



Behavior of Financial Management in Coastal Communities: A Case Study of West-South Aceh Millennials

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A B S T R A C T

This study aims to analyze the role of attitudes, socialization, experience, and financial literacy in improving financial management behavior in the millennial generation in the south-west coast of Aceh. Lack of knowledge about financial management and lack of awareness of the need to delay consumption (investment) make Indonesian people have financial behaviors that are not ideal. The tendency toward a consumptive lifestyle of the Indonesian people demands a fairly high income. Environmental influences require the community to work as hard as possible in order to meet all needs. This study will use path analysis, which is the development of regression analysis. Based on results and discussion, we can conclude that financial attitude has a strong influence on financial behavior, even though financial literacy is also important. Because it is believed that attitude is more important than knowledge in affecting someone's behavior in managing money, this research suggests that financial socialization has no impact on financial literacy or behavior. Lastly, when there is a high level of financial literacy, financial experience will have a greater impact on the management funds.

INTRODUCTION

The tendency toward a consumptive lifestyle among the Indonesian people demands a fairly high income. Environmental influences require people to work as hard as possible in order to meet all needs (Leavy & Hossain, 2014). Not only primary or secondary goods, but also the desire to have luxury goods that can elevate social position in a community (Pardede & Zahro, 2017; Suyanto et al., 2019). In facing the demands of a consumptive environment, of course, the community must have an attitude toward limited financial resources (Muhammad., 2017; Newton & Meyer., 2013; Nilan et al., 2011).

Lack of knowledge about financial management and awareness to delay consumption (investment) make Indonesian people have non-ideal financial behavior (Pribadi, et al., 2020). The statement from Otoritas Jasa Keuangan (2016), stated that the consumptive attitude of the Indonesian people was reflected in the declining Marginal Propensity to Save (MPS) during Covid-19 period and also the decline in the Marginal Propensity to Consume (MPC).

The millennial generation is a generation of people who are quite large contributor contributing to the current economy. According to Subiaktono (2013), people usually build financial foundations when they are 20-30 years old. On average, millennials are at a stage in their lives where they will make enough money to create wealth. Currently, many millennials are moving from a dependency on education their parents to being independent. The lifestyle of the millennial generation which is more concerned with buying goods that do not provide financial benefits, also does not include the habit of saving and buying assets (Imambachri & Dewi., 2022; Sari et al., 2022).

For example, research by Rossanty (2018), on a group of students shows that, within a month, your entertainment and pleasure needs are higher than your need to save money or save

for education. The percentage of spending is 46% of total income. Only 20% of our needs are related to food, drinks, and savings. 14% of income is spent on books, seminars and printing, while 20% are spent on transportation. This means that a larger portion of income is spent on leisure activities.

A person's behavior regarding financial management is heavily influenced by how he perceives behavioral control, subjective norms, prestige, and the power of retention (Kim., 2021; Safrida et al., 2022). Based on research by Cahyani & Rochmawati (2021), high income does not guarantee good financial management behavior and does not moderate financial knowledge for the fresher cohort in the City of Surabaya. However, financial control and understanding have a paramount important optimistic effect on financial management actions in the city of Surabaya. People have different attitudes on how to spend their money from income. Some groups spend all their money, others save some and invest. The way a person behaves in spending money depends on their knowledge. Someone without basic information and abilities in managing money, the risks of financial error are greater for someone who lacks basic financial knowledge and skills the risks of financial error will be greater. This will encourage people to have the motivation to keep their money. Planning ahead carefully to save money will have a positive impact in the long term.

Financial literacy in Aceh is quite developed; according to research conducted by Otoritas Jasa Keuangan (2016), the level of financial literacy in Aceh reached 32.7%, and based on the financial literacy index of all provinces in Indonesia in 2016, Aceh was included in the average financial literacy index at the national level, is included in the 10 provinces with the highest financial literacy by province, and is expected to continue to grow in the future.

This research investigates financial management patterns among millennials living in the south-west coast of Aceh in order to determine the financial attitudes, financial experience, socialization, and financial literacy of coastal-dwelling millennials. The four main factors in financial management activities were (1) financial attitudes, (2) financial experience, (3) financial socialization, and (4) financial literacy. As stated by Pankow (2012) one of the important issues in influencing financial management behavior is financial attitude. Opinions, judgments, and thoughts of a person on the financial process are the key to the financial attitude of an individual. In the analysis of the discussion of social learning theory, there are some relationships among the environment, behavior, and inner events that affect actions and perceptions. Appropriate and proper financial management behavior begins with adopting the proper financial mindset. Furthermore, Nidar & Bestari (2012), note that there are two factors, namely external and internal, that affect the level of comprehension of one's financial literacy, such as the inspiration of family and friends, the level of learning, and mass media or socialization institutions. The family is the first informal education school; the majority of a child's education occurs within the family, making education the primary topic of conversation in their homes (Darlis, 2017; Larasati & Usman, 2021).

Various studies conducted by experts demonstrate that friends, family, education level, and the media influence people's lives through different agents that work differently on each type of person in the circle of life. Then, related to financial socialization stated that financial socialization has a consequence on financial management behavior. Furthermore, financial socialization is a process where you learn the skills, knowledge, and behaviours important to maximize your role as a consumer in the financial market (Akben-Selcuk, 2015; Sundarasan et al., 2016). The experience of financial behavior is an event that occurs in response to several types of stimuli (Hilgert et al., 2003). Jhonson & Sherraden (2007), argue that knowledge of finance is an additional way to define financial literacy. It is the learning behavior of an individual in dealing with his finances, so that people with financial experience usually manage their finances wisely. Meanwhile, Stango & Zinman (2016), contend that financial practice can advance financial management. One more expert view, namely that of Sina (2012), states that financial skill is expertise in making asset decisions and shaping investment forecasting and management.

Financial management activities are inseparable as of the presence of financial knowledge. A good level of financial literacy in a community group is associated with better community financial management. Bottazzi & Lusardi (2021), explains financial literacy as acquaintance and abilities of individuals over financial decisions. There is an affirmative and noteworthy association amid management behavior and/or financial management and financial literacy (Laily, 2016; Shahrabani, 2012; Sundarasan et al., 2016). The higher the level of financial literacy, the better financial management behavior. On the other hand, the absence of financial information has an undesirable impression on individual financial management. Financial literacy is a horizon of understanding related to financial management abilities, which is useful for improving financial well-being. Financial attitudes take a significant bearing toward financial literacy. Individuals or groups with

upright financial attitudes will own a good level of financial literacy. Instead, personalities or groups with low financial attitudes poses an influence on little financial literacy. Usually, being able to choose good financial products is a sign that people know how to be financially literate. People with little financial literacy information tend to run into debt snags, actively involved in the financial market (De Rooij et al., 2007), select low-cost funds, manage wealth less effectively and do not have a retirement plan. There have been several research piloted about people's attitudes about money. Jorgensen (2007), argues that individualities and attitudes suggestively affect financial literacy. Dahlia et al., (2009), decided that people's natures, such as their financial attitudes, have a significant influence on financial literacy. There is also evidence from Andansari, (2018); Diniaty, (2016); Thapa & Nepal (2015).

METHOD

The study focused on the population of millennials in south-west Aceh districts in Indonesia, namely Aceh Jaya, Aceh Barat, Nagan Raya, Aceh Barat Daya and Aceh Selatan. The millennial generation was selected based on the classification of William H. Frey, analysis of Census Bureau population estimates in the 2020 Population Census by the Central Statistics Agency, specifically those born between 1981 and 1996 or aged 25 to 39 years. Sampling in this study was carried out using a purposive sampling method. It is a sampling practice with considerations and characteristics that aims to obtain more representative data.

The respondent's characteristics are Millennials aged 25-39 with income levels start from IDR 2,500,000 and hold a minimum education level of Senior High School.

This study will employ path analysis, an evolution of regression analysis. Using a regression model, path analysis examines the cause-effect relationship between two variables. Direct or indirect relationship can exist between independent variables and dependent variables. In this study, the authors want to ascertain the direct influence of Experience, Attitude, and Financial Socialization directly on the behavior of financial management millennials and the indirect influence of the three independent variables by empowering the financial literacy variable as a mediator on the behavior of financial management millennials.

The following is the path analysis model used in this study;

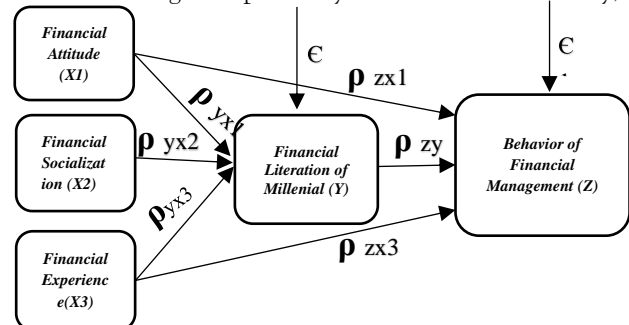


Figure 1. The Path Analysis Model.

The figure above presents the direct effect of endogenous variables (X1, X2, and X3) toward the dependent variable (Z) and the indirect effect of independent variables towards the dependent variable through an intervening variable (Y).

RESULTS AND DISCUSSION

To facilitate observation, financial attitude, socialization, and experience can be clustered into three categories: low, moderate, and high. Determination of the data into three categories using the quartile method.

Table 1. Financial Attitude

The level of Financial Attitude	Value	Percentages
High	> 4.28	24.3%
Moderate	3.75 ≤ X ≤ 4.28	28.9%
Low	< 3.75	45.8%

Table 2. Financial Socialization

The level of Financial Socialization	Value	Percentages
Good	> 4	22.8%
Moderate	2.83 ≤ X ≤ 4	60.6%
Bad	< 2.83	15.4%

Table 3. Financial Experience

The level of Financial Experience	Value	Percentages
Good	> 1.7	23%
Moderate	1.43 ≤ X ≤ 1.7	57%
Bad	< 1.43	19%

Based on the tables above, we can see that only 20% of the respondents showed a high financial attitude and good financial socialization or experience. And almost 80% of the respondents experienced moderate-to-bad financial attitudes, socialization, and experience. The table also highlighted that, of all the respondents almost half have low financial attitude.

This research used path analysis with two regression models to answer the hypothesis. Coefficient Path I: As per the output of Model I, the variables can be seen to be significant, namely X1 = 0.001 and X2 = 0.497, and X3 = 0.001 is smaller than 0.05. It shows that variables X1 and X3 have a substantial effect on Y, while X2 has no effect on Y. In the Model Summary table, the R Square is 0.474, which specifies that the contribution of X1, X2, and X3 to Y is 47.4% while the remaining 52.6% is a contribution from other variables. Furthermore, the value of e1 is 0.7252. Thus, the path diagram of the structural model I is obtained as follows:

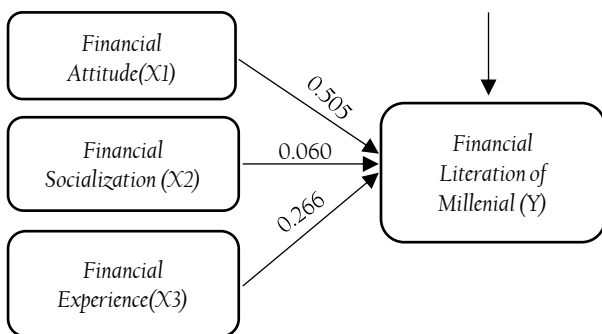


Figure 2. Regression Model I

From the Regression of Model II, it is found that the significance values of X1 = 0.072, X2 = 0.452, X3 = 0.001 and Y = 0.001. It summarizes that Regression Model II, X1, X3 and Y <https://doi.org/10.58835/jspi.v3i1.77>

have a significant effect on variable Z, while X2 has no effect on Z. The value of R Squared is 0.490, which shows that the contributions of X1, X2, X3 and Y to Z are 49%, while other variables account for 51% of the observed results. Meanwhile, the value of e2 = (1-0.49) = 0.7141. Thus, the diagram representing the structure of the model II is as follows:

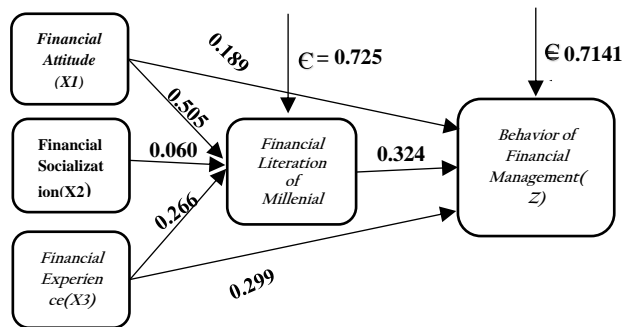


Figure 3. The Path Analysis Model

To begin with, A financially-aware person shows a good mindset about money, namely his view of the future (obsession), not using money for the purpose of controlling other people or as a problem solver (power), being capable of controlling his financial condition (effort), adjusting their spending to meet their needs (inadequacy), only spend as little money as possible (retention), and have no an antiquated view (securities) so that they will be able to limit their consumption, to have the ability to manage their expenses and income (cash flow), save money for investments, and manage debts for their wellbeing. Next, the effect of X1 over Y on Z: it is found that the direct effect of X1 on Z is 0.189. While the indirect effect of X1 through Y on Z is the multiplication of the beta value of X1 to Y with the beta value of Y to Z, namely: 0.505 x 0.324 = 0.164. Then the total effect given by X1 to Z is the direct effect plus the indirect effect, namely: 0.189 + 0.164 = 0.353. Based on the results of the calculation, it can be seen that the direct influence value is 0.189 and the indirect effect is 0.164, which means that the indirect effect is less than the direct impact. These results show that directly X1 through Y has a significant effect on Z. The finding is so interesting: Millennials who live in coastal communities have a bad financial attitude, and good literacy does not have a better impact on changing their financial behavior. It means that attitude has more influence on financial management behavior than knowledge or level of financial literacy. So, even though somebody has a high level of knowledge, their attitude is more important. The financial management behavior of a person can be influenced by various factors. Personal finance skills vary from person to person, but it is not always the case that somebody with high financial knowledge is capable of managing his/her financial behavior.

Furthermore, financial Socialization, has no significant influence on financial management behavior directly or indirectly. It was gained from environments such as parents, friends, and the media. In finan communities, there is only a limited level of financial socialization (20%). When we lived in an environment that is not familiar with financial management, we have no chance to absorb or learn how to have good financial management. That is why the level of financial literacy cannot be raised because there is simply no environment that supports it.

Finally, analysis of the relationship of X3 through Y on Z; reveals, as shown in Figure 3, has direct effect X3 on Z of 0.299.

And the indirect effect of X1 through Y on Z is the multiplication of the beta value of X3 to Y with the beta value of Y to Z, namely: $0.266 \times 0.324 = 0.086$. Then the overall consequence set by X1 to Z is the direct effect plus the indirect effect, namely: $0.299 + 0.086 = 0.385$. A person with a lot of financial experience will have good financial management behavior. Simply because experience told him what to do to gain more and avoid or minimize risk based on previous events, but experience has more influence on successfully managing finances when it is combined with financial literacy.

CONCLUSION

The finding from our research indicates that financial attitude has a strong influence on financial behavior. Although financial literacy is important, it is believed that attitude is more important than knowledge when it comes to affecting one's behavior in managing money. Furthermore, to promote a good financial socialization, we should surround ourselves with a well-educated society. However, it is revealed that there is no relation between financial socialization and financial literacy or behavior. It is evident from the fact that there is not enough information about finance available in this community. Lastly, financial experience will have a greater influence on managing money when there is a good level of financial literacy.

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