



FINANCIAL LITERACY AFFECTS THE FINANCIAL MANAGEMENT OF STUDENTS MAJORING IN ECONOMIC EDUCATION

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ABSTRACT

The purpose of this study was to determine the effect of financial literacy on financial management of students majoring in Economic Education. This study uses a quantitative approach with the number of respondents as many as thirty one students majoring in Economic Education. In the meantime, the data collection techniques used in this research were observation, questionnaires, and documentation, and the data analysis technique was simple regression. The results of this study indicate that financial literacy has an effect on the financial management of students majoring in economic education, with a contribution of 36,7%. In comparison, the remaining 63,3% were affected by other variables not examined this this research.

Keywords: *Financial Literacy, Financial Management.*

INTRODUCTION

Money is something that cannot be separated from human life, from children to adults. Money is used to meet all needs, so financial intelligence is something that needs to be considered in today's life. Financial intelligence is the ability of a person to manage his financial resources in order to achieve financial well-being.

Manage finance is everyone's task in everyday life, where finances must be managed properly to balance income and expenses. A person must have good financial management skills so that the money earned is not wasted. Effective financial management has a positive impact on life, namely avoiding financial problems. Financial management is one of the basic skills needed by this society, because daily consumption choices affect financial security and living standards (Zahroh, 2014:3).

One of the factors that can affect financial management is financial literacy (Prihartono, 2018:316). The role of the government to increase public financial literacy by encouraging the Financial Services Authority (OJK) to conduct education related to efforts to increase public knowledge including personal financial management. Efforts to increase financial literacy include increasing knowledge, *skills* and *confidence* of consumers and the public so that they are able to manage their finances (OJK, 2015:1).

Knowledge of financial literacy becomes a necessity in life so as not to be swept away by rapid technological developments or consumptive and hedonistic

behaviors and lifestyles. Students must adapt to technological advances. Therefore, education for students plays an important role in the formation of financial literacy, both informal in the home environment and formal education in higher education. Financial literacy the goal is not to make it difficult for a person to use the money they have, but so that individuals can enjoy life by using their financial resources appropriately. The higher a person's level of financial literacy, the better his financial management will be (Suwatno et al., 2020:92).

In reality, financial management problems are often caused by an individual's lack of understanding of financial management, resulting in poor economic conditions (Lestari, 2020:94). This can be seen from the problem that often occurs among students, namely not having income, besides that the funds sent by parents run out in a short time. In this regard, it can be said that the level of financial literacy among students is still relatively low.

Based on empirical studies by Nidar (2012:170) states that the level of financial literacy possessed by students is still in the low category. Given that students have freedom in making financial decisions because student are a transitional stage from financial management that was originally arranged by parents to their own financial management, it is expected that students can be rational actors.

Financial literacy is the ability to make good judgments and take effective action regarding the current and future use and management of finances, including the ability to understand financial choices, plan for the future, spend wisely, and manage challenges related to life events (Herdinata, 2020:7).

Based on initial observations made by researchers at the student of the 2019 Economic Education Department of the Faculty of Economics, Gorontalo State University, it was found that most of the students' understanding of financial management is still low as can be seen from unhealthy financial behavior. This is indicated by poor planning, management and financial control activities. Some students do not have a spending plan or budget that suits their needs so that they slip into spending habits beyond the target, many students are unable to make a scale of consumption priorities and are unstable in their consumption decisions, so students are unable to control their financial expenditures, be it parents' monthly money or scholarship money every month.

Based on the description of the empirical study that has been described above and supported by facts and phenomena in the field, this is an encouragement for researchers to be interested in conducting a study with the title "The Influence of Financial Literacy on Financial Management of Students of the Department of Economic Education in the Faculty of Economics, Gorontalo State University".

RESEARCH METHODS

This research was carried out at Gorontalo State University, Faculty of Economics, more precisely at the Department of Economic Education which is located at Jalan Jend Sudirman No. 6 Dulalowo Timur, Central City District, Gorontalo City. This research uses a quantitative approach. This aims to be able to find out the influence of financial literacy on financial management of students of the Department of Economic Education in the Faculty of Economics, Gorontalo State University. The population in this study was 157 students, while the total sample was 31 students. The sampling technique in this study is *proportional random sampling*.

Data collection techniques carried out by observation, assessment and documentation. The number of indicators used in this study is eight indicators. Indicators of independent variables (financial literacy) are four indicators and dependent variables (financial management) there are also four indicators with a likert scale of one to five (Sugiyono, 2017:93). The data used is by using the help of IBM Statistics SPSS version 21.0 (If Primary Data, 2023).

DISCUSSION

In this section, a discussion of the results of research on the Effect of Financial Literacy on Financial Management of Students of the Department of Economic Education class of 2019, Faculty of Economics, Gorontalo State University was stated. The problem and purpose of the study is that researchers want to measure the magnitude of the influence of financial literacy on financial management of students of the Department of Economic Education class of 2019, Faculty of Economics, Gorontalo State University.

The t-test results are used to find out whether independent variables affect dependent variables. It is known that the calculated t value of $4,103 > t$ table $2,039$ and a significant rate of 5% means that H1 is accepted and H0 is rejected which means that financial literacy affects the financial management of students of the Department of Economic Education class of 2019, Faculty of Economics, Gorontalo State University. Thus, the research hypothesis that states that there is an influence between financial literacy on the financial management of students of the Department of Economic Education class of 2019, Faculty of Economics, Gorontalo State University, was accepted in this study.

Based on the results of the study, it was found that financial literacy influence the financial management of students majoring in Economic Education class of 2019, Faculty of Economics, Gorontalo State University. The influence of high financial literacy causes high student abilities in the use of funds, determining sources of funds, risk management, and future planning. Students with high financial literacy are very careful with their finances and are fully responsible for their decisions to use the funds according to their needs, for example 70% of the funds are used for

daily needs and consumption and the rest for savings or business. Students with high financial literacy will be wise in determining the source of funds, and students can also estimate the risks they will face, so they can anticipate emergencies in advance, such as preparing funds for emergency needs. Furthermore, students who are financially literate will be accustomed to managing their finances well so that they slowly start planning for the future, such as carrying out productive activities since college in order to achieve financial well-being in the future.

This is in accordance with Article 3 of the Financial Services Authority Regulation No. 76 FY 2016. According to Article 3 of the Financial Services Authority Regulation No. 76 FY 2016, the goal of financial literacy is to improve the quality of individual financial decision-making and change individual attitudes and behaviors in financial management in a better direction to achieve financial welfare goals (Ojk, 2017:2).

In addition, the theory that states the influence of financial literacy on financial management was proposed by Laily (2016:2), namely the higher the financial literacy and financial management ability of students, the wiser they will be in making financial decisions. Financial literacy affects almost everything related to planning and spending money, such as income, credit card use, savings, investment, financial management, and financial decision making.

The results of this study are supported by the results of relevant previous research: namely several studies conducted by Jannah (2022:13555); Busyro (2019:37); Nasriah (2021:37); Veriwati (2021:51) with the results of research that concludes and shows that financial literacy variables have an influence on financial management.

Conclusion

Based on the description that has been put forward by the researcher in the previous section, the researcher can draw conclusions, namely testing the research hypothesis which reads "There is an Effect of Financial Literacy on Financial Management of Students of the Department of Economic Education class of 2019, Faculty of Economics, Gorontalo State University" is **acceptable**. The results of this study show the value of the correlation coefficient (R) with a **strong** interpretation of influences. The value of the coefficient of determination (*Rsquare*) shows the magnitude of the percentage of influence of variable X (Financial literacy) on variable Y (Financial management) which is 36.7%.

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