14th ISCA 2024

The Effects of Parents' Financial Knowledge and Socioeconomic Status on Students' Financial Management

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ABSTRACT

The purpose of this study was to determine the effect of parental socioeconomic status and financial knowledge on the financial management of Economics Education students.
This research was conducted at the Teaching and Education Faculty of Jambi University's Economic Education Study Program. The research data was obtained by distributing questionnaires to Economics Education students Batch 2020-2021 via Googleform. Then, the data were analyzed using the help of the Microsoft Excel STAT97 and SPSS Statistics 22 application programs.
The results showed that parents' socioeconomic status and financial knowledge affected the financial management of Economics Education students Batch 2020-2021 Jambi University. This can be proven from the results of the analysis calculation using the F test which obtained the value of Fcount > Ftable, namely 107.426 > 3.07 with a significance value of 0.00 <0.05, which means Ha is accepted and H0 is rejected. So, it can be concluded that the independent variables, namely the socio-economic status of parents and financial knowledge, jointly affect the financial management of Economics Education students Batch 2020-2021.

Keywords: Financial Management, Socioeconomic, financial knowledge

1. Introduction

In this modern life, an individual is required to think realistically and rationally in the use of their money to meet needs in achieving a prosperous life by managing their finances well so that money can be used appropriately. In Indonesia, there are still many people who lack knowledge and concepts of effective financial planning and management. Based on data obtained from the Central Statistics Agency, the percentage of the poor population as of March 2022 was 9.54%, or 26.16 million poor people out of 275.774 million total population in Indonesia. This indicates a lack of public knowledge regarding financial planning and management.

From the initial observation conducted by the researcher on 105 respondents from the 2020-2021 Economic Education cohort, 74.3% of the students admitted to running out of money before the due date, while the remaining 25.7% were able to allocate their finances well. This means that not many students make financial plans by recording their income and expenses, which leads to wastage. So the money given by the parents will not be enough to meet the needs until the time comes. From the research findings, it was discovered that students often buy unnecessary items due to the influence of social media and pressure from their social environment. "They feel compelled to follow popular trends, even though there is no real need for the items" (Widyanti & Utami, 2020), and students who are far from their parents often have difficulty managing their finances, which can lead to unplanned consumption behavior and long-term financial problems." (Aminah & Santoso, 2021).

Many students who have not yet thought about managing their personal finances because they still rely on money from their parents tend to spend money without considering long-term needs. (Putri & Wijaya, 2022). So, students often make decisions quickly without thinking long about what is needed rather than what is desired.

An individual's financial management is also closely related to their socioeconomic status. The socioeconomic status of parents has a significant influence on students' personal financial management, where students from better economic backgrounds tend to have better financial management skills compared to those from lower economic backgrounds. (Fitria & Sari, 2023). From the results of observational data regarding the amount of money given by parents, it has been determined that it plays a crucial role in financial management. Based on the initial observational results, it was found that 95.2% of students admitted that the amount of money given by their parents is a determining factor in managing their finances, while the remaining 4.8% disagreed. This is because most students still rely on money from their parents to meet their needs, commonly referred to as pocket money. The amount of money given by parents is, of course, in accordance with their financial capability, which is derived from the income they receive from their jobs. Meanwhile, the use of the money given by parents is entirely under the control of the students.

Besides the economic status of the parents, financial knowledge also has an influence on financial management. The financial knowledge possessed by an individual greatly affects their ability to manage finances. The higher the financial knowledge one possesses, the wiser individuals become in making financial decisions and managing their resources. Lusardi & Mitchell (2014). Based on the initial observation data, 89.5% of students stated that they had financial knowledge since high school (SMA), while the remaining 10.5% had knowledge since university. Whereas that knowledge was mostly obtained from classroom learning, which accounted for 61.9%, and from social media (34.3%), seminars (0.9%), and friends (2.9%). Classroom learning generally only covers basic financial theories, while social media can provide up-to-date information about finance, such as how to manage finances properly and correctly. Based on the explanation and issues outlined by the researcher above, the researcher is interested in understanding the extent to which parental socioeconomic status and financial knowledge affect students' financial management.

2. Literature Review

2.1 Personal financial management

Personal financial management is a crucial skill for achieving financial well-being. According to Brigham and Ehrhardt (2016), effective financial management includes planning, budgeting, and expenditure control, all of which contribute to individual financial stability. This book explains that good financial planning can help individuals set short-term and long-term financial goals, as well as prepare for emergencies.

Meanwhile, Garman and Forgue (2017) emphasize the importance of financial education in enhancing individuals' ability to manage their finances. They expressed that understanding basic financial concepts, such as investments, debt, and savings, can strengthen financial management skills. This book also suggests that individuals take advantage of the available tools and resources to improve their financial literacy.

On the other hand, Allen (2017) observes that financial management is not only related to individual skills but is also influenced by environmental factors, such as family support and access to educational resources. In his book, Allen emphasizes the need for intervention from various parties to create an environment that supports the development of financial skills among individuals, especially the younger generation.

Overall, the literature shows that effective financial management is a combination of knowledge, skills, and environmental support. Improving understanding of financial management can help individuals make better financial decisions and achieve their financial goals.

2.2 The socioeconomic status (SES)

The socioeconomic status (SES) of parents is an important factor that influences a child's development in various aspects, including education, health, and social behavior. According to McLanahan and Sandefur (1994), parental SSE plays a key role as one of the main determinants in the educational success of children. They explain that children from families with higher SSE often have better access to educational resources, such as books, tutoring, and supportive learning environments.

In their book, Brooks-Gunn and Duncan (1997) discuss the relationship between parental SSE and child development. They show that factors such as family income and parental education levels can influence a child's cognitive and social development. This research highlights the importance of policy interventions that can help reduce the gap faced by children from lower economic backgrounds.

Meanwhile, Lareau (2011), in her book Unequal Childhoods, observes that parents from various socioeconomic backgrounds have different approaches to educating their children. Parents with higher SSE tend to be more active in engaging in their children's education and have higher expectations regarding academic achievement. This shows that not only economic factors but also parental attitudes and behaviors towards education play an important role in shaping the opportunities available to children.

Overall, the literature shows that parental socioeconomic status has a significant impact on various aspects of child development. Improving understanding of how SSE affects the opportunities and challenges faced by children is crucial for designing policies that can support equality of opportunity in society.

2.3 Financial knowledge

Financial knowledge is an important skill that affects an individual's ability to manage personal finances and make wise financial decisions. According to Lusardi and Mitchell (2014), financial literacy encompasses an understanding of basic financial concepts, including debt management, investment, and retirement planning. They emphasize that individuals with a higher level of financial knowledge tend to exhibit better behavior in terms of savings and investments, which contributes to long-term financial well-being.

In their book, Garman and Forgue (2017) highlight the importance of financial education in improving individual financial literacy. They state that effective education can equip individuals with the necessary skills to face future financial challenges, as well as enhance their ability to plan finances well. This book also discusses various strategies that can be implemented to improve financial literacy among students and the community.

Meanwhile, Kapoor et al. (2018) in Personal Finance state that awareness and understanding of financial products are also important in decision-making. They explain that individuals who have knowledge about various financial products, such as insurance, investments, and loans, can make more informed decisions and reduce financial risks.

Overall, the literature shows that increasing financial knowledge is key to improving individual financial well-being. Investment in financial education and access to relevant information can help individuals make better decisions, positively impacting their financial condition.

3. Research Methodology

3.1 Research Design

The research design used in this study is ex-post facto research. The population consists of 174 people. To determine the sample size from the population, the researcher used the Slovin formula. Based on the calculations, the sample size for this study is 121 people.

3.2 Research Instrument Validation

In this study, the instrument used is a questionnaire. The type of questionnaire used in this study is a closed questionnaire with a Likert scale. In this research, data with an ordinal scale is produced. Therefore, if regression modeling is performed, the data used must be on an interval scale. For that, data transformation needs to be carried out using the exclusive interval method. (MSI). In this study, the validity test was conducted using the 5% product moment α. In this study, the reliability test can be conducted using the Alpha-Cronbach test.

3.3 Data Analysis Techniques

In this study, the data analysis technique used is descriptive statistical analysis. With prerequisite analysis tests such as normality test, homogeneity test, linearity test, multicollinearity test, and heteroscedasticity test. For the model test, multiple regression tests and hypothesis tests using t-tests and F-tests are employed, as well as a determination test to determine the extent to which the variation in changes in one variable (dependent) is determined by changes in other variables. (independen).

4. Results

4.1 Results of the Research Instrument Test

Based on the results of the instrument validity test on the variable of parents' socioeconomic status (X1), all 9 items of the questionnaire were declared valid. For the results of the instrument validity test on the variable of financial knowledge (X2), all 14 items of the statements were declared valid. And for the instrument validity test on the variable of financial management (Y), all 20 items of the statements were declared valid.

The results of the reliability test for the parental socioeconomic status variable above obtained a Cronbach's alpha value of 0.682, which means it falls into the high reliability category. For the reliability of the financial knowledge variable, a Cronbach's alpha value of 0.885 was obtained, which means it falls into the very high reliability category, and for the financial management variable, a Cronbach's alpha value of 0.920 was obtained, which means it falls into the very high reliability category.

4.2 Research Description Results

In the category of parents' socioeconomic status, there are 14 respondents (11.6%) categorized as very low, 56 respondents (46.3%) categorized as low, 39 respondents (32.2%) categorized as high, and 12 respondents (9.9%) categorized as very high. As for the depiction in the bar chart, as follows :

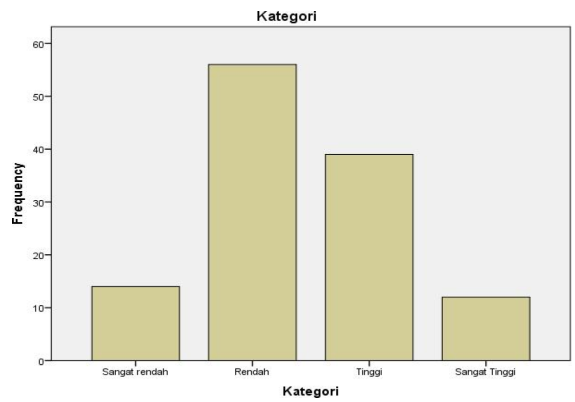


Figure 1 Diagram of Parents' Socioeconomic Status

From the bar chart above, it can be seen that the low category has the highest score, with 56 respondents. Thus, it can be concluded that the socioeconomic status of the respondents' parents is categorized as low.

In the financial knowledge category, there are 5 respondents (4.1%) categorized as very low, 48 respondents (39.7%) categorized as low, 45 respondents (37.2%) categorized as high, and 23 respondents (19%) categorized as very high. As for the illustration in the bar chart, as follows:

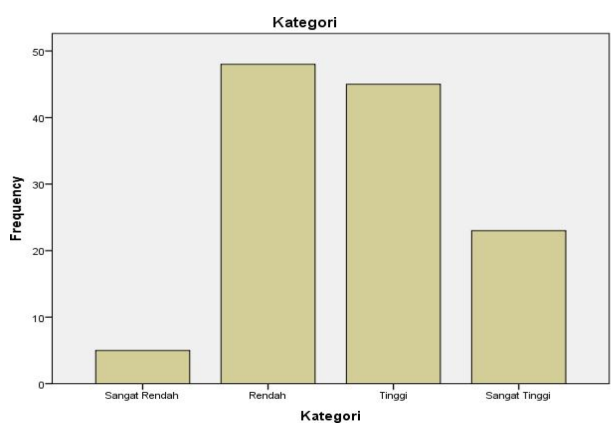
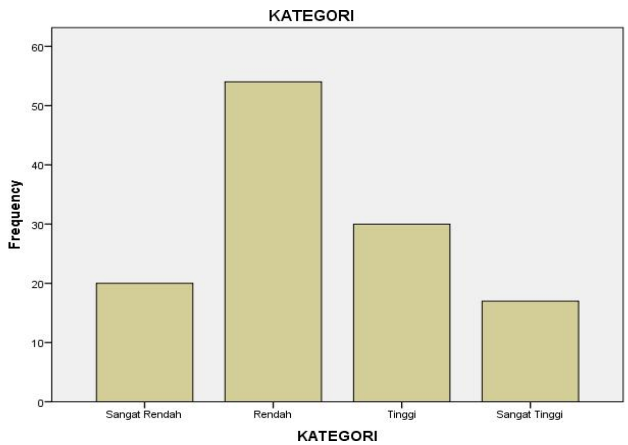


Figure 2 Financial Knowledge Diagram

From the bar chart above, it can be seen that the low category has the highest score, with 48 respondents. Thus, it can be concluded that the financial knowledge possessed by the respondents is categorized as low.

In the category of financial management of the respondents, there are 20 respondents (16.5%) categorized as very low, 54 respondents (44.6%) categorized as low, 30 respondents (24.8%) categorized as high, and 17 respondents (14%) categorized as very high. The following is an illustration in the bar chart of financial management:



Gambar 3 Diagram Pengelolaan Keuangan

From the bar chart above, it can be seen that the low category has the highest score, with 54 respondents. Therefore, it can be concluded that the financial management possessed by the respondents is categorized as low.

4.3 Prerequisite Analysis Test

Based on the Kolmogorov-Smirnov Z assessment, a value of 0.530 was obtained with an Asymp. Sig value of 0.942. This means that the significance value is greater than 0.05. Therefore, it can be concluded that the data is normally distributed because the significance value is 0.942 > 0.05. Based on the assessment with the significance of the deviation of linearity, a value of 0.214 was obtained. This means that the deviation of linearity value is 0.214 > 0.05. Thus, it can be concluded that there is a linear relationship between variables X1 and Y. Based on the significance value of the deviation of linearity, a value of 0.158 was obtained. This means that the deviation of linearity value is 0.158 > 0.05. Thus, it can be concluded that there is a linear relationship between X2 and Y. In the assessment of homogeneity, a significance value of 0.543 was obtained. In other words, 0.543 > 0.05, so it can be concluded that the data of variable X1 with variable Y is homogeneous. For variable X2 with Y, it is also homogeneous with a significance value of 0.533. In other words, 0.533 > 0.05.

In the multicollinearity test, the variance inflation factor (VIF) value for the parental socioeconomic status variable (X1) was 1.022. And the variance inflation factor (VIF) value for the financial knowledge variable (X2) was 1.022. Therefore, it can be concluded that there is no multicollinearity between the parental socioeconomic status variable (X1) and the financial knowledge variable (X2).

In the heteroscedasticity test, the significance value of the unstandardized residuals for the parental socioeconomic status variable (X1) was 0.865. Meanwhile, the significance value of the unstandardized residuals for the financial knowledge variable (X2) was 0.868. Therefore, it can be concluded that each variable does not exhibit heteroscedasticity.

4.4 Regression Analysis and Hypothesis Testing

Based on the regression results, the regression equation can be formulated as follows:

$$Y = 14{,}276 + -0{,}075X_1 + 1{,}142X_2 + e$$

a. From the multiple linear regression equation, a constant value of 14.276 is obtained. This means that if the values of the parental socioeconomic status variable (X1) and financial knowledge (X2) are assumed to be 0, the value of Y would be 14.276.
b. The regression coefficient value for the parental socioeconomic status variable (X1) is -0.075, which is negative. This means that the regression coefficient for parental socioeconomic status (X1) has an inverse relationship with financial management. This indicates that with the addition of one unit of financial knowledge, there will be a decrease of 0.075, assuming other independent variables in the regression model remain constant.
c. The regression coefficient value of the financial knowledge variable (X2) is 1.142, which is positive. This means that the regression coefficient value of financial knowledge (X2) has a direct relationship with financial management. This shows that with the addition of one unit of financial knowledge, there will be an increase of 1.142, assuming the other independent variables in the regression model remain constant.
d. e is the possibility of error in the regression equation model caused by the possibility of other variables affecting the parental socioeconomic status variable (X1) and financial knowledge (X2) but not included in the regression equation.

Based on the analysis results of this study, it was found that the parental socioeconomic status variable (X1) does not have an effect on the financial management variable (Y) among Economics Education students. This test result is in line with the research conducted by Chotimah (2015), which states that students with high parental socioeconomic status should be able to manage their finances well. Meanwhile, students with low socioeconomic status from their parents will practice frugality and caution in their spending. However, this was not proven in the research, so the socioeconomic status of the parents does not affect the financial management of the students. This is also supported by research conducted by Dewi (2021), which states that the socioeconomic status of parents does not affect financial management. Because the higher the socioeconomic status of parents, it does not make someone better at managing finances. Similarly, the lower the socioeconomic status of parents, it does not make someone worse at managing finances.

Based on the analysis results of this study, it was found that the financial knowledge variable (X2) partially affects the financial management variable (Y) among Economics Education students. This test result is in line with the research conducted by Pradiningtyas (2019), which states that the financial knowledge variable has a positive and significant effect on the financial management variable. One of the factors that can enhance financial knowledge is education. The more education someone receives, the higher their level of knowledge will be. Thus, people with higher education will be more vigilant about their future and will seek more ways to preserve their assets. The same thing was also stated by Chotimah (2015) in her research: there is a significant relationship between financial knowledge and financial behavior, where the higher a person's financial knowledge, the more likely they are to manage their finances wisely. Because financial knowledge has become an inseparable part of life as it is a useful tool for making financial decisions.

Based on the F-test results, the variables of parents' socioeconomic status and financial knowledge together with the variable of financial management show a positive and significant influence between the variables of parents' socioeconomic status (X1) and financial knowledge (X2) on the variable of financial management (Y) among Economics Education students. Meanwhile, from the results of the coefficient of determination test, an R square value of 0.645, or 64.5%, was obtained. This indicates that the percentage of influence of the variables of parents' socioeconomic status (X1) and financial knowledge (X2) on financial management (Y) is 64.5%. The remaining 35.5% is influenced by other variables not included in this study. Chotimah (2015) states that good financial management must be possessed by every individual. Learning how to manage finances is one of the important things that every individual must do. Family and parents are the main agents of socialization in the process of learning about money and the development of financial management behavior. As stated by Anggraini (2021), parents play an important role in shaping a child's character. Parents who provide financial literacy to their children from an early age will foster independent and responsible behavior in managing finances, thereby reducing mistakes in personal financial management. Chotimah (2015) stated that financial knowledge has become an inseparable part of life because it is a useful tool for making financial decisions. The higher the level of financial knowledge possessed by students, the better their financial management will be.

5. Discussion

Based on the analysis results of this study, it was found that the parental socioeconomic status variable (X1) does not have an effect on the financial management variable (Y) among Economics Education students. This test result is in line with the research conducted by Chotimah (2015), which states that students with high parental socioeconomic status should be able to manage their finances well. Meanwhile, students with low socioeconomic status from their parents will practice frugality and caution in their spending. However, this was not proven in the research, so the socioeconomic status of the parents does not affect the financial management of the students. This is also supported by research conducted by Dewi (2021), which states that the socioeconomic status of parents does not affect financial management. Because the higher the socioeconomic status of parents, it does not make someone better at managing finances. Similarly, the lower the socioeconomic status of parents, it does not make someone worse at managing finances.

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6. Conclusion

Based on the analysis and discussion regarding the Influence of Parents' Socioeconomic Status and Financial Knowledge on the Financial Management of Economics Education Students, it can be concluded that parents' socioeconomic status does not affect the financial management of students. Meanwhile, in the variable of financial knowledge and financial management, there is a significant influence between financial knowledge and financial management. In the partial analysis, there is a positive and significant influence between the variable of parental socioeconomic status and financial knowledge on the financial management of Economics Education students.

Based on this research, it is known that the higher the level of financial knowledge, the better the financial management of economics education students will be. The results of this research can serve as input for Economics Education students to be wise and think clearly in making personal financial decisions. The research results can be developed by other researchers to refine, review, and study them, allowing for comparison of the results while simultaneously contributing to the advancement of knowledge.

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