The Influence of Financial Literacy, Grade Point Average, Socio-Economic, Demographic and Saving Behaviour to Financial Literacy

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ABSTRACT

This research aims to analyze the influence of grade point average, socio-economics, demographics, and saving behavior on financial literacy. The population in this study was 148 master's Study Program students at the Institute of Business (IOB) and a sample of 60 students using the proportional random sampling method. The data collection technique is through a questionnaire, while data analysis uses multiple linear regression. The findings from this research show that the grade point average variable has no significant effect on financial literacy, socio-economic variables have no significant effect on financial literacy, demographic variables have no significant effect on financial literacy, and the saving behavior variable has been proven to have a significant effect on financial literacy. In addition, the grade point average, socio-economic, demographic, and saving behavior variables together (simultaneously) have a positive and significant influence on financial literacy.

Keywords: grade point average, socio-economics, demographics, saving behavior, financial literacy

I. INTRODUCTION

Improving soft skills, like managing finances for companies and individuals, is crucial to mitigate the effects of global competition. As stated by Ismail (2018), failure to manage individual finances can cause serious, lasting problems, not only for the individual but also for the company. Therefore, individual financial management behavior has received increasingly active attention from researchers in recent years. Birari and Patil (2014) said that today's young generation rarely practices basic financial skills, such as planning, making regular personal savings, or long-term financial planning. Mien (2015) stated that today's young generation needs to be given education about finance so that they develop financial attitudes, financial behavior, and knowledge of finance. They suggested that authorities such as the government, financial institutions, and campuses provide seminars, education, and financial training more often so that people are financially literate.

In the era of globalization and increasingly complex financial scenarios in the market, *financial literacy* is known as a basic ability that must be equipped by each individual. Several previous studies show that most of the world's population still suffers from financial illiteracy and that steps to overcome financial problems are urgently needed (Lusardi & Mitchell, 2011; Akitson & Messy, 2012; Brown & Graf, 2013; Thaler, 2013; World Bank, 2014). Therefore, it is the responsibility of authorities such as the government, financial institutions, and campuses to participate in financial seminars and in-depth financial training so that people can better understand finance information and decide related to finance.

Financial literacy is knowledge about financial management that is possessed to develop a more prosperous life in the future. The importance of financial literacy is to provide financial education to the public so they can manage their finances intelligently. Several previous studies have examined the relationship *between financial* literacy and socio-economic and demographic variables, such as Cude et al. (2006), who explain that students who have a high GPA will have better financial literacy. This is supported by Nababan and Sadalia (2012), who recognize that students' intellectual level can have a positive impact on *financial literacy.* Research conducted by Nidar and Bestari (2012) and Rita and Pesudo (2014) shows the opposite result, namely that GPA does not affect *financial literacy.*

Apart from financial literacy, one of the factors that influences students' savings is financial behavior. Financial behavior must lead to responsible financial behavior so that all finances, both individual and family, can be managed well. People's financial behavior, which tends to be consumptive, then gives rise to various other irresponsible financial behaviors such as lack of savings, investment, emergency fund planning, and budgeting for the future. Saving is one way to control one's finances in life.

Based on several explanations regarding the differences in previous research results, as well as the limited financial literacy research conducted at IOB Dili, this research will analyze the influence of socio-economic factors (income level and length of service) and demographic factors (age, gender, marital status, number of children, and grade point average (GPA)) against financial literacy *(*financial attitude, financial behavior, *and* financial knowledge) among Institute of Business (IOB) management students. This research was conducted on students of the Master of Management program at the Institute of Business (IOB), where it is hoped that students who are pursuing a Master of Management education will have broader insight, compared to other Bachelor's and Master's education students, in the field of finance. Students in the Master's education program tend to have various characteristics when viewed from socio-economic and demographic aspects, such as GPA, gender, age, marital status, number of children, income level, and length of service. According to research observers, these factors are the characteristics of Master's program students at IOB Dili Timor-Leste. The location chosen was at IOB because the author is currently studying at the IOB Master of Management program. Apart from that, several students are married and have low-income levels, plus the system or culture in Timor Leste always prioritizes tradition or culture, which will have an impact on the need to save in the future. Apart from that, some students do not have the skills or intelligence to save or manage finances.

II. LITERATURE REVIEW

A. Financial Literacy

Manurung (2009:24) financial literacy is a set of skills and knowledge that enables individuals to make decisions and be effective with all their financial resources. Huston as cited in Maulani, (2016:17) reveals that financial literacy is a portion of human capital that can be used in financial activities to increase the expected lifetime benefits from consumption. Mushan and Medhury as cited in Rachmasari, (2018) state that financial literacy is an individual's ability to make considerations and make effective decisions related to financial management. Financial literacy is knowledge, skills, and beliefs that influence attitudes and behavior to improve financial decisions and management in achieving prosperity. According to research by Mendari & Kewal (2013), financial literacy indicators can be measured through several indicators, namely: Basic Knowledge of Personal Finance, Savings and Loans, Insurance, and Investment.

Based on the definitions above, it can be concluded that financial literacy is the knowledge and ability that an individual has to manage all the monetary resources they have so that they can make effective financial decisions.

B. Grade-point average

Suryabrata (2006), learning achievement is defined as "Grades are the final formulation that can be given by the teacher regarding student progress or learning achievement during a certain period". At the end of each semester, students will be tested on their learning outcomes by taking the final semester exam. The results of this exam will be expressed in the form of numbers called grades.

Meuthia and Andriani (2003) explained that the grade point average is a number used as a measure of student study achievement, the value of which is obtained from the quotient of the quality score divided by the number of semester credit units. In research conducted by Nababan and Sadalia (2012), it was found that student intelligence can have a positive impact on Financial Literacy.

C. Socio-economic

Socio-economic is a measure to determine a person's position based on work, income, and membership in social associations (Prasastianta, 2011). According to Astrawan (2014), socio-economics is a person's position or position in a community group which is determined by the type of economic activity, education, and income. According to Gaol (2013), the main socio-economic indicators include type of work, position, opinion/income, and length of service.

D. Demographics

Demography is a science that studies population (a region), especially regarding the number, structure (population composition), and development (changes). Demography studies the number, distribution, territory, and composition of the population as well as changes and the causes of these changes, which usually arise due to

natality (fertility), mortality, territorial movement (migration), and social mobility (change in status). The indicators used in this research are age, gender, marital status, and number of children.

E. Saving Behavior

According to Yazid (2010), Saving is a way to improve the family's standard of living in the future. Apart from preparing for a better life, saving is a way to deal with risks resulting from disasters that require large funds. Saving Behavior is a combination of perceptions of future needs, savings decisions, and savings actions. On the other hand, people tend to define savings as investing, placing money in bank accounts, speculating, and paying off mortgages. According to Yasid (2010). Saving can be interpreted in two ways, namely: Postponing consumption and accumulating liquid wealth in various forms. This means that savings are funds or wealth set aside for future needs. Saving is a person's effort to set aside money to face the future and to earn relatively large amounts of money.

According to Wahana 2014, there are several indicators for measuring saving behavior, including; future needs, savings decisions, and savings actions.

III. CONCEPTUAL FRAMEWORK AND HYPOTHESIS

The research conceptual framework is a relationship or connection between one concept and other concepts of the problem being studied. This research examines the influence of socio-economic factors (years of work and income level) and demographics (age, gender, marital status, number of children, and GPA) on Financial Literacy students of the Master Management at the Institute of Business (IOB) study program who already have an income. This determination is because students who are studying for a master's degree tend to have their income compared to undergraduate students, the majority of whom still rely on finances from their families. Students majoring in management are expected to be able to demonstrate better financial management, because this department focuses on developing good management methods, in finance, marketing, and human resources.
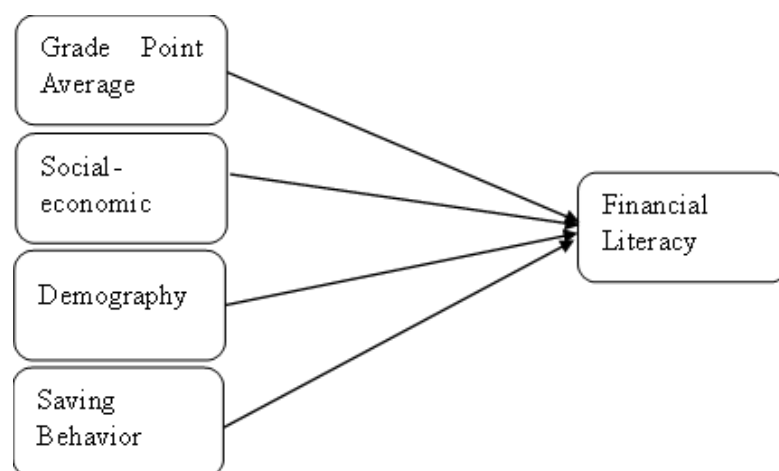

Figure 1. Conceptual Framework

IV. METHOD OF RESEARCH

The type of research used in this research is quantitative data. Quantitative data is a type of data in research that can be measured and can be described using numbers. This research was conducted at the Institute of Business (IOB) Campus. The total population in this study was 148 students, while the sample size was 60 students. The data collection method uses a questionnaire and research data analysis uses multiple linear regression.

V. RESULT AND DISCUSSION

A. Result

1) Multiple Linear Regression Analysis

To determine the influence of the Grade Point Average (X1), Socio-economic (X2), Demographic (X3), and Saving Behavior (X4) variables on the Financial Literacy (Y) variable, this can be determined using multiple linear regression analysis, using SPSS 20 and calculating the linear regression results.

Table 1. Linear Regression

Variable	B	B	t count	Sig.
Constant	12.574		4.534	0,000
Grade point average (X1)	-0.095	-0.136	-1.129	0,264
Social Economics (X2)	0.130	0.083	0.664	0,509
Demographics (X3)	0.206	0.233	1.781	0.081
Saving Behavior (X4)	0.591	0.485	3.088	0.003
R = 0.637		F calculated = 9.399		
R Square = 0.406		Sig. = 0,000		
Adjusted R Square = 0,363				

Based on the table above, the results of the multiple linear regression equation can be explained:

$$Y = 12.574 - 0.095X_1 + 0.130X_2 + 0.206X_3 + 0.591X_4$$

The multiple linear regression equation has the following meaning:

a. Constant = 12.574, If the constant GPA, Socio-Economic, Demographic, and Saving Behavior variables remain = 0 (not changed), then the magnitude of the change in the financial literacy variable is 12,574.

b. Variable Coefficient X1 = -0.095: The result of the coefficient value for variable X1 is negative. If the GPA variable decreases by one point (unit), while Socio-economic, Demographic, and Saving Behavior remain constant, this will cause a decrease in financial literacy of -0.095.

c. Variable coefficient X2 = 0.130, If the Socio-Economic variable increases by one point (unit), while the GPA, Demographics, and Saving Behavior remain constant, this will cause an increase in financial literacy of 0.130

d. Variable coefficient X3 = 0.206, If the Demographic variable increases by one point (unit), while the GPA, socio-economic, and Saving Behavior remain constant, it will cause an increase in financial literacy of 0.206.

e. Variable coefficient X4 = 0.591, If the Saving Behavior variable increases by one point (unit), while the GPA, Socio-economic, and Demographics remain constant, it will cause an increase in financial literacy of 0.591

Based on the table above, the results show that the value *R-Square,* or what is usually called the coefficient of determination is 0.406, meaning that 40.6% of the variation that occurs in the level of financial literacy is caused by the GPA (X1), Socio-economic (X2), Demography (X3) and Saving Behavior (X4) variables, while the remaining 59.4% is explained by other variables not considered in this study, with standard errors or Standard error of the estimate, Se = 2.356.

B. Discussion

1) *Grade Point Average for Financial Literacy*

This research found that the grade point average does not affect Financial Literacy. This means that students who have a high GPA do not guarantee that their financial literacy is also high. Students' intellectual abilities do not guarantee high financial literacy. Formal education at college does not guarantee that a student has higher financial literacy than other students. Understanding of financial literacy may be gained more from real outside experiences, such as interactions with parents or work experience while studying at university. This research found financial literacy, showing that the grade point average does not affect financial literacy. The results differ from research by Laily (2016) in that determining a person's ability and intelligence to manage personal finances is not influenced by gender.

Empirically, the results are inconsistent with research from Wijayanti et al. (2016) which found that the higher a student's GPA, the higher their financial literacy. Research results from Margaretha and Pambudhi (2015) show that the higher the GPA, the better students will be at managing their finances. Students who have high intellectual abilities will be knowledgeable about financial concepts so they also have high financial literacy (Maulani, 2016). Wijayanti et.al (2016) research states that the longer students take their studies, the better their financial literacy will be. Suryadi and Elfarosa (2017) found that the length of the study did not affect students' financial literacy.

2) *Socio-economics on Financial Literacy*

Partially socio-economics does not affect financial literacy. So, the second hypothesis which states that socio-economics influences financial literacy is rejected. In theory, socio-economics according to Astrawan (2014) is a person's position or position in a community group which is determined by the type of economic activity,

education, and income. According to Santrock (2007) stated that social economics is the grouping of people based on similar job characteristics and economic education. Soekanto (2001) stated that social economics is a person's position in society to other people in terms of their social environment, achievements, and rights and obligations with resources. The results of this study indicate that high socio-economic status does not guarantee high financial literacy knowledge. Because financial literacy is obtained from a person's knowledge and experience in managing their finances.

Empirically, the results of this study do not support research conducted by Chen and Volpe (1998) which found that someone with longer work experience will have financial experience, therefore they gain more knowledge of finance, which will provide the ability to make decisions.

3) Demographics on Financial Literacy

This research found that demographic variables did not have a significant effect on financial literacy. This result can be seen based on the regression analysis carried out, which obtained a calculated t value of 1.781 < t table value of 2.001 and a significant demographic value of 0.081 > 0.05. The results of this regression clearly show that demographics do not have a significant effect on financial literacy. According to Robb and Sharpe (2009), demographic factors are a science that studies a person's characteristics, attitudes, and behavior which are influenced by several factors such as gender, educational status, and income (Ariadi et al., 2015).

Based on the research results, it was found that the indicators of demographic variables, namely, age, gender, marital status, and number of children did not influence the financial literacy of students. This means that if we look at the gender indicator, it shows that men and women do not have sufficient knowledge in managing finances. Apart from that, if we look at marital status, whether married or unmarried does not show a significant difference in the ability to manage finances.

Empirically, the results of this study do not support the results of research from Brown & Graf (2013), which states that someone who is not married has a low level of financial literacy when compared to someone who is not married already. Agarwal, Driscoll, Gabaix & Laibson (2009), the level of financial literacy of someone who is an adult tends to be higher when compared to someone young and young.

The results of this research are relevant to research by Lusardi and Mitchel (2010), Herawati (2017), Sakinah and Mudakir (2018), and Radityas and Pustikaningsih (2019) which stated that parental income does not affect financial literacy. These studies state that high parental income is not a measure of a student's high level of financial literacy.

4) Saving Behavior on Financial Literacy

Based on the results of the tests that have been carried out, it shows that the Saving behavior variable has a calculated t-count of 3.088 > t table of 2.001 and a probability value of 0.003 < 0.05. This shows that saving behavior partially influences financial literacy. So, the fourth hypothesis which states that saving behavior influences financial literacy is accepted. The results of this research show that if students have good saving behavior, students will manage their finances well and vice versa. Saving behavior itself requires a person to be disciplined in

managing finances. Saving as a frugal trait can be a positive trait if it consistently improves a better quality of life. Saving is done for several purposes, such as to finance consumption expenses after retiring, to prevent unexpected costs that must be incurred in the future. Saving has an effect in the long term, to increase investment activities so that if investment increases, economic growth will also increase. Empirically, the results of this research support research conducted by Chai Ming Thung, et al (2012) which states that saving behavior has a positive effect on financial literacy.

VI. CONCLUSION

A. Conclusion

Based on the results of the analysis and discussion of research conducted on students of the Master Program - IOB, Dili Timor Leste, several conclusions can be drawn as follows:

a. The Grade Point Average does not affect Financial Literacy. This means that students who have a high GPA do not guarantee that their financial literacy is also high. Academic ability does not necessarily guarantee that someone has good financial literacy.
b. Socio-economics does not affect financial literacy. The results of this study indicate that high socio-economic status does not guarantee high financial literacy knowledge. Because financial literacy is obtained from a person's knowledge and experience in managing their finances.
c. Demographics do not affect financial literacy. This shows that the indicators of demographic variables, namely, age, gender, marital status, and number of children do not influence the financial literacy of students.
d. Saving behavior has a positive effect on financial literacy. This means that if a student has good saving behavior, the student will manage their finances well and vice versa.

B. Suggestions

Based on the conclusions obtained in this research, suggestions are proposed as a complement to the research results that can be provided for agencies and further research, as follows:

a. IOB always urges postgraduate students to behave in saving by understanding future needs, saving decisions, and saving actions to increase their financial literacy.
b. Due to the limitations of this research, there are still errors, and cannot reveal all the variables that can influence financial literacy. As input for further research, it is necessary to increase research variables, such as parental education, income level, etc. which were not examined in this research.

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