

The Influence of Socio-Demographic Factors and Financial Socialisation on Financial Literacy of College Students in Indonesia

Abdul Rahman

Universitas Indonesia Timur, Makassar

Email: abd.rahmanr@gmail.com

Imam Suharto

Universitas Lambung Mangkurat

Puji Hastuti

Universitas Achmad Yani, Banjarmasin

ABSTRACT

This study aims to explore the level of financial literacy among Indonesian university students as well as the influence of socio-demographic factors and financial socialisation on such literacy. The research method used is quantitative with a survey approach, involving students from various universities in Indonesia. The results showed that on average students were only able to answer 45.39% of financial literacy questions correctly, indicating that the financial literacy of Indonesian university students is at a low to moderate level. The analysis showed that socio-demographic factors such as gender, major in economics and business, and work experience have a significant influence on the level of financial literacy. In addition, financial socialisation through parents was also found to have a significant impact on students' financial literacy. This study emphasises the importance of more effective financial education programmes, both conventional and Islamic, to equip students with the necessary skills to make wise financial decisions. Effective financial socialisation, especially through parental guidance, can significantly improve financial literacy outcomes.

Keywords: Financial Literacy, Financial Socialisation, Financial Education, Indonesian university students, Socio-Demographics

Received: 15 April 2024 ;

Accepted: 20 May 2024 ;

Published: June 2024.

How to Cite:

Rahman, A., et.al. (2024). The Influence of Socio-Demographic Factors and Financial Socialisation on Financial Literacy of College Students in Indonesia. *Journal of Business and Behavioural Entrepreneurship*, 8(1), 31-36. <https://doi.org/10.21009/JOBBE.008.1.04>

INTRODUCTION

Youth plays a pivotal role in the development of a country, particularly university students who are in a critical transitional stage of their lives. As these students progress towards greater financial independence after completing their degrees, the knowledge and skills they develop during their study period become invaluable assets for making rational decisions. One of the key competencies necessary for effective decision-making is financial literacy, which equips individuals to make sound financial decisions.

The advent of social media has transformed the landscape of information dissemination, providing vast amounts of information through user contributions and comments. However, the authenticity of this information often remains unchecked. This phenomenon, known as financial socialization, occurs through various channels referred to as socialization agents. These agents, including peers, family, and media, significantly influence mental and behavioral outcomes with long-term implications.

Financial Literacy Among University Students in Indonesia

Research has shown that financial literacy among university students in Indonesia is relatively low compared to other countries. A study conducted at Gadjah Mada University revealed that on average, only 45.39% of students answered financial literacy questions correctly, indicating a significant gap in knowledge compared to students in the US and Australia (Lantara & Kartini, 2015)

Further studies highlight that the level of financial literacy varies significantly across different universities and regions in Indonesia. For instance, a descriptive analysis of financial literacy among public and private university students showed that only 12% of public university students answered all questions correctly, while the figure was 10% for private university students (Setiawan, 2020a).

Moreover, a study in East Nusa Tenggara (NTT) found that the financial literacy level among students was moderate, with a total average score of 67.48% (Deda et al., 2022). The findings suggest that there is a need for improved financial education to enhance students' financial management skills.

Socio-Demographic Factors Influencing Financial Literacy

The financial literacy levels among university students are influenced by various socio-demographic factors. Studies have shown that male students, those majoring in economics and business, and students with higher incomes or more work experience tend to have higher financial literacy rates (Lantara & Kartini, 2015). Another research in Pekanbaru indicated that work experience and GPA significantly affect students' financial literacy, while gender and age do not (Irman et al., 2020).

The Role of Islamic Financial Literacy

Indonesia, being the largest Muslim-majority country, has a unique aspect of financial literacy which includes Islamic financial literacy. Studies show that Islamic financial literacy among Indonesian university students is significantly lower compared

to conventional financial literacy (Firdausi & Kasri, 2022) This highlights the need for targeted educational programs to improve understanding and utilization of Islamic financial products.

Financial Socialization and Its Impact

Financial socialization plays a crucial role in shaping students' financial behaviors and attitudes. Parental socialization, in particular, has been found to have a significant impact on students' financial literacy. A study in Bandung found that parental allowance and trust significantly influence students' financial literacy (Rahadi et al., 2023) This underscores the importance of family in financial education.

The financial literacy of university students in Indonesia is relatively low, influenced by various socio-demographic factors and the unique context of Islamic financial literacy. There is a pressing need for enhanced financial education programs, both conventional and Islamic, to equip students with the necessary skills for making sound financial decisions. Effective financial socialization, particularly through parental guidance, can significantly improve financial literacy outcomes.

H1: The effect of socio-demographic factors (SDF) on financial literacy (FL)

H2: The effect of financial socialisation (FS) on financial literacy (FL)

H3: The effect of socio-demographic factors (SDF) on financial literacy (FL)

H4: The effect of socio-demographics factors on financial literacy (FL) mediation financial socialisation (FS)

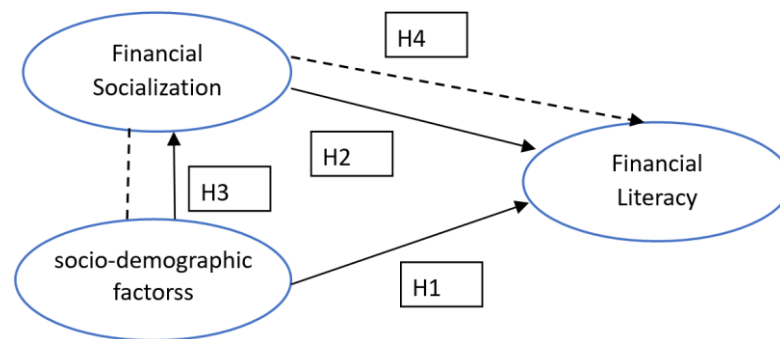


Figure 1. Theoretical framework

RESEARCH METHOD

This study aims to explore the level of financial literacy among university students in Indonesia and how socio-demographic factors and financial socialisation affect this literacy. Design This study uses a quantitative method with a survey approach. The survey was conducted to collect primary data from students at several universities in Indonesia. Population and Sample The study population was university students in Indonesia. The sample was drawn using stratified random sampling technique to ensure proportional representation from various universities, majors, and socio-demographic backgrounds. Research Instrument The instrument used was a questionnaire Data was collected through an online survey distributed to university students through university email platforms and social media. Data were analysed using descriptive and inferential

statistical techniques. Regression tests were conducted to determine the influence of socio-demographic factors and financial socialisation on the level of financial literacy.

RESULTS AND DISCUSSION

Table 1. Results of data validity and reliability tests.

	VIF	Factor Loading	AVE	Cronbach's alpha
FL1	5.977	0.926		
FL2	5.215	0.840		
FL4	6.227	0.948		
SDF1	5.570	0.811	0.811	
SDF2	6.517	0.811	0.811	
SDF3	7.948	0.798	0.798	
SDF4	7.661	0.802	0.802	
SDF5	8.357	0.789	0.789	
SF2	6.366	0.748		0.748
SF3	7.218	0.788		0.788
SF5	6.368	0.781		0.781

primary data source; processed 2024

VIF (Variance Inflation Factor): Measures the level of multicollinearity between independent variables. A high VIF (>10) indicates a multicollinearity problem. Factor Loading the results of data processing show how well each indicator reflects the construct being measured, values above 0.7 are generally considered good. AVE (Average Variance Extracted), measures the proportion of variance captured by the construct relative to the total variance. Values above 0.5 indicate good convergent validity. Cronbach's Alpha is a measure of the internal reliability of the measurement scale. Values above 0.7 indicate good reliability. The data test results show that all indicators have factor loading above 0.7, indicating good validity. VIF of all indicators is below 10, indicating no serious multicollinearity problem. AVE and Cronbach's Alpha values indicate reliable and valid constructs.

Table 2: Hypothesis Test Results

Hipotesis	Total Effects	f-Square	Sample(o)	M	STDEV	T-Statistic	P Value
SDF → FL	0.016	0.010	-0.234	-0.258	0.018	50.901	0.000
SDL → SF	0.903	4.425	0.903	0.905	0.223	1.244	0.214
SF → FL	0.277	0.014	0.277	0.286	0.227	1.032	0.000
SDL → SF → FL			0.250	0.259	0.203	1.233	0.217

primary data source; processed 2024

H1: SDF → FL: This hypothesis is significant with a T-statistic of 50.901 and a P-value of 0.000. H2: SDL → SF: This hypothesis is not significant with a P-value of 0.214.

H3: SF → FL: This hypothesis is significant with a P-value of 0.000. H4: SDL → SF → FL: This hypothesis is not significant with a P-value of 0.217. The R-square value of FL of 0.914 indicates that 91.4% of the variance in financial literacy can be explained by the model. SDF's R-square value of 0.701 indicates that 70.1% of the variance in socio-demographic factors can be explained by the model. The R-square value of SF of 0.816 indicates that 81.6% of the variance in the socialisation factor can be explained by the model.

1. Financial Literacy Level

The results showed that the average student was only able to answer correctly about 45.39% of the financial literacy questions. This indicates that the financial literacy level of students in Indonesia is at a low to moderate level. These results are consistent with the findings of Lantara & Kartini, (2015) which show that the financial literacy of Indonesian students is still lagging behind compared to other countries such as the United States and Australia. Herawati, (2017) found that the level of student financial literacy was 48.6%, and Margaretha & Pambudhi, (2015) found 48.9%. Adipradana, (2021) said that accounting students at Universitas Brawijaya obtained the results of a medium level of financial literacy, namely 66%. The survey results show that the level of financial literacy of Indonesian students is at a low to moderate level. Differences between universities, Financial literacy varies significantly among students from public and private universities. Only 12% of students from public universities were able to answer all questions correctly, while for private universities only 10% (Setiawan, 2020b).

In regions such as East Nusa Tenggara (NTT), the level of financial literacy of students is at a moderate level with an average score of 67.48% (Rasyid et al., 2022).

2. Socio-Demographic Factors

Analyses show that male students, those studying in economics and business, and students with higher incomes or work experience show higher levels of financial literacy (Lantara & Kartini, 2015). In contrast, age and gender factors have no significant effect on financial literacy, as found in research in Pekanbaru (Irman et al., 2020). And women have lower levels of financial literacy (Elliyana et al., 2023)

3. Financial Socialisation

Financial socialisation through parents has a significant effect on financial literacy. Students who receive allowances from parents and have high trust in them show better financial literacy (Rahadi et al., 2023). Financial socialisation through parents has a significant effect on student financial literacy. Students who receive allowances from parents and have high trust in them show better financial literacy (Octavera & Rahadi, 2023).

CONCLUSION

This study reveals that the financial literacy of university students in Indonesia still needs to be improved, with particular attention to the influence of socio-demographic factors and the important role of financial socialisation. More effective financial

education programmes, both conventional and Islamic, are needed to equip university students with the necessary skills to make wise financial decisions.

REFERENCES

- Deda, Y. N., Disnawati, H., & Missa, A. (2022). Financial literacy and personal financial management assessment among students in border area of indonesia-timor leste. *IJHCM (International Journal of Human Capital Management)*, 6(1), 1–12.
- Elliyana, E., Yuliani, Y., & Paerah, A. (2023). Financial Literacy: Empowering Women for Better Financial Management. *Jurnal Administrasi Kantor*, 11(1), 51–65.
- Firdausi, M. R. A., & Kasri, R. A. (2022). Islamic financial literacy amongst Muslim students in Indonesia: A multidimensional approach. *AL-MUZARA'AH*, 77–94.
- Herawati, N. T. (2017). Tingkat literasi keuangan mahasiswa serta faktor-faktor yang mempengaruhinya. *Seminar Nasional Riset Inovatif*, 5(1), 131–137.
- Irman, M., Suwitho, S., & Fadrul, F. (2020). Sociodemographic factors on financial literacy of university students in Pekanbaru, Indonesia. *International Journal of Economics Development Research (IJEDR)*, 1(3), 225–242.
- Lantara, I. W. N., & Kartini, N. K. R. (2015). Financial literacy among university students: Empirical evidence from Indonesia. *Journal of Indonesian Economy and Business: JIEB.*, 30(3), 247.
- Margaretha, F., & Pambudhi, R. A. (2015). Tingkat literasi keuangan pada mahasiswa S-1 fakultas ekonomi. *Jurnal Manajemen Dan Kewirausahaan*, 17(1), 76–85.
- Octavera, S., & Rahadi, F. (2023). Literasi Keuangan dan Gaya Hidup Ibu Rumah Tangga Dalam Membentuk Perilaku Keuangan Keluarga. *Jurnal Ekonomi Dan Bisnis Dharma Andalas*, 25(2), 491–500.
- Rahadi, R. A., Putri, G. N., Nugraha, B. A., Faturohman, T., Boediman, A., Afgani, K. F., & Saputra, J. (2023). Does parental socialization affect financial literacy in Indonesia? *International Journal of Advanced and Applied Sciences*, 10(5), 60–71. <https://doi.org/10.21833/ijaas.2023.05.008>
- Rasyid, A., Mustari, M., Aziziy, Y. N., & Nahdi, D. S. (2022). Guided inquiry with sparkol videoscribe in science learning: a study of students' scientific attitudes. *International Journal of Educational Innovation and Research*, 1(1), 34–41.
- Setiawan, B. (2020a). Descriptive Analysis of Financial Literacy: Evidence from Public and Private University Students. *Sriwijaya International Journal of Dynamic Economics and Business*, 73–86.
- Setiawan, B. (2020b). Edukasi literasi keuangan bagi mahasiswa di Kota Palembang. *INTEGRITAS: Jurnal Pengabdian*, 4(1), 1–8.