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The Influence of Locus of Control and Financial Literacy on Student Financial Behavior: Case Study of STIE Riau Indonesia Students

Elida Gultom[1], Jeli Nata Liyas[2]
[1,2,] Sekolah Tinggi Ilmu Ekonomi Riau- Indonesia
[1] elidagultom@lecturer.stieriau-akbar.ac.id, [2]jaznatan@yahoo.com

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ABSTRACT

This research aims to determine the influence of locus of control and financial literacy on the financial behavior of STIE Riau students. This analysis uses independent variables, namely locus of control and financial literacy, where the dependent variable is financial behavior. The sample for this research is students from the Riau College of Economics using an accidental sampling technique. Data collection was carried out by means of a questionnaire distributed via Google Form to 100 students. The statistical method uses Multiple Linear Regression analysis with hypothesis testing, statistical tests, F test and T test. The results of this research show that partially locus of control and financial literacy have a significant effect on financial behavior. The results of the simultaneous test of locus of control and financial literacy also have a significant effect on student financial behavior. The better the locus of control (financial control) and financial knowledge, the better the student's financial behavior will be.

INTRODUCTION

Financial behavior is an endless issue to be discussed, this is related to the consumption behavior of Indonesian people who always tend to think short term and are synonymous with impulsive spending practices so that they experience financial problems, as a result of a lack of understanding of financial management. Financial management behavior arises as a result of a person's great desire to fulfill their life needs in accordance with the income they earn (Henry, 2009). Financial behavior isFinancial management behavior is a person's ability to manage daily finances.To measure a person's behavior in determining a decision, the theory used is prospect theory, this theory explains that it is not uncommon for someone to make irrational decisions. This theory has two scientific disciplines, namely economics and psychology, so it can be said to be financial management behavior
influenced by financial literacy and locus of control (Faramitha et al, 2021).

Financial management is one of the most basic knowledge needed by modern society, because it can affect a person's standard of living and financial security. Personal financial management is often considered trivial so knowledge about finances tends to only go through a process of trial and error (Howell in Zahroh, 2014).If a person's financial literacy is higher, their financial management behavior will be better (Laily, 2016). The following is a graph of the percentage level index for financial literacy and financial inclusion in Indonesia in 2022

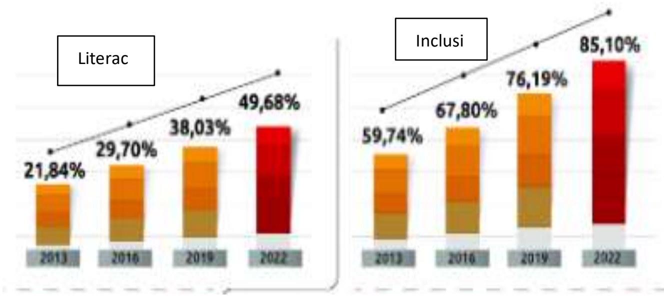

Figure 1. Indonesia's financial literacy and inclusion level index
Source :https://ojk.go.id,(2023)

The 2022 SNLIK results show that the Indonesian people's financial literacy index is 49.68 percent, an increase compared to 2019 which was only 38.03 percent. Meanwhile, this year's financial inclusion index reached 85.10 percent, an increase compared to the previous SNLIK period in 2019, namely 76.19 percent. This shows that the gap between the literacy level and the inclusion level is decreasing, from 38.16 percent in 2019 to 35.42 percent in 2022.Financial literacy is knowledge that influences a person's financial attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity. Financial inclusion is the availability of access for the community to utilize financial products or services at formal financial institutions in accordance with the community's needs and abilities in order to realize prosperity. Apart from financial literacy, locus of control also influences financial management behavior. Locus of control is the level of a person's belief that they themselves determine their fate. Locus of control consists of two things: internal locus of control, namely someone who believes that the person in control is themselves and external locus of control, namely someone who believes that something happens to them because it is controlled by someone else (Robbins & Judge, 2008: 138).

This research was conducted on students from the Riau College of Economics who had taken financial management courses, namely students in the third, fifth and seventh semesters, who were students who had an average income. Most students have experience managing their own finances, namely during college without any supervision from their parents (Sabri et al, 2008). Students face various problems in a new environment and are required to be able to manage their own finances and be responsible for the decisions they make.Widayati (2012) said that students live in a diverse and complex economic environment so that learning financial education in higher education plays a very important role in forming students' financial literacy. Effective and efficient learning can help students assess and make financial decisions so they can have a prosperous life in the future. The results of research by Margaretha and (2015), Chen and Volpe (1998) found that the level of financial literacy among students was in the low category. In line with this, Keown (2011) found that the level of personal financial literacy is higher compared to those living with a partner or parents. This occurs because people who live alone are responsible for their daily financial transactions. The results of previous research conducted by Mien & Thao (2015), Rachmiyantono (2019) and Noviandari et al (2020) found that locus of control influences financial management behavior. This is different from the results of research conducted by Amanah et al (2016), Ramadhan & Asandimitra (2019) where locus of control has no effect on financial management behavior. Ida and Chintia (2010) found that financial literacy influences financial behavior and locus of control does not influence financial behavior. Based on the description above, there are differences in the results of research conducted by previous research, so researchers are interested in conducting research with the title the influence of locus of control and financial literacy on student financial behavior: Study of students at the Riau College of Economics.

LITERATURE REVIEW

Locus Of Control

Locus of control is the level of a person's belief that they themselves determine their fate. Locus of control consists of two things: internal locus of control, namely someone who believes that the person in control is themselves and external locus of control, namely someone who believes that something happens to them because it is controlled by someone else (Robbins & Judge, 2008: 138)

Financial Literacy

Financial literacy is a person's ability to receive information and make effective decisions in managing finances (Bhushan and Medury, 2013). Meanwhile, according to Lusari & Mitchell, (2007). Financial literacy is financial knowledge with the aim of achieving prosperity. In line with this, Chen and Volpe (1998) also define financial literacy as knowledge to manage finances so that the future can be more prosperous. Based on the expert opinion above, it can be concluded that financial literacy is knowledge in managing finances aimed at prosperity in the future.The dimensions of financial literacy that must be mastered according to Chen and Volpe (1998) include: general knowledge of finance, savings and loans, insurance and investment.

Behavioral Finance

In general, financial management behavior is a person's ability to manage things from planning, budgeting, auditing, managing, controlling, searching for and saving daily finances. Financial behavior management is divided into three parts, namely consumption, savings and investment. PFinancial behavior is a science that studies how someone makes financial decisions (Nofsinger, 2005). In line with that, Shefrin (2000) also defines financial behavior, namelyScience that studies how a person's psychological state influences their financial decisions (Shefrin, 2000). Based on the expert opinion above, it can be concluded that financial behavior is a science that studies how someone manages their finances.
The flow of this research data analysis is as follows;

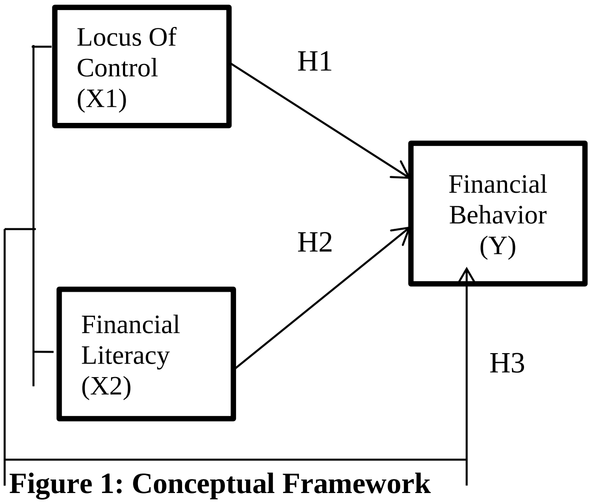

Figure 1: Conceptual Framework

Based on the research conceptual framework, the hypotheses in this research are as follows:

H1 :It is suspected that locus of control has a significant effect on performance
H2 :Allegedlyfinancial literacy has a significant effect on performance
H3 :It is suspected that locus of control and financial literacy simultaneously have a significant influence on financial behavior

METHOD

The type of research used is survey research with a quantitative approach. Research data was obtained by distributing a questionnaire with 18 statement items. To measure variables, researchers used 5 Likert scales. The score calculation for positive statements has a value of 1 for a strongly disagree statement up to a value of 5 for a strongly agree statement and the opposite applies for negative statements, namely a value of 5 for a strongly disagree statement and a value of 1 for a strongly agree statement.

The population in this study were all STIE Riau students who had taken financial management courses. The technique used in this research is accidental sampling, namely determining the sample based on chance, that is, anyone who happens to be willing to fill out the questionnaire can be used as a respondent. The data analysis used was Multiple Linear Regression Analysis and assisted with SPSS.

RESULTS AND DISCUSSION

1. Respondent Characteristics

The research was conducted on 100 students who had the following characteristics:

Table 1. Characteristics of Respondents

Category	Percentage
Gender:	
Man	51 %
Woman	49 %
Semester:	
III	51%
V	30%
VII	19%
Age:	
16 - 20	19 %
21- 25	61%
26 -30	9 %
> 30	11%
Job status:	
Work	88 %
Doesn't work	12 %
Marital status:	
Marry	12 %
Not married yet	88 %

Source: Process Data, 2023

In table 1 above, it can be seen that the most dominant number of respondents was male, namely 51%. The most dominant age of respondents was in the range 21 - 26 years. 88% of students are working and 88% of students are working and 88% are not married

2. Instrument Test

The validity test is carried out by comparing the calculated r value with the r table. If r count > r table then it is considered valid. Based on the test results on the variables locus of control, financial literacy and financial behavior, it was found that r count > r table (0.1966), meaning that all statements on each variable were declared valid and could be used as a data collection tool. Reliability test using Cronbach Alpha with the criterion that if the alpha value is > 0.06 then it is declared reliable.

Table 2. Reliability Test Results

Variable	**Cronbach alpha coefficient**	**Cut of value**	**Note**
Locus of control	0.724	0.06	Reliable
Financial literacy	0.678	0.06	Reliable
Financial behavior	0.813	0.06	Reliable

Source: Data Processing, 2023

Based on table 2 the data in the table above, it can be seen that the Cronbach alpha coefficient value for each variable is greater than 0.06, thus, all statement items for each variable are declared reliable.

3. Classic Assumption Test Results

a. Normality Test

The following are the results of the normality test using Kolmogrov Smirnov.

Qabel.3 Kolmogrov Smirnov Test Results

Information	Unstandardized Residual
N	100
Kolmogorov-Smirnov Z	0.082
Asymp. Sig (2-tailed)	0.092

Source: Data Processing, 2023

Based on table 3 the results of the normality test, the asymp sig (2-tailed) standardized residual variable value was greater than 0.05. This shows that the data is norm distributed.

b. Multicollinearity Test

The multicollinearity test aims to test the regression model whether there is a correlation between independent variables or not. A good regression model does not have correlation between independent variables. Multicollinearity can be seen with the variance inflation factor (VIF). If the VIF value is 0.10, there are no symptoms of multicollinearity. Following are the results of the multicollinearity test

Table.4 Multicollinearity Test Results

Variable	VIF	Tolerance	Information
Locus of control	1,639	0.730	Multicollinearity does not occur
Financial literacy	1,639	0.730	Multicollinearity does not occur

Source: Data Processing, 2023

Based on table 4 the data above, it shows that there is no tolerance value for the independent variables, where the tolerance value of 0.730 is greater than 0.10, thus there is no multicollinearity between the independent variables and the regression model is suitable for use.

c. Heteroscedasticity Test

The results of the heteroscedasticity test with Glejser are shown in the following table:

Table. 5 Heteroscedasticity Test Results

Variable	Sig	Information

Locus of control	1,000	Heteroscedasticity does not occur
Financial literacy	1,000	Heteroscedasticity does not occur

The table 5 above shows the probability value (significance) for the variables locus of control and financial literacy is greater than 0.05. Thus it can be concluded that in the regression model there is no heteroscedasticity.

4. Multiple Linear Regression Test Results

The following is a table of assisted data processing resultswith the SPSS application

Table 6 Multiple Regression Analysis

Variable	**Regression Coefficients**	**T-count**	**T-Table**	**Sig**
Constant	6,228			
Locus of control	0.471	5,991	1,984	0,000
Financial literacy	0.228	2,607	1,984	0.011
Simultaneous				
Coefficient of determination			0.443	
F-Count			40,322	
Sig F			0,000	
F-table			3.09	

Source: Data Processing, 2023

Based on table 6 the results of multiple linear regression, the regression equation can be prepared as follows: Y = 6.228 +0.471 + 0.0.228 The constant value is 6.228, meaning that if the variables locus of control and financial literacy are 0, then student financial behavior is 6.228. The regression coefficient for the locus of control variable (X1) is 0.471. This shows that locus of control has a positive effect on financial behavior. This means that if the lotus of control variable increases, students' financial behavior will also increase. The regression coefficient for the financial behavior variable (X2) is 0.471, indicating a positive influence on financial behavior, meaning that if the financial literacy variable increases, students' financial behavior will also increase.

5. t Test (Partial)

a. The influence of locus of control (X1) on financial behavior (Y)

Earned valuet-count > t table, namely r 40,322 > 1,984, the significance of 0.000 is smaller than the significance value set at 0.05, thus Ho is rejected or Ha is accepted, meaning that locus of control (X1) has a significant effect on student financial behavior (Y).

b. The influence of financial literacy (X2) on financial behavior (Y).

The t-count > t-table value obtained is 2607 > 1,984 with a financial literacy significance (X2) of 0.011 < 0.05, the specified significance value. Thus, Ho is rejected and Ha is accepted, meaning that financial literacy has a significant effect on student financial behavior (Y).

5. F Test (Simultaneous)

Based on the data from table 5, the F-count results are 40,322 with an F-table of 3.09, meaning that F-count > F-table with a significant value of 0.000 > 0.05, this shows that locus of control and financial literacy have a significant effect on student financial behavior. .

6. Determination Test

Based on table 6 the results of data processing, it was obtained that the R2 value was 0.443, which means that the influence of locus of control (X1) and financial literacy (X2) together had a significant effect on student financial behavior (Y) amounting to 44.3%. While the remaining 55.7% was influenced by other variables not discussed in this study.

DISCUSSION

This research aims to determine the influence of locus of control and financial literacy on the financial behavior of students at the Riau College of Economics, Pekanbaru, Indonesia.

The Influence of Locus of Control on Student Financial Behavior

Locus of control isthe level of a person's belief that they themselves determine their fate. The results of this study found that locus of control has a significant effect on student financial behavior. Some employees stated that while working they were still thinking about other work and personal problems which affected their enthusiasm for work. The results of this research are in line with the results of research conducted by Fadilah and Eko (2022), Faramitha et al (2021), Mien & Thao (2015), Rachmiyantono (2019) and Noviandari et al (2020).

The Influence of Financial Literacy on Student Financial Behavior

Financial literacy isthe abilities and skills a person has in receiving information and making effective decisions in managing finances. The results of data analysis found that financial literacy had a significant effect on students' financial behavior. The results of this research are in accordance with the results of research conducted by Faramitha, et al (2021) which states that financial literacy influences financial behavior.

The influence of locus of control and financial literacy on financial behavior

The results of simultaneous hypothesis testing of the influence of locus of control and student financial literacy have a significant effect on the financial behavior of students at the Riau College of Economics. The magnitude of the influence is 44.3%.

CONCLUSIONS AND IMPLICATIONS

StudentThose who have good financial knowledge and financial control will form more responsible financial behavior. The results of this study found that partially locus of control and financial literacy had a significant effect on students' financial behavior and simultaneously also had a significant effect on the financial behavior of students at the Riau College of Economics. Due to differences and limitations in the results of previous empirical research, it is possible to further examine the lotus of control and financial literacy on student financial behavior. The limitation of this research is only analyzing the overall effect, not in detail. It would be better to examine financial behavior in more detail based on demographics, for example based on: age, gender and education level. The method that can be used for further research can use PLS (Partial Least Square) software.

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