The Effect of Financial Knowledge and Financial Attitude on Financial Behavior of Generation Y in Indonesia

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Abstract. People classified as Generation Y are those born from 1981 to 1996. The purposes of this research are to know the effect of financial knowledge on financial behavior Gen Y in Indonesia, and to know the effect on financial attitude on financial behavior gen Y in Indonesia. Sample of this research is 100 Generation Y in Indonesia. This research use data analysis method uses smartPLS 3.0. The results of this research are there is an effect of financial knowledge on financial behavior of Generation Y in Indonesia, and there is an effect of financial attitude on financial behavior of Generation Y in Indonesia.

Keywords: Financial knowledge, financial attitude, and financial behavior.

1 Introduction

Financial knowledge can be acquired through formal education such as schools, seminars and non-formal education, for example through e-learning courses, financial blogs and social media platforms that focus on financial literacy. They can also read books or join online communities that discuss financial topics [16].

In addition to financial knowledge, individuals also need to have an awareness of the importance of financial planning both short and long term. Financial attitude is the process of individual financial planning which is an important part that generation Y must understand. Individual financial planning can be done by determining the current financial condition. Based on a study from the Nielsen Millennial Travelers Study, young people have a tendency to travel because at the beginning of their careers they are likely to have growing incomes and finances. As well as the current young generation measuring happiness from experiences and showing it off to people around [13].

Generation Y understands the importance of saving but only a small amount of income is set aside as savings. This is due to generation Y following a changing lifestyle, following the views of the fear of missing out trend and you only live once (enjoying life now without thinking about the future). This study aims to know the effect of financial knowledge and financial attitude on financial behavior of Generation Y in Indonesia. People classified as Generation Y are those born from 1981 to 1996 [15].

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2 Literatur Review

2.1 Financial Management

Financial management is essential for the continuity of life to be established. Lack of retirement planning and lack of welfare are the result of limited information on personal financial management. Generation Y who can manage their personal finances well is proof of accountability for the assets they have. To be able to manage finances well, everyone must have information and skills in monitoring accounts for resilience both now and in the future [11].

2.2 Financial Knowledge

According to [4] Mastery of various financial topics, tools, and abilities is referred to as financial knowledge. Financial knowledge refers to understanding how handling money works, including how to manage it, invest it, and make it grow. It includes knowledge of loans, investments, savings, credit scores, and other financial concepts [25].

2.3 Financial Attitude

Financial attitudes are tendencies that come from individuals themselves towards financial matters. According to Rai et al. [14] this includes the ability to plan for the future and manage important aspects related to finance. Identifying the right financial attitudes involves evaluating the outcomes of decision- making and attitudes that have the potential to change the individual's economic situation and conditions. Essentially, financial attitudes have a significant impact on one's financial well-being.

Financial Attitudes are related to financial knowledge [19]. Financial attitudes are related to the ability to manage finances, individual interest in increasing financial knowledge, attitudes to spend money, attitudes to save, and attitudes to take risks when making investments. Financial Attitude is an important factor affecting financial well-being. In this case, financial attitudes can help individuals determine financial priorities, manage financial resources, and minimize financial risks.

2.4 Financial Behavior

According to Arianti & Azzahra [3], financial behavior includes a person's ability to plan, budget, check, manage, control, and save funds in daily finances. Financial behavior involves learning how a person, directly, makes decisions about finance, especially when studying how psychology can affect people's ability to make business decisions and even investments in the money market [12]. According to Hutabarat et al. [8], there are six indicators of financial behavior, including budgeting purchases and expenses, recording expenses (daily, monthly, and so on), setting aside money for unexpected expenses, regular savings, comparing prices between shops or supermarkets before making a purchase.

2.5 Hypothesis

According to Austin [4] Mastery of various financial topics, tools, and abilities is referred to as financial knowledge. Financial knowledge refers to understanding how handling money works, including how to manage it, invest it, and make it grow. The higher one's ability in financial knowledge, the more money is managed. Research conducted by Ghani et al. [5] said that, there is a effect of financial knowledge on financial behavior. Based on explanation above, the first hypothesis proposed in this study is:

H1: There is an effect of financial knowledge on financial behavior Gen Y in Indonesia.

Financial attitudes are tendencies that come from individuals themselves towards financial matters. According to [14] this includes the ability to plan for the future and manage important aspects related to finance.Financial Attitude is an important factor affecting financial well-being. In this case, financial attitudes can help individuals determine financial priorities, manage financial resources, and minimize financial risks. Research conducted by [18] said that, there is a effect of financial knowledge on financial behavior. Based on explanation above, the first hypothesis proposed in this study is:

H2: There is an effect of financial attitude on financial behavior Gen Y in Indonesia.

3 Research Method

3.1 Type Research

This type of research is quantitative descriptive research. [23] defines quantitative research as a research method based on positivism, which is intended to examine certain populations or samples, use research instruments to collect data, and analyze data quantitatively or statistically, with the intention of testing predetermined hypotheses. [6] states that the scope must set limits on the location, time or sector and variables discussed. This research involves people throughout Indonesia, especially generation Y and generation Z.

3.2 Data Source

The type of data in this study is primary data. [21] explains primary data as data provided directly by data sources to data collectors. Researchers collect data themselves from the first source or object under study. Primary data obtained from this research comes from generation Y in Indonesia.

3.3 Data Collection Method

Literature study is an analysis of theoretical, reference and other scientific literature related to culture, values and norms that exist in the social situation under study [20]. Literature studies in this study include scientific journals and books related to reference books, similar previous research, articles, notes, and various journals related to the problem to be solved.

The data collection method conducted a survey by distributing questionnaires. The questionnaire is a data collection technique by means of research providing a list of questions or written statements that must be answered by respondents [20]. The list of questions in a questionnaire is closed, which means that the questions presented have been determined. In this study, questionnaires were used to collect data from respondents who had been determined.

3.4 Population and Sampel
3.4.1 Population

Sugiyono [20] defines population as a generalization area or objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then concluded. The population in this study are generation Y in Indonesia.

3.4.2 Sampel

Sugiyono [20] defines a sample as part of the number and characteristics possessed by the population, the sample selected from the population must be representative or reflect the population under study. If the population is large, and the researcher cannot study everything in the population, then the researcher can use a sample selected from that population. The sampling technique used in this research is non probability sampling with Purposive sampling method. Purposive sampling is a sampling technique with certain considerations [20].

The sampling criteria in this study are as follows:
To determine the research sample, the Hair formula was used. Hair [7] states that the sample size analysis taken can be determined by multiplying the number of indicators by 5 - 10 x the number of variables. Thus the researcher uses 15 question indicators from 4 variables, so to determine the number of samples as follows, 15 x 8 = 120 samples.

3.5 Operational Variable

In research, operational definition refers to an explanation of how a particular variable will be measured, observed, or calculated. In addition, Sugiyono [23] also states that the conceptual definition of variables is a guide to various problems with the variables identified throughout the research. Given this, the operational definition is very important in determining how to adjust a variable in research. According to Sugiyono [23] a research variable is a trait, or value of a person, thing, or activity with a certain variation that the researcher has set aside to study and must be taken into consideration so that there are no errors in data collection. So the variables used in this study are limited as follows:

Tabel 1. Operational Variable

Variable	Indicators	Scale
Financial Knowledge	1. Estimating opinions accurately 2. Current expenditure planning and budgeting 3. Considering multiple alternative when making financial decisions 4. Adjust to meet emergency finances	Ordinal
Financial Attitude	1. Obsession 2. Power 3. Inadequacy	Ordinal

Variable	Indicators	Scale
Financial Behavior	1. General knowledge of financial management 2. Savings and loans 3. Investment	Ordinal

3.6 Data Analysis Technique

This research uses data analysis methods using smartPLS software. Validity checks are measured from convergent validity, namely the average variance exprexted (AVE) value. An AVE value of at least 0.5 indicates a good measure of convergent validity. Reliability is evaluated by looking at the Cronbach's alpha value. Constructs have high reliability if Cronbach's alpha minimal 0.6. This study employs data analysis techniques using the SmartPLS software to test the research hypothesis. The PLS method was chosen for several reasons: it is well-suited for predictive research where the goal is to forecast endogenous variables influenced by multiple exogenous variables. PLS not only measures the relationships between exogenous and endogenous variables but also assesses the relationships between each indicator and its components, allowing for a more accurate depiction of both the outer and structural models.

4 Result and Discussion

The average variance exprexted (AVE) value in this study is> 0.5, which means it shows that it has good convergent validity. Likewise, the Cronbach's alpha value is> 0.7, which means that the construct has high reliability.

Table 2. Results of Construct Validity and Reliability

Variable	Convergent Validity	AVE
Financial Knowledge (X1)	0.805	0.722
Financial Attitude (X2)	0.687	0.613
Financial Behavior (Y)	0.84	0.677

Source: results of SmartPLS 3.0, 2024

Figure 1 shows an illustration of this research model, explaining how the independent variable affects the dependent variable.

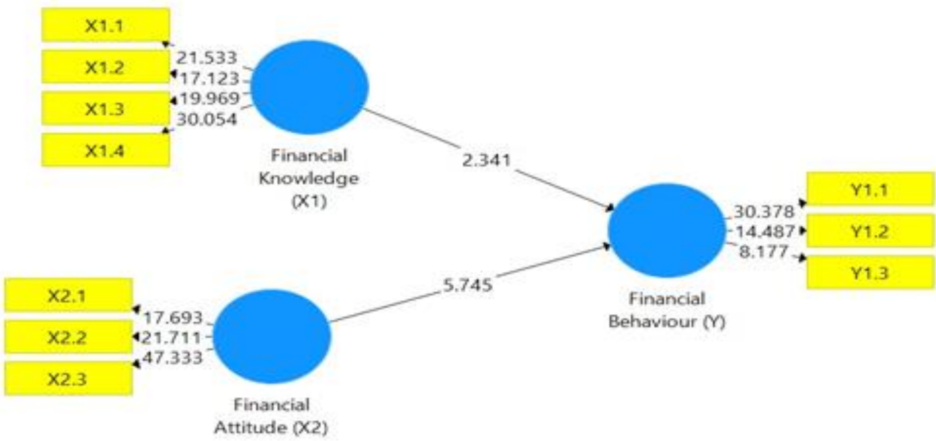

Fig 1. results SmartPLS 3.0, 2024

Table 3 shows the P Values of Financial Knowledge on Financial Behavior of 0.020 or 0%, which means that Financial Knowledge has a significant effect on Financial Behavior, because the P Values <0.05 or 5%. Thus, H1 in this study is supported. This means that the better or not the financial knowledge possessed by Gen Y in Indonesia affects their financial management. The results of this study support the results of research by [5] said that, there is an effect of financial knowledge on financial behavior.

Table 3. *Patch Coeficients*

	T Statics	P Values
Financial Knowledge (X1) -> Financial Behavior (Y)	2.341	0.020
Financial Attitude (X2) -> Financial Behavior	5.745	0.000

Source: results of SmartPLS 3.0, 2024

H2 in this study is also supported, because it has P Values < 5%, which is 0% (Table 3). which means that Financial Attitude has a significant effect on Financial Behavior, because P Values < 0.05 or 5%. Thus, H2 in this study is supported. This means that the better or not the financial attitude of Gen Y in Indonesia affects their financial management. The results of this study support the results of research by [18] said that, there is an effect of financial attitude on financial behavior.

5 Conclusion

The conclusion of this study is that the financial knowledge variable has a significant effect on financial behavior in Gen Y in Indonesia. It means the better the financial knowledge of gen Y in Indonesia, the better the fianancial behavior of gen Y in Indonesia. The financial attitude variable has a significant effect on financial behavior of Gen Y in Indonesia. It means The better of the financial attitude of Gen Y in Indonesia, the better the financial behaviort of Gen Y in Indonesia.

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