

## Financial Attitude and Locus of Control Toward Financial Management Practices

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### Abstract

The purpose of this study is to analyze and synthesize a theory that explains the relationship between financial attitude, locus of control and financial management practices. This study uses a qualitative approach with the literature review method, which is an approach that examines and synthesizes previous research by selecting relevant literature, analyzing and solving and interpreting the synthesis of literature. This study examines 50 articles sourced from the Google Scholar database, Mendeley Search, Emerald Insight and Harzing's Publish or Perish. This study presents the theoretical basis, other explanatory variables and research results from previous literature. Theories that underlie it include planned behavior theory. The synthesis of the research results shows that good and reliable financial attitude and locus of control have a significant impact on Financial Management Practices. A positive financial attitude encourages individuals to manage their finances better, including planning, controlling, and making financial decisions.

**Keywords:** *Financial Attitude, Locus of Control and Financial Management Practices*

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### INTRODUCTION

In an era of rapid technological development and relentless advancements in science, the demands of human life have become increasingly complex and high (Lestari, 2024). Individuals tend to follow popular trends in society to stay connected with the times, even though this is often just to gain social recognition (Anggraini et al, 2023). However, such behavior can have negative impacts, leading to a tendency toward consumerism for items that are not truly needed, often conflicting with actual personal financial conditions (Delis et al, 2024). In line with the increasing diversity of needs, understanding the importance of recognizing priorities in meeting these needs has become a growing focus (Bongini & Cucinelli, 2019) This is why personal financial planning skills and abilities are crucial for every individual (Yeolencia et al, 2024).

According to (Safari et al., 2021) it was found that most young people today lack an understanding of financial planning. Less than a third of them even have an adequate grasp of basic financial literacy (Herrador-Alcaide et al., 2020). Therefore, further study is needed to provide a comprehensive understanding of the financial planning behaviors of Generation Z. The results of this research are

expected to serve as a basis for developing financial planning training recommendations and providing effective support facilities to encourage better financial planning adoption among Generation Z (Lin et al., 2017).

Findings from Deloitte's 2022 study (Deloitte et al, 2024) highlight the challenging financial conditions faced by young people. Data shows that nearly half of Generation Z (46%) worldwide rely on their salaries to cover living expenses while also worrying about their ability to meet these expenses (Otoritas Jasa Keuangan, 2022). Additionally, more than a quarter of Generation Z (26%) globally are uncertain about being able to retire comfortably (Lestari, 2023). These facts illustrate that young people are more focused on meeting current needs rather than planning for their financial future (Lestari, 2023)

According to the Theory of Planned Behavior (TPB) by (Ajzen, 1991), every individual has the intention to perform a certain behavior. Therefore, a person's behavior must be based on an intention, which is considered a motivational factor influencing the individual's attitude (Lestari, 2023b). This intention reflects the individual's effort and endeavor in planning personal finances, performing financial behaviors through a good financial attitude and self-control to achieve maximum financial goals (Lestari, 2023). The TPB emphasizes three main factors that influence an individual's behavioral intention: attitude toward the behavior, subjective norms, and perceived behavioral control (Lestari, 2023). According to TPB by (Ajzen, 1991), these factors affect a person's intention to act, and in the context of this research, they encourage individuals to engage in financial planning (Lestari, 2023). Not only does this include financial planning itself, but also the factors influencing financial planning, such as financial attitudes and locus of control (Lestari, 2023).

In personal financial planning, financial attitudes inevitably play a crucial role for every individual (Yeolencia et al, 2024). The second factor influencing personal financial planning is financial attitude. An individual's attitude towards finances plays a significant role in personal financial decision-making (Ameliawati et al, 2018). A person's financial attitude is essential in shaping their behavior and actions in various financial aspects, such as financial management practices, personal financial planning, budgeting, and investment decisions (van Rooij et al., 2011). According to (Sekita, 2011), an individual's financial attitude refers to a combination of personal characteristics and socioeconomic background that play a vital role in achieving financial success (Arrondel et al., 2013).

According to (Aren & Aydemir, 2015) financial attitude represents an individual's thoughts, opinions, and judgments regarding their financial aspects. A person's financial attitude can be influenced by their financial habits and experiences, and their financial actions can be subjectively assessed as good or bad from both personal and others' perspectives (Lusardi & Mitchell, 2017). When someone has a positive and appropriate financial attitude, they will be able to create budget plans for their expenditures over a specific period, which can help in making future financial decisions (Grohmann, 2018). In the study by (Mien & Thao, 2015), it is mentioned that a person's financial attitude shapes how they

spend, save, hoard, and dispose of money. Generations with more positive financial attitudes tend to make wiser financial decisions compared to those with less positive financial attitudes (Lestari, 2023).

### Theory of Planned Behavior (TPB)

The grand theory underpinning this research is the Theory of Planned Behavior (TPB), an extension of the Theory of Reasoned Action (TRA) initially proposed by Ajzen. The Theory of Planned Behavior explains that every individual has the intention to perform a certain behavior (Ajzen, 1991). A person's behavior must be based on an intention, which is considered a motivational factor influencing the individual's attitude, indicating the individual's effort and endeavor in planning, executing behavior, and achieving specific goals (Ajzen, 1991).

According to (Ajzen, 1991), the Theory of Planned Behavior (TPB) provides a framework for understanding individual behavior by identifying three key factors that influence behavioral intention. These factors include attitude toward behavior, which involves the combination of beliefs and the evaluation of outcomes to form either a positive or negative judgment; subjective norm, which reflects normative beliefs and the perceived social pressure to engage in the behavior; and perceived behavioral control, which refers to an individual's belief in their ability to perform the behavior, based on their perception of control over the situation.

The Theory of Planned Behavior (TPB) provides a useful framework for understanding how financial attitude and locus of control influence financial management practices. According to TPB, a positive financial attitude strengthens the intention to engage in sound financial management, as individuals who view managing money positively are more likely to see it as beneficial and aligned with their goals. Additionally, locus of control, particularly an internal locus of control, plays a crucial role in perceived behavioral control, a key component of TPB (Lestari, 2023). Individuals with a strong internal locus of control believe they can influence their financial outcomes, which increases their confidence and motivation to manage finances responsibly (Lestari, 2023). By integrating financial attitude and locus of control within the TPB framework, this research explores how these psychological factors contribute to the intention and behavior related to financial management, offering insights for designing interventions that promote effective financial practices (Delis et al, 2024).

### Financial Attitude

Financial attitude refers to an individual's perception of their personal financial problems or financial planning (Ramadhanty, 2022). A financial attitude can guide an individual in managing various behaviors when facing financial issues (Delis et al, 2024). If an individual has a positive financial attitude, they are likely to make better decisions regarding their financial management (Eka et al, 2024). A person with a good level of financial attitude will exhibit a sound mindset about money and their perception of their future finances (Saputra & Murniati, 2021).

A person's financial attitude in decision-making is not only based on their ability to manage, plan, budget, audit, control, disburse, and save daily financial resources (Lestari, 2023). Psychological and sociological factors also play a significant role. This aligns with the dual-process learning theory developed by Rescorla & Solomon (1967), which posits that an individual learning something new is supported by stimuli that motivate the individual to make changes and create new, better behaviors, especially in their financial attitude (Lestari, 2023).

A good financial attitude must also be based on a solid understanding and awareness of financial products, so that this understanding and awareness can be implemented in various financial activities such as planning, saving, budgeting, using funds, and even making investment decisions (Lestari, 2024). Having a positive financial attitude significantly impacts good financial planning behavior for old age (Saputra & Murniati, 2021).

### **Locus of Control**

Locus of control, introduced by (Rotter, 1966), is a psychological concept that explains the extent to which individuals believe they have control over the outcomes they experience. This concept is divided into two main types: internal and external locus of control (Lestari, 2023). Individuals with an internal locus of control believe that their achievements result from their own efforts, skills, and decisions. They tend to be more proactive, responsible, and motivated in pursuing their goals. In contrast, those with an external locus of control believe that external factors such as luck, fate, or the influence of others play a more significant role in determining outcomes. These individuals are generally more dependent on their environment and less confident that personal actions can alter circumstances (Lestari, 2023).

In the context of business and management, locus of control is often linked to decision-making, leadership, and individual or organizational performance. Research suggests that individuals with an internal locus of control are more likely to be effective leaders and perform better than those with an external locus of control (Judge et al., 2002). Additionally, in finance and investment, locus of control influences financial behavior, such as personal financial management and investment decisions (Perry, 2005). Individuals with an internal locus of control tend to be more prudent in managing their finances and making rational investment choices compared to those with an external locus of control (Lestari, 2023).

According to (Ariani et al., 2016), the locus of control is a person's perspective on whether an event can be influenced by their actions or not. According to Robbins & Judge (2017), the locus of control is specified into two parts: Internal Locus of Control, the belief that all results, whether good or bad, are due to one's actions, capacities, and internal factors and External Locus of Control, the perspective that all results, whether good or bad, are beyond one's control due to external factors such as luck, chance, and fate. Individuals in this category place responsibility outside their control (Lestari, 2023).

### **Financial Management Practiced**

Financial management practices are one of the skills an individual possesses to manage all financial activities (Lestari et al, 2024). This includes managing, planning, auditing, controlling, saving, and making long-term decisions (Kohar, 2022). The most fundamental aspects of money management involve having a checking account, paying bills on time, recording and storing financial transactions, having a financial plan and implementing it, and continually reviewing spending habits (Lestari, 2023).

There are five key expectations from personal financial management practices: the ability to cover daily expenses, pay bills on time, compare prices before spending money, participate in retirement planning programs, and have knowledge of how to invest (Lestari et al, 2024). Being able to cover routine monthly expenses, participate in retirement planning programs, and invest can help an individual improve their readiness for retirement (Wardani et al., 2019).

## **METHOD**

This research employs a qualitative approach using the literature review method. This method involves examining and reviewing previous research by selecting relevant literature, conducting analysis, mapping, and interpreting findings through the synthesis of prior research. Consistency with methodological assumptions in qualitative research is essential, meaning the literature review must be used inductively to avoid directing the researcher's questions. One of the primary reasons for conducting qualitative research is its exploratory nature (Ali & Limakrisna, 2013).

The author utilizes databases such as Google Scholar, Mendeley, Emerald Insight, and Harzing's Publish or Perish to access articles relevant to the topic. Keywords relevant to the research topic, including "financial literacy" and "financial resources retirement," are used in the literature search. From the number of articles generated, the author filters the data by excluding those that do not match the topic and research criteria. The data exclusion process involves filtering out inappropriate titles, abstracts, and full texts, resulting in 50 articles deemed suitable as research samples.

## **RESULTS AND DISCUSSION**

The Theory of Planned Behavior (TPB) can be used to analyze the influence of financial attitude and locus of control on financial management practices. TPB posits that an individual's intention to perform a behavior is the primary predictor of that behavior, influenced by three main factors: attitude toward the behavior, subjective norms, and perceived behavioral control.

Financial attitude reflects an individual's evaluation of the benefits and risks associated with financial management practices. When someone has a positive attitude toward financial management, they are more likely to view it as important and beneficial, thereby increasing their intention to engage in sound financial management practices.

Locus of control, which refers to the extent to which individuals believe they have control over outcomes in their lives, also plays a crucial role.

Individuals with an internal locus of control believe that they can manage their finances through their own efforts and decisions. This enhances their perceived behavioral control, which in TPB, strengthens their intention and, ultimately, their actual behavior in financial management.

In the context of TPB, financial attitude and locus of control together influence an individual's intention to manage their finances effectively. A positive attitude toward financial management boosts confidence in the benefits of such practices, while an internal locus of control enhances confidence in the ability to carry them out. The combination of these two factors results in a strong intention to adopt sound financial management practices, which is then expected to manifest in actual behavior. Therefore, TPB provides a robust framework for understanding how financial attitude and locus of control can affect financial management practices.

This theory is supported by research from (Herrador-Alcaide et al., 2021), (Laili, 2022), (Christian & Wiyanto, 2020), (Sari, 2021), dan (Wardhani & Iramani, 2023), (Delis et al, 2024) which indicates that financial attitude plays an important role in shaping positive financial management practices.

These findings are consistent with previous research results, such as those conducted by (Tambun & Cahyati, 2023), (Sulhan & Putri, 2023), (Joyce et al, 2021), (Kerdvimaluang & Banjongprasert, 2022), (Anderson et al., 2017), (Lestari, 2023) which indicate that locus of control plays an important role in shaping positive financial management practices. (Huda et al., 2020), (Tumataroa & O'Hare, 2019), (Strömbäck et al., 2017) found that locus of control plays an important role in the formation of financial management practices.

The figure 1 generated using VOSviewer illustrates a visual map connecting various concepts related to "Financial Attitude and Locus of Control Toward Financial Management Practices."

In this map, the term "financial literacy" is at the center, indicating that financial literacy is a key concept linking various other elements. This term is closely connected with "financial education," "knowledge and financial behavior," and "financial advisor," suggesting that financial literacy is often associated with financial education and prudent financial behavior as well as the role of financial advisors.

The term "financial management behavior" appears in a different cluster but is still closely related to financial literacy, indicating that financial management behavior is an important aspect influenced by financial literacy. "Financial knowledge" is also seen to be connected to this behavior, emphasizing the importance of financial knowledge in financial management practices.

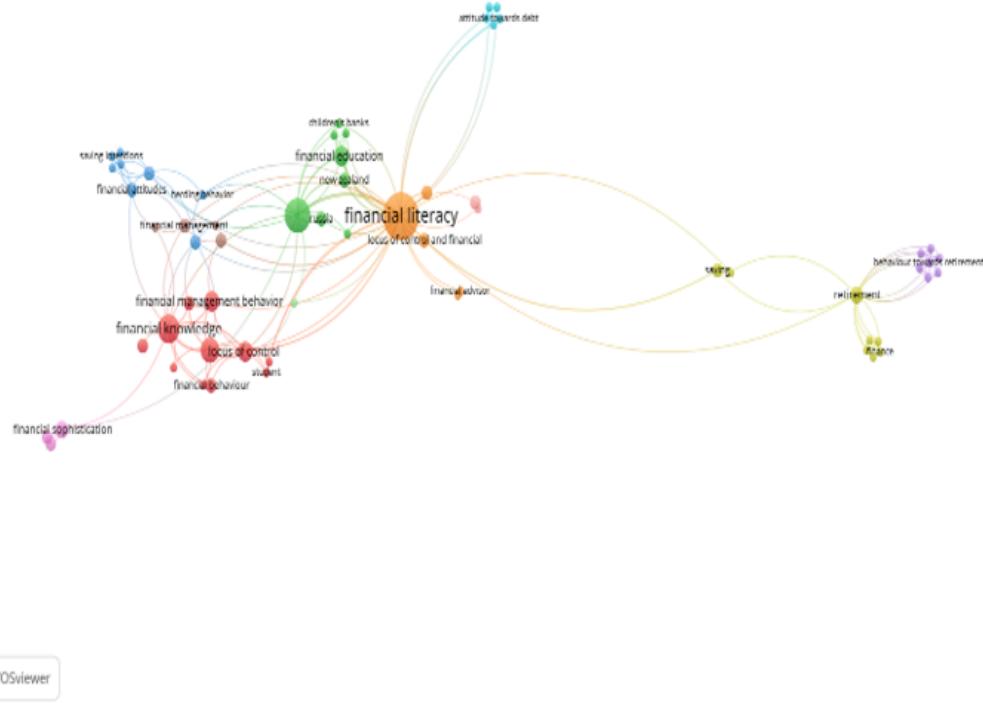


Figure 1: Keywords  
Source: Authors' own elaboration

"Financial attitude" and "locus of control" are in smaller clusters but are well connected to the main concepts. This indicates that financial attitudes and locus of control are significant variables in understanding financial management practices. They may influence how an individual manages their finances based on their level of financial literacy and knowledge. Finally, terms such as "saving behavior," "retirement," and "investment behavior" are situated around the main cluster but are still connected, indicating that various aspects of financial behavior, such as saving, retirement, and investing, are also relevant in this discussion.

## CONCLUSION

The findings indicate that Financial Attitude and Locus of Control have a significant impact on Financial Management Practices. A positive financial attitude encourages individuals to manage their finances better, including planning, controlling, and making financial decisions. Additionally, individuals with an internal locus of control, who believe that their financial outcomes are influenced by their actions and decisions, tend to be more effective in implementing good financial management practices. Conversely, those with an external locus of control, who believe that their financial outcomes are influenced by external factors such as luck or fate, may be less proactive in managing their

finances effectively. Therefore, strengthening a positive financial attitude and an internal locus of control can enhance individuals' financial management practices.

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