

# The Effect Of Financial Literacy And Pocket Money On Consumer Behavior Of Universitas Muhammadiyah Surakarta (Ums) Students

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**Abstract:** Financial literacy is the life skill necessary to manage financial behavior intelligently in everyday life. Arranging financial expenditures is required for students to allow parental allowance to be managed well and can reduce consumptive behavior. Consumptive behavior is a wasteful behavior in consuming goods or services excessively not based on needs. Consumptive behavior is influenced by the lack of understanding of students to financial literacy and the amount of student pocket money given parents each month. The purpose of this research is to analyze (1) the influence of financial literacy on Consumer Behavior of University of Muhammadiyah Surakarta (UMS) students, (2) influence of parent's income toward Consumer Behavior of University of Muhammadiyah Surakarta (UMS) student, (3) influence of financial literacy and parent income collectively against the behavior of consumptive students of Muhammadiyah University of Surakarta (UMS). This type of research is experimental research with pretest-posttest design. Based on the results of research can be explained that students who have low allowance have a low attitude of consumptive behavior as well vice versa. Students with low allowance tend to have low consumptive attitudes. In addition, students who have an understanding of financial literacy and low amount of allowance can manage finances well when compared with students who have high allowance and do not understand financial literacy.

**Index Terms:** financial literacy, pocket money, consumer behavior

## 1 INTRODUCTION

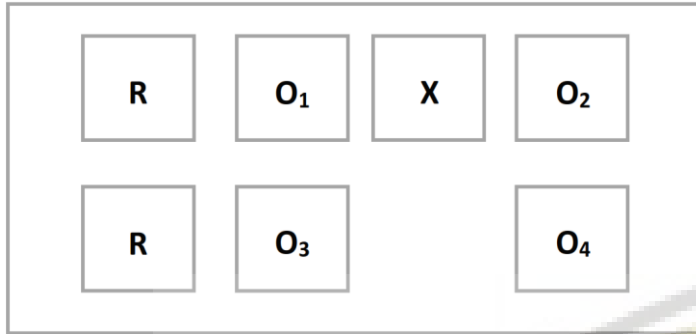
Nowadays, Indonesia's financial literacy is still lagging compared with other countries in Southeast Asia. The Financial Services Authority (OJK, 2015) study showed that literacy rates or financial access in Indonesia are only 20%, Thailand 73%, and Singapore 98%. At the present, knowing about financial literacy must not only understood by adults but also by children. According to Dvarakova (2009), as quoted by Tomaskova, H, et.al (2011), financial literacy is a system of knowledge, skills, and attitudes that are essential to safe financial themselves and families within contemporary society. They actively play a role in the market for financial products and services. Communities with a culture of financial literacy could manage well with money and price issues and also manage both family and personal budgets, including the management of financial assets and debt in order to change lives. Financial literacy is a special part of widespread economic literacy. The economic literature includes the ability to secure income, determine the consequences of personal decisions in the present and future income, orientation in the labor market, and the ability to make decisions about spending, etc. (Tomaskova, H, et.al. 2011). Furthermore, Chen and Volpe stated that financial literacy is financial understanding about general knowledge of savings and investment finance (2002). Someone with a high understanding of financial literacy has a better economic life, though it will be easier to make financial decisions. (Lusardi and Mitchell, 2014). Financial literacy becomes an important thing to be inculcated in the younger generation to be a guide in financial management. The current young generation has many consumptive life behaviors. Consumptive life behavior has infected to the society in general, especially on boarding students. Boarding students usually manage their own finances according to the monthly allowance given by parents/guardians of students. This, affected in the vast majority of students who have consumptive or wasteful lifestyles. The number of stalls, kiosks, restaurants, food stalls, and cafes around the campus environment or student boarding environment, became another factor that give bad

impact in students consumption. Based on the preliminary survey that has been conducted around the campus of Universitas Muhammadiyah Surakarta(UMS), many students preferred to consume food sold in food stalls or restaurants, only a few of UMS boarding students around campus have been accustomed to cook in boarding house or dormitory. In addition, the number of stalls selling clothes, shoes, and accessories made boarding students around campus, especially women, like to buy goods that are not including to primary needs. There are many factors influence consumptive behavior, it is consist of external and internal factors. External factors such as advertising, family and environment while internal factors such as motivation, learning process and self-concept (Lina and Rosyid, 1997). Students who have pocket money are more likely to be influenced by external factors, especially to advertising, circulating in social media, TV, and newspapers. Such are more likely to have consumptive behavior compared with students who have limited allowance from their parents. Based on those problems, the research problem formulation are; how is the influence of financial literacy on consumers behavior of UMS students?; how about the influence of allowance on consumptive behavior of UMS students?; and is the influence of financial literacy and pocket money on the consumptive behavior of UMS students simultaneously?. Therefore, the purpose of this study is to analyze influence of financial literacy on student consumptive behavior; the influence of parents income on student consumptive behavior; an the influence of financial literacy and parent income to the behavior of consumptive UMS students simultaneously.

## 2 RESEARCH METHODS

This research method is experimental research method using true experimental design pretest-posttest control group design. True experimental in research design can control all external variables that influence the course of experiment (Sugiyono, 2013: 164). The independent variables of this research are financial literacy and amount of allowance while the dependent variable is consumptive behavior. The complete research

design can be seen in Figure 1 below.



**Figure 1.** Research design

The research design in Figure 3.1 can be explained that the experimental group (O<sub>1</sub>) and the control group (O<sub>2</sub>). The experimental group was the treated group (X) and the control group was the untreated group. Both groups were given a pretest to determine the initial state is there any difference between the experimental group and the control group then end with the posttest to determine the effect of the treatment. The population of this study is a student majoring in Accounting Education Muhammadiyah University of Surakarta. The sample of this study is a student majoring in Accounting Education semester 6 which amounted to 50 students. Sampling technique used is probability sampling is a sampling technique that provides equal opportunities to the population to be a member of research samples (Sugiyono, 2015: 171). The sampling technique used is simple random sampling. The selection of this sampling technique is because the population is relatively homogeneous. The research instruments used included tests and questionnaires. The test is used to measure students' understanding of Accounting Education Department Muhammadiyah University of Surakarta against financial literacy. The test used is a description test. Questionnaire is used to measure consumer behavior and the amount of pocket money of students majoring in Accounting Education University of Muhammadiyah Surakarta. Consumptive behavioral indicators include; (1) giving priority to desire, (2) extravagance, (3) lifestyle, (4) presence of advertisement, (5) conformity, and (6) existence of credit card. Preparation of questionnaire using Likert scale ie students are given a number of statements with alternative answers include: strongly agree, agree, hesitate, disagree, and strongly disagree. Data analysis in this research is done in two stages namely first stage prerequisite analysis test in the form of normality of data test and homogeneity of variant. After the prerequisite test that is normally distributed data, then the data analysis proceed to phase two that is hypothesis testing using two way anava. The results of the students' assessment of the understanding of financial literacy and the amount of allowance will be measured in impact on consumptive behavior.

### 3 RESULTS AND DISCUSSION

Understanding of financial literacy is necessary to manage financial management. Good financial management is certainly beneficial for personal, family, and country. Therefore, it is necessary to apply a good understanding of financial literacy in the college curriculum. Currently financial

management for Accounting Education program at Muhammadiyah University of Surakarta is given in semester V. This is very useful for students because based on the results of this study, students who have taken the course of financial management can manage finances well. The results of the study of financial literacy on consumptive behavior obtained p value = 0.001 < 0.05, it shows that students who have an understanding of financial literacy can manage money well. The higher the students understanding of the financial literacy the lower the score obtained, in other words the higher the students understanding of financial literacy the better the financial management. The results showed that the experimental class obtained an average score of consumptive behavior of 143.09 and control class 132.22. Consumptive behavior of the experimental class is better than the control class. The results of this study reinforce the theory put forward by Holden et al, (2009) & Huston (2010) where both states financial literacy is a life skill required in managing finances as needed. In addition to the understanding of financial literacy, there are other factors that influence consumptive behavior of pocket money. The amount of allowance given by parents on the students based on the results of research can affect consumptive behavior. Students who have high pocket money have a higher attitude of consumptive behavior than students who have low allowance. The data obtained in this study of experimental class who have high pocket money obtained an average score of consumptive behavior 133,00, while those with low allowance get an average score of 156.89. This shows that students who have low allowance have low consumptive behavior attitude as well as vice versa. While the data obtained from the control class average consumptive behavior of students who have high allowance score 133.79, while those with low allowance earn an average score of 132.22. Although the difference is not very high as the experimental class but students who have low allowance tend to have low consumptive behavior and vice versa. The results of this study amount of allowance to consumptive behavior reinforce the results of research conducted by Lindawati, Miradwiyana, & Sumiati, (2011) in his research which states parents should provide pocket money based on needs and wisdom and do not overdo it. The relationship of understanding of financial literacy and the amount of allowance strongly determines the attitude of consumptive behavior. The result of the research shows that there is a significant influence together between students who have an understanding of financial literacy and the amount of allowance to consumptive behavior because based on the test results obtained p value = 0,000 and it turns p value < 0.05. The results of this study illustrate that students who have an understanding of financial literacy and a low amount of allowance can manage finances well when compared with students who have high allowance and do not understand financial literacy.

### 4 CONCLUSIONS

Based on the results of research and discussion, it can be concluded several things as follows: (1) Students who have an understanding of financial literacy can reduce consumptive behavior. Understanding of financial literacy proven to be effective can reduce consumptive behavior. From result of hypothesis test value p = 0,001 and p value < 0,05 this matter indicate that there is difference influence significant

understanding of financial literacy to behavior of consumer of student of Muhammadiyah University of Surakarta; (2) Students who have low category allowance can reduce consumptive behavior compared to students who have high allowance. From the hypothesis test obtained p value = 0.005 and p value <0.05, this shows that there are differences in the influence of the amount of allowance on consumptive behavior of students of Muhammadiyah University of Surakarta; (3) Students who have a good understanding of financial literacy and a low amount of allowance proven to reduce consumptive behavior. From the hypothesis test results obtained p value = 0.000, it shows there is interaction influence between understanding of financial literacy and amount of pocket money which is significant together to behavior of consumptive student of Muhammadiyah University of Surakarta. Thus, it can be recommended the following things in an effort to reduce student consumptive behavior: Learning financial management courses required resources and good learning media for learning objectives can be achieved properly; and parents should be tailored to the needs and should be wise in giving pocket money every month.

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