

THE EFFECT OF FINANCIAL LITERACY AND SELF-CONTROL ON GENERATION Z'S FINANCIAL MANAGEMENT

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ABSTRACT

The purpose of this study was to examine the effect of financial literacy and self-control on generation z financial management. This research was conducted at Muhammadiyah Makassar University. The objects in this study were 70 students of the accounting study program class of 2019 at the Muhammadiyah University of Makassar. The sampling technique used simple random sampling with the slovin formula. The results of data collection through a questionnaire were then processed using SPSS and multiple linear regression analysis. The results showed that there was a relationship between financial literacy and financial management, the higher a person's level of financial literacy, the better his financial management. In terms of self-control, there is also a relationship with financial management, the more capable the z generation is in self-control, the better it is at managing finances.

Keywords: Financial literacy, self-control, and financial management

INTRODUCTION

The development of the world economy, especially Indonesia, is increasing rapidly, which has an impact on various aspects of life. One of them is that human needs are diverse and increasing which affect financial management. from several perceptions it is stated that financial failures tend to be due to relatively low income, but income issues are not the main trigger but rather lead to factors of ignorance managing and allocating finances effectively. According to Ida and Dwinta (2010), financial behavior began in 1990 which developed in the academic and business world which discussed aspects of making the right decisions in terms of finance and investment. In recent years, the issue of financial literacy has become a global aspect that continues to be considered and underlined during the G20 presidency in Italy that financial literacy is an essential life skill in the framework of community empowerment (Republika.co.id Jakarta, 2021).

The results of a national survey conducted by the Financial Services Authority (OJK) in 2019 showed that the level of public financial literacy reached 38.03% and the financial inclusion index was 76.19%. When compared to the results of the 2022 survey, the financial literacy index of the Indonesian people is still low, even though there has been an increase of 49.68% and financial inclusion reaching 85.10%. The national financial literacy and inclusion index in 2022 has a high difference of 35.42 percent. This shows that the majority of people have access to financial services but actually do not understand whether financial products and services are beneficial or have high risks.

The financial literacy and inclusion index above is still far from the target set by the government, so it needs to be introduced to generation Z, especially students regarding financial intelligence. Because the biggest component in contributing to the economy is

the z generation or students. Financial problems are rife as evidenced by the amount spent is greater than the money received. Intelligence is useless in the period of studying if you are unable to control yourself and manage your finances well.

Self-control is an activity in which an individual can restrain or control his desires, but in this modern era most students lack self-control so that finances are not conceptualized (Tribuana, 2020). Several things related to research conducted by (Sugiharti et al., 2019) show that financial literacy has an effect on financial management with indicators of basic financial knowledge, savings, loans and investments. besides that, research (Khoirunnisaa & Johan, 2020) also states that financial literacy and self-control have an effect on financial behavior.

THEORETICAL BASIS

Theory of reasoned action (TRA)

The Theory of Reasoned Action put forward by Fisbein and Ajzen (1975) states that two basic factors influence a person to be involved or not in certain actions, the first is related to attitude (attitude towards behavior) and social effects involving subjective norms.

Theory of planned behavior (TPB)

Theory of planned behavior is the development of the theory of reasoned action introduced by icek ajzen in 1991. This theory reveals the relationship between the actions a person takes in response to something.

Financial literacy

Financial literacy as a form of knowledge related to money in order to live a more prosperous life in the future. Financial literacy in this study uses 5 aspects, namely basic knowledge of finance, savings, debt, insurance, and investment. Meanwhile, according to (HC & Gusaptono, 2021) Financial literacy is the possession of a set of skills and knowledge that enables a person to make the right and effective decisions with all their financial resources that are useful in maintaining financial stability in the future.

Based on the previous explanation, it can be concluded that financial literacy is useful for detecting financial surpluses so that they are maintained so that they can influence the level of financial growth. From some of the perceptions above, it can be concluded that financial literacy is a financial understanding that forms the basis for making wise decisions in financial matters.

Self-control

The concept of self-control was first put forward by Rotter in 1996. According to (Tribuana, 2020) self-control is the ability possessed by each individual to be able to stop or control various impulses, both originating from within or outside the individual's self. Research conducted by (Diyan Lestari, 2020) revealed that self-control indicators are divided into 3 aspects, namely behavioral control, cognitive control, and self-control in financial decisions.

Behavior control (Behavior Control) willingness to respond personally can influence an unpleasant situation. Cognitive Control (Cognitive Control) is a person's capacity to

interpret, evaluate, or connect an event in a cognitive framework as a means of psychological adaptation, especially related to finance. while Self-Control in Financial Decisions (Decisional Making)

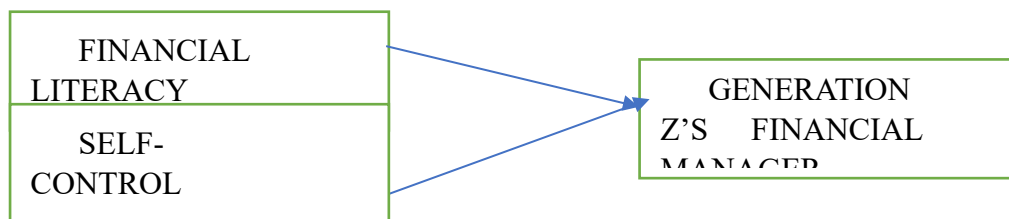
Personal financial management

Financial management includes the process of regulating financial activities or activities in various scopes, in which there is planning, analysis, and control of one's financial activities (Setia Mulyawan, 2015). Financial management has an important role in various financial activities, including planning income and expenditure, and evaluating and improving the financial system. Herdjino and Damanik (2016) in (Sugiharti et al., 2019) state that behavior in managing one's finances can be seen from four things such as consumption, savings, cash flow, and management.

RESEARCH METHODS

This research includes associative research which describes a causal relationship. The population used is the z generation within the accounting study program class of 2019 at the University of Muhammadiyah Makassar with a total of 225 people. The sample size was determined by simple random sampling method using the slovin formula, so that a total of 70 respondents were obtained. Data were collected by questionnaire by testing the hypothesis using multiple linear regression using the SPSS program.

Figure 1: Framework of Mind



Hypothesis 1: Financial literacy influences generation z financial management

Hypothesis 2: self-control affects the financial management of the z generation.

RESULTS AND DISCUSSION

The effect of financial literacy on generation z financial management

This study uses two references, namely the theory of reasoned action (TRA) and the theory of planned behavior (TPB). The theory of reasoned action links belief, behavior, will, and behavior. Besides that, it is also centered on 2 determining factors to be involved or not in action, namely attitudes towards behavior and subjective norms (Muchran, 2015). Meanwhile, the theory of planned behavior (TPB) or often called the theory of behavior which reveals the causes of behavioral intentions. Behavioral intention is influenced by three main determinants, namely behavior, subjective norms and attitude control. According to the theory above, it can be concluded that all actions of each individual in responding to something require understanding, opportunities, and resources.

The results showed that the financial literacy variable was 0.000, which was <0.05 . This value indicates that the first hypothesis (H1) is accepted, which means that financial literacy affects the financial management of generation z. The two theories above can be stated that financial literacy will affect a person's belief in something which ultimately affects a person's behavior. If someone has an understanding related to the concept of high financial literacy, the higher one's awareness in managing finances will also be. it can be summarized that increasing the pattern of youth awareness will trigger financial intelligence.

Financial health involves a number of key components, which require improvement, of financial knowledge. when a student has a set of skills and talents enabling them to use available resources to achieve financial literacy goals. in essence, everyone has different demands and mindsets, especially related to money and views about the future. Everyone who has a desire will work harder to get it, in contrast to people who besides have wants and needs with money received.

The type of person who considers the future will set aside money to cover unexpected expenses, but if the younger generation does not plan for the future, they will immediately spend money or income without setting aside to anticipate various risks. In this study, accounting students class of 2019 at the University of Muhammadiyah Makassar have a fairly high level of financial literacy. This is in line with Chen and Volpe (1998) who revealed that low financial literacy can occur due to a lack of personal finance education at universities. Empirical evidence from previous researchers (Sugiharti et al., 2019) states that financial literacy has an influence on financial behavior, and is contrary to research (Sari & Listiadi, 2021) where financial literacy has no effect on financial management.

The effect of self-control on student financial management

Theory of planned behavior (TPB) strongly supports this second hypothesis, expressing the relationship between the actions a person takes in response to something. The idea of behavior control is not only self-controlled (full self-control) but also requires the availability of resources and even abilities, which was put forward by Icek Ajzen in 1991. The ability to maintain good self-control will influence how a person behaves when processing financial transactions to track action to be taken.

Based on the tests carried out on the second hypothesis (H2), a significant value of 0.006 was obtained, which was <0.05 . This value indicates that the second hypothesis (H2) is accepted, which means that self-control has an influence on financial management. The results of this analysis can be concluded that self-control is a factor that can influence individuals in financial management, meaning that the higher the self-control possessed by Generation Z within the scope of students, the better the level of financial management they have.

self-control is a person's ability to be sensitive and feel his own environment and position. With good self-control skills, students can also be wiser in using and managing the money they have. Generation z in the scope of students tends to hold back desires so

they can do things that are more useful. The results of this study are supported by empirical evidence from previous research (Khoirunnisaa & Johan, 2020) which states that self-control has a positive effect on financial management behavior.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the analysis, it can be concluded that financial literacy has an effect on financial management and financial control has an effect on generation z financial management within the scope of the accounting study program class of 2019, University of Muhammadiyah Makassar. However, there are several suggestions that need to be considered, namely for future researchers regarding population expansion and variables. Students are expected to study literacy in order to avoid all increasingly complex problems.

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