial management behaviour. The results of this study are also relevant to the results of research conducted by Hogart and Beverly (2003) and Lusardi (2009) that financial experience affects financial management behaviour, financial experience can increase financial management behaviour.

The Effect of Financial Literacy on Financial Management Behaviour.

Financial literacy has a positive and significant effect on financial management behaviour. This can be seen from the results of the analysis obtained positive and significant <0.05. The magnitude of the direct influence of financial literacy on financial behaviour of financial management is 0.168. This is in

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accordance with social learning theory that financial literacy as a cognitive process affects financial management behaviour. Previous relevant research was conducted by Shahrabani (2012), Laily (2013), and Sundarasen, et al. (2016) that financial literacy has a significant positive effect on financial management behaviour. The higher the level of financial literacy possessed by students; the behaviour of personal financial management will also be better. On the other hand, the lower the level of student financial literacy, the lower the personal level of financial management behaviour is also getting worse.

The second path analysis with financial literacy as the dependent variable is as follows:

Based on the results of the path analysis of the SPSS output regression coefficients in table 2. the second regression equation is as follows:

FMB (Y) = 0,155 FA + 0,384 FE

Regression Equation Test Results

Model	Variable Independent	Variable Dependent	B (Contant)	Koefisien Path (Beta)	t-hitung	Sig.
Pers. Reg 2	Financial Attitude	Management Financial Behaviour	22.489	0.155	2.206	0.028
	Financial Literacy			0.384	5.883	0.000

The Effect of Financial Attitude on Financial Literacy.

The results showed that the significance value was 0.028 where the value was <0.05, which means that financial attitudes have an effect on financial literacy. The magnitude of the influence of financial attitudes on financial literacy is 0.155. Someone with a good financial attitude will have good financial literacy as well. Meanwhile, those who have a lack of financial attitude will have an impact on low financial literacy. This study supports research by Jorgensen (2007) that personality characteristics which are financial attitudes have a significant effect on financial literacy. Ibrahim, et al. (2009) concluded that personnel characteristics such as financial attitudes significantly affect student financial

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literacy. This is also supported by research from Thapa and Nepal (2022), Diniaty (2016) and Andansari (2018).

The Effect of Financial Experience on Financial Literacy

Financial experience is included in the factors that affect financial literacy. The results show that financial experience has a positive and significant effect on financial literacy. This is based on an analysis that shows a significance value of 0.000 and the value is <0.05. This shows that if a person has a lot of experience in the financial aspect (financial experience), he will have a good level of financial literacy but on the contrary, if someone does not have a lot of financial experience, his level of financial literacy is still low.

Experience makes someone know what to do and what to avoid, experience makes someone who doesn't know. Likewise with financial experience with financial experience that has been owned by students, students will have financial literacy in the financial aspect. The results of the study are relevant to previous research conducted by Sohn, et al. (2012) that financial experience has a significant effect on financial literacy.

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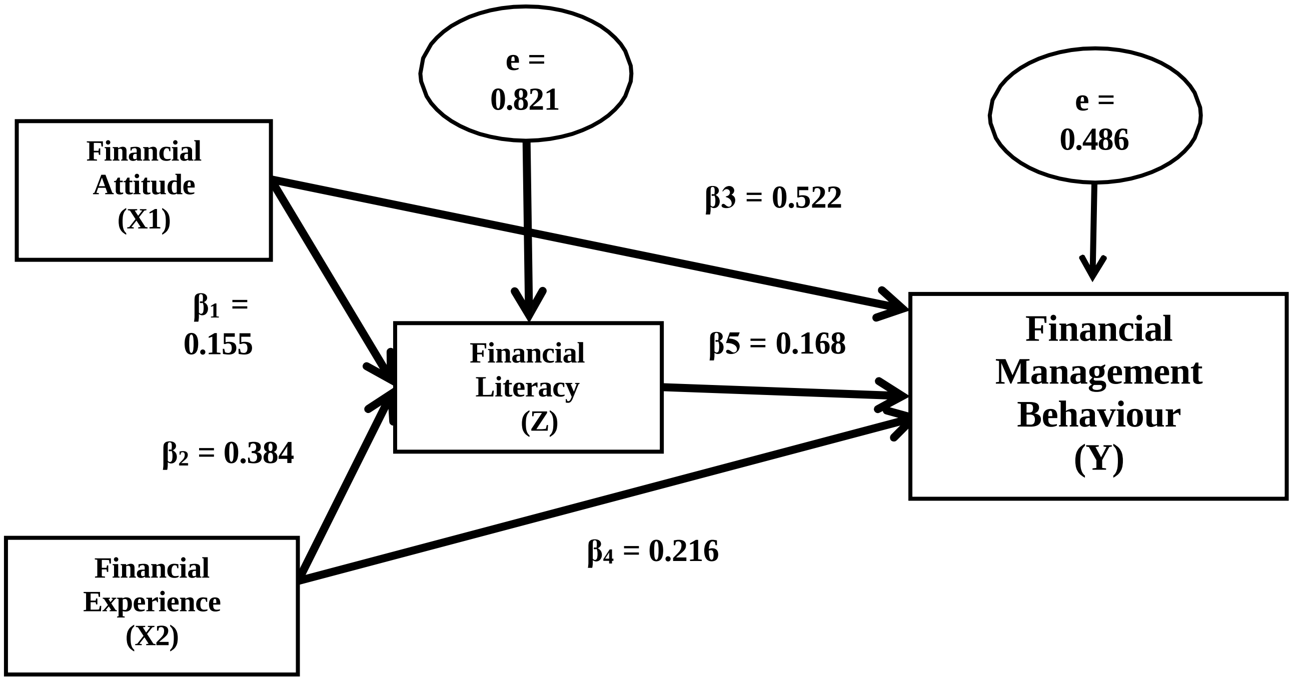
Path Analysis



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Financial literacy is a mediating variable from the influence of financial attitudes on financial management behaviour, as evidenced by the indirect effect of 0.026 or 2.6% while the direct effect is 0.522 or 52.2%, while the total effect is 0.548 or 54.8%. The results obtained that the t-count value is 2.003 while the t-table is 1.968. So t count > t table shows that there is a positive influence of financial attitudes on financial management behaviour through financial literacy. Students of the Faculty of Economics, Da Paz University in 2022 are accepted.

The magnitude of this indirect effect is lower than the direct effect but significant. This lack of influence indicates a partial mediating form of the role of financial literacy as a mediating variable, meaning that financial literacy is not able to mediate the perfect influence between financial attitudes and student financial management behaviour. This happens because students consider that their financial attitude has made them able to be well responsible for financial management behaviour. So that students assume that attitudes have been able to help students behave in managing financially well without paying too much attention to financial literacy. Financial Literacy shows how much financial knowledge a person has to support financial behaviour. Students are less concerned that their financial literacy can affect students' financial management behaviour. So that students only feel that with the help of the attitudes that exist in students, it is enough to optimize student financial management behaviour.

The results of this study are in line with social learning theory which says that the acquisition of complex behaviour is not due to a two-way relationship between the environment and the individual, but also by various internal personal factors. The behaviour referred to in this study is the behaviour of financial management behaviour and the internal factors that influence behaviour in this study are financial attitudes.

The influence of financial experience on financial management behaviour through financial literacy

The results of hypothesis testing in H7 that there is a positive influence of financial experience on financial management behaviour through financial literacy of students at the Faculty of Economics, University da Paz in 2022 are accepted. The results show that financial experience directly or indirectly affects financial management behaviour through financial literacy as a mediating variable in this study. This is proven by the indirect effect of 0.065 or 6.5% while the direct effect is 0.216 or 21.6%, while the total effect is 0.281 or 28.1%. The results obtained by the value of t count is 4.135 while the t table is 1.968.

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The indirect effect of the calculation is lower than the direct but significant effect. This low indirect effect indicates a partial mediation of the role of financial literacy as a mediating variable, meaning that financial literacy cannot perfectly mediate the effect of financial experience on financial management behaviour. Students have the opinion that financial experience is very important, because with good financial experience students can manage finances well regardless of the level of financial literacy in managing finances.

The theory of planned behaviour (TPB) explains that background such as experience will affect one's belief in something which will ultimately affect one's behaviour. So according to this research, where financial experience will influence in determining the behaviour of financial management behaviour. The more financial experience that has been made, the level of financial literacy increases and influences financial management behaviour better, the more responsible you will be with your finances.

Research conducted by Putri and Djuminah (2016) that financial experience has a significant and positive influence on financial literacy. Financial literature further influences financial management behaviour and research conducted by Hogart and Beverly (2003) which shows the results that increasing knowledge and financial experience can improve financial management behaviour. The results of the research are relevant to previous research.

Conclusion

Based on the results and discussion, it can be concluded that: (1) financial attitudes have a positive influence on financial management behaviour of students of the University da Paz Faculty of Economics in 2022. (2) Financial experience has a positive influence on financial management behaviour of students of the University da Paz Faculty of Economics in 2020. 2022. (3) Financial literacy has a positive influence on financial management behaviour of students at the Faculty of Economics, University da Paz in 2022. (4) Financial Attitude has a positive influence on financial literacy of students of the Faculty of Economics, University da Paz in 2022. (5) Experience financial literacy has a positive effect on the financial literacy of students of the University da Paz Faculty of Economics in 2022. (6) Financial attitudes have a positive effect on finance financial management behaviour through financial literacy of students of the University da Paz Faculty of Economics in 2022. (7) Financial experience has a positive effect on financial literacy. on Financial Management Behaviour through financial literacy for students of the Faculty of Economics, University da Paz in 2022.

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