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Financial Literacy and Peer Involvement on Students' Financial Management Behaviour

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ABSTRACT

The purpose of this study is to determine the impact of financial literacy and peer influence on students' financial management behaviour. This research uses a quantitative approach with descriptive and verification methods. Multiple linear regression analysis was employed to examine the influence of variables. Financial literacy has a significant positive effect on financial management behaviour (t = 6.260, sig. = 0.000). Peer influence also has a significant positive effect on financial management behaviour (t = 3.045, sig. = 0.003). Together, financial literacy and peer influence explain 34.3% of the variance in students' financial management behaviour. Based on the Theory of Planned Behaviour, this study confirms that both financial attitudes (literacy) and subjective norms (peers) shape individual financial behaviour. Practically, universities should strengthen financial literacy programs and foster positive peer environments to improve students' financial management. This study provides novel evidence on the combined effect of financial literacy and peer involvement on financial management behaviour among Indonesian accounting education students.

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1. INTRODUCTION

The rapid growth in technology has significantly affected individual spending behaviours, leading to an increase in non-cash transactions and online purchasing. Non-cash transactions and internet purchasing provide a convenient way to fulfil requirements for goods and services. This is evidenced by data gathered by Bank Indonesia on the total number of electronic money or digital banking transactions, which experienced an annual growth rate of 30.84%, totalling IDR 399.6 trillion in 2022 (Wisnubroto, 2023). A growing concern is that this shift in the way individuals consume goods and services might result in the development of a consumerist attitude. Due to the abundance of products and services available on online shopping platforms, there is a concern that individuals might make reckless purchasing decisions based on personal preferences rather than necessity. Adopting effective financial management methods is advised to prevent overspending.

There is a strong correlation between financial management behaviour and people's spending behaviours. Both individuals and organisational units must acquire expertise in financial management behaviour. Financial management behaviour refers to an individual's capacity to effectively handle and preserve their day-to-day financial resources. Mastering financial management habits is crucial as it enables individuals to effectively balance their income and expenses. They can not only fulfil their living demands but also avoid financial hardships.

The younger generation inherently embraces the personal characteristics of yielding to pleasure and adopting a consumerist lifestyle. In 2021, Zigi.id and the Katadata Insight Centre performed a survey on the financial management behaviour of 1,692 young individuals (Gen Z) aged 15–22 years. The findings indicated that the younger demographic does not distribute their savings in a certain manner but rather saves money without any particular purpose (Ameliawati & Setiyani, 2018). Up to 64.7% of the younger population also rarely or never maintain comprehensive records of their expenses, resulting in unregulated spending that frequently exceeds their earnings or allowance (Katadata, 2021).

According to the Katadata survey, out of 1,692 surveyed young individuals (Gen Z), 19% acknowledged spending less money than their income, 21.6% acknowledged spending the same amount as their income, and 59.4% admitted that their expenses exceed their income. Students in Generation Z, typically between the ages of 18 and 22, are entering the postsecondary education phase. The prevalence of spending and the desire for rapid gratification encourage students to spend their financial resources on unnecessary purchases (Nababan, 2012). Many students struggle with impulsive spending and often prioritise personal desires over sound financial management (Asaff, Suryati, & Rahmayani, 2019).

The Theory of Planned Behaviour, the foundation of this study, holds that three key factors, an individual's attitude toward the behaviour, subjective norms, and perceived behavioural control, influence behaviour (Ajzen, 1991). Financial literacy is frequently linked to financial management behaviour in multiple studies, serving as a means for individuals to enhance their financial decision-making skills. A direct correlation between high financial knowledge and financial management behaviour has been observed (Hilgert & Hogarth, 2003). Meanwhile, subjective norms, particularly peer influence, are equally critical

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determinants of financial management behaviour. Peers can influence an individual's beliefs and behaviour (Alekam, Salleh, & Mokhtar, 2018).

Numerous previous studies have yielded varying results. The findings from Naga (2022), Sudrajat & Setiyawan (2022), and Yolanda (2022) indicate a significant effect of financial literacy on financial management behaviour. Conversely, Putri (2018) found no correlation between these variables. Similarly, research by Nuryana & Wicaksono (2020), Rajagukguk & Sari (2022), and Aida & Rochmawati (2022) demonstrated that peer influence significantly shapes students' financial management behaviour, while Nurhaini (2018) and Al Fahmi (2021) suggested that peers do not significantly influence money management behaviour.

This study is grounded in the Theory of Planned Behaviour (TPB), which proposes that a person's behaviour is influenced not only by their own self-control but also by the availability of resources and opportunities. The theory holds that intentions and actions are influenced by three elements: perceived behavioral control, which refers to an individual's perception of their ability and opportunity to carry out a behavior; attitude toward the behavior, determined by a person's belief in the effects resulting from the behavior (behavioral beliefs); and subjective norms, the individual's perceptions of social pressure to either engage in or refrain from a behavior. Financial management behaviour is believed to be shaped by cognitive processes, and the TPB model reveals that attitudes, subjective norms, and perceptions of behavioural control jointly determine actual behaviour (Danes, Deenanath, & Yang, 2016).

Financial literacy represents the attitudinal component of TPB in this study. It refers to an individual's understanding of financial management concepts, including saving, investment, and insurance, and to the capacity and proficiency in handling financial matters. Indonesia's Financial Services Authority (OJK) defines financial literacy as a set of initiatives designed to enhance individuals' comprehension and proficiency in financial management, while the OECD defines it as the understanding of fundamental financial concepts together with the ability, motivation, and confidence to apply that knowledge in making informed decisions. Financial literacy indicators are commonly grouped into four categories: general personal finance knowledge, saving and borrowing, insurance, and investment (Chen & Volpe, 1998).

Meanwhile, peer involvement represents the subjective norm component. Peers are defined as a social group characterised not only by similar age but also by behavioural or psychological similarities (Lewis & Rosenblum, 1975), and the term is often used by psychologists to describe people of the same age, particularly in youth groups (Adeniyi & Jinadu, 2021). Because adolescents spend considerable time with peers of similar age, peer group influence on attitudes, interests, appearance, and behaviour can be stronger than family influence. Peers actively shape behaviour through several mechanisms: imparting knowledge such as financial management practices, assisting in assuming new social roles, serving as a source of fresh information, and offering freedom to express opinions and identity.

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Financial management behaviour, the dependent variable of this study, reflects the efficiency with which an individual manages funds, shaped by emotions, traits, preferences, and other intrinsic aspects of decision-making under risk and uncertainty (Baker, Filbeck, & Ricciardi, 2017). Prior research outlines three indicators to assess financial management behaviour: consumption, which reflects spending on goods and services according to need; cash flow management, which involves balancing income and expenses, paying bills on time, and budgeting; and savings and investment, which involve allocating funds for future benefit and managing financial goals over the short and long term (Dew & Xiao, 2011).

Given the identified research gaps, this study aims to examine the impact of financial literacy and peer involvement on the financial management behaviour of active students in the Accounting Education Study Program at Universitas Pendidikan Indonesia (UPI). Financial literacy and peer involvement serve as independent variables, while financial management behaviour is the dependent variable.

2. METHODS

This research employs a quantitative approach utilising descriptive and verification methods. Research methodology is a design that clearly illustrates the relationships between variables, data collection, and data analysis, enabling researchers to understand the relationships and methods of measurement (Sekaran, 2013). The independent variables in this study are as follows:

Financial Literacy (X1): Financial literacy refers to the systematic understanding and use of principles and strategies for effectively managing personal finances. It encompasses essential knowledge regarding savings, loans, insurance, and investing. Financial literacy can be defined as an individual's aptitude or proficiency in matters pertaining to finance, enabling strong financial management abilities.

Involvement of Peers (X2): Peers are social collectives that arise due to their shared characteristics of being of similar age and possessing comparable levels of maturity. The role of peers in this research pertains to the degree to which individuals perceive the influence of peers on students' financial management conduct.

The study's dependent variable is financial management behaviour. Financial management behaviour is the ability to strategically plan and oversee financial affairs, effectively managing personal income and expenses in accordance with one's income level. Table 1 provides a more explicit explanation of the indicators on each variable included in this study.

Table 1. Operational Variable

Variable	Indicator	Sub Indicator	Scale
Financial Literacy (X1)	General Personal Finance Knowledge	Understanding personal financial management; Understanding personal financial planning; Benefits of personal financial knowledge	Interval

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	Saving and Borrowing	Knowledge of banking products; Understanding benefits of savings and deposits; Loans and interest rates	
	Insurance	General knowledge of insurance; Understanding insurance premiums; Types of insurance	
	Investment	Understanding investment types; How to invest; Investment risks	
Involvement of Peers (X2)	Source of information and experience sharing	Familiarity with products/services; Sharing narratives; Making purchase decisions; Knowledge of savings function	Interval
	Role models for members	Peers as behavioural models; Peers as appearance models; Peers as daily activity models	
	Subjects for social comparison	Comparison of abilities; Comparable personalities; Embracing variations in member traits	
	Critics and persuaders	Criticising each other's behaviour; Role in purchase decisions; Influencing through persuasion	
Financial Management Behaviour (Y)	Consumption	Purchasing based on needs; Analysing and contrasting commodity prices	Interval
	Cash inflows and outflows management	Managing personal financial allocation; Recording expenditures; Modifying expenditures according to allocation	
	Savings and Investments	Regularly allocating savings funds; Investment capability; Selecting investment categories	

Source: Authors' compilation (2024)

The study's population consisted of 333 active students enrolled in the UPI Accounting Education Study Program for the academic years 2019–2022. This study utilised a sample from multiple cohorts: those from academic years 2019, 2020, 2021, and 2022. Consequently, proportionate random sampling was employed to acquire data that accurately represent the population. The Slovin formula was applied to ascertain the appropriate sample size, yielding a sample of 182 students.

This study used a questionnaire as a method for collecting data. Data analysis involved descriptive statistics followed by hypothesis testing through multiple linear regression

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analysis. The instrumentation test included validity and reliability tests. Classical assumption tests included normality tests, multicollinearity tests, and heteroscedasticity tests. Hypothesis testing comprised the F test (regression significance) and the t test (regression coefficient significance).

3. RESULTS AND DISCUSSION

Results

The study was carried out by administering a survey questionnaire. Data gathering occurred between July 27 and August 2, 2023, using a Google Form. The respondents were 182 students from the Accounting Education Study Program, belonging to the classes of 2019, 2020, 2021, and 2022, at the Faculty of Economics and Business Education (FPEB) of Universitas Pendidikan Indonesia. The selection maintained the same proportions as previously calculated for proportional sampling. The majority of respondents belong to the 2019 and 2020 classes, comprising 49 students each (26.92%). The classes of 2021 and 2022 comprised 41 (22.53%) and 43 (23.63%) students, respectively.

Gender analysis reveals that 9.34% (17 respondents) were male, and 90.66% (165 respondents) were female. Multiple linear regression analysis was conducted using the IBM SPSS Statistics 25 program. Table 2 presents the regression coefficients. Involvement of Peers (X2): Peers are social collectives that arise due to their shared characteristics of being of similar age and possessing comparable levels of maturity. The role of peers in this research pertains to the degree to which individuals perceive the influence of peers on students' financial management conduct.

Table 2. The Results of Multiple Regression Analysis

Coefficients[a]					
Model	Unstandardized Coefficients (B)	Std. Error	Standardized Beta	t	Sig.
1 (Constant)	10.692	2.063		5.183	.000
Financial Literacy	.264	.042	.447	6.260	.000
Involvement of Peers	.132	.043	.217	3.045	.003

a. Dependent Variable: Financial Management Behaviour

Source: SPSS Results (2024)

The regression equation produced from the results of multiple linear regression analysis in Table 2 is as follows:

$$Y = 10.692 + 0.264 X1 + 0.132 X2 + e$$

Table 3. Results from the Multiple Linear Regression F Test

ANOVAa					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1149.642	2	574.821	48.309	.000b
Residual	2129.874	179	11.899		
Total	3279.516	181			

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a. Dependent Variable: Financial Management Behaviour; b. Predictors: (Constant), Involvement of Peers, Financial Literacy
Source: SPSS Results (2024)

Table 3 reveals that the calculated F statistic is 48.309. At a significance level of 5% with numerator degrees of freedom (dk = k = 2) and denominator degrees of freedom (dk = n – k – 1 = 179), the F table value is 3.05. Since the calculated F statistic (48.309) exceeds the critical value (3.05), the null hypothesis (H0) is rejected, and the alternative hypothesis (H1) is accepted. This indicates that financial literacy and peer involvement, jointly, have a significant effect on financial management behaviour.

Table 4. Results of R^2 Multiple Linear Regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.592a	.351	.343	3.449

a. Predictors: (Constant), Involvement of Peers, Financial Literacy
Source: SPSS Results (2024)

Table 4 shows that the adjusted R-squared is 0.343, meaning that 34.3% of the financial management behaviour of Accounting Education Study Program students can be explained by financial literacy and the role of peers. The remaining 65.7% is explained by other variables outside the model.

Based on Table 2, the financial literacy variable has a calculated t-statistic of 6.260, which exceeds the t-table value of 1.654. The significance value of 0.000 is also smaller than the error tolerance value of 0.05. It can be concluded that financial literacy has a significant positive effect on financial management behaviour; thus, the first hypothesis is accepted. The peer role variable has a calculated t-statistic of 3.045, which also exceeds the t-table value of 1.654, with a significance value of 0.003 < 0.05. It is concluded that the role of peers has a significant positive effect on financial management behaviour; thus, the second hypothesis is accepted.

Discussion

The Impact of Financial Literacy on the Financial Management Behaviours of Students According to the descriptive analysis results, financial literacy is in the medium category with an average of 3.75. These results show that FPEB UPI Accounting Education students have sufficient knowledge and understanding regarding all financial literacy indicators: basic knowledge of personal finance, savings and loans, insurance, and investment. Students are able to use financial service features and products according to their needs and manage money appropriately, enabling them to make financial decisions and anticipate financial challenges.

The verification analysis shows that the regression coefficient for the financial literacy variable (X1) is 0.264 (positive), indicating that financial literacy has a positive and significant influence on financial management behaviour. This aligns with the Theory of Planned

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Behaviour (Ajzen, 1991), which posits that an individual's belief in a behaviour emerges when they associate it with the benefits or losses it offers. Financial literacy enables an individual to weigh the potential benefits and drawbacks of their chosen financial management approach, fostering confidence in their choices.

An individual with an excellent understanding of financial literacy can practice effective financial management. The findings align with prior research by Hilgert & Hogarth (2003), which found a direct correlation between high financial knowledge and effective financial management behaviour. The findings also align with Komarudin et al. (2020), Naga (2022), Sudrajat & Setiyawan (2022), and Yolanda (2022), all of which indicated that financial literacy positively impacts financial management behaviour. Nevertheless, the findings diverge from Putri (2018), who concluded that financial literacy does not influence financial management behaviour.

The Impact of Involvement of Peers on the Financial Management Behaviours of Students. According to the descriptive study results, the role of peers belongs to the medium category, with an average score of 3.60. These data suggest that peers play a significant role in all indices, including being a source of information and experience sharing, serving as role models for group members, serving as objects of social comparison, and acting as critics and persuaders. Students regard their classmates as having a significant impact on their financial behaviour and choices.

The verification analysis reveals that the regression coefficient for the peer role variable (X2) is 0.132 (positive), indicating that peers play a beneficial and substantial role in influencing financial management behaviour. This aligns with Ajzen's (1991) Theory of Planned Behaviour, in which subjective norms represent an individual's belief about socially accepted behaviour and their drive to conform to those expectations. Peers serve as the primary vehicle for subjective norms in a student context.

Positive peer interactions involving the exchange of information, sharing of experiences, and constructive criticism can enhance an individual's quality of financial management. These findings align with prior research by Nuryana & Wicaksono (2020), Rajagukguk & Sari (2022), and Aida & Rochmawati (2022), which demonstrated that peers play a beneficial role in influencing financial management behaviour. The findings contradict Nurhaini (2018) and Alekam, Salleh, & Mokhtar (2018), who concluded that peers do not exert a substantial impact on financial management behaviour

4. CONCLUSION

From the findings and discussion, several conclusions were derived. First, students enrolled in the Accounting Education Study Program possess a moderate level of financial literacy, and peers have a moderate influence on students' financial management behaviour. Second, financial literacy has a significant positive effect on financial management behaviour. Higher levels of financial literacy lead to better financial management behaviour. Third, peer involvement has a significant positive effect on financial management behaviour. More positive peer interactions lead to improved financial management behaviour.

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Future research should address several limitations of this study. The research object is restricted to students enrolled in the accounting education program at one university; future research should expand to broader populations. Additionally, since 65.7% of the variance in financial management behaviour remains unexplained, researchers suggest exploring other variables such as financial attitudes, locus of control, parental income, and self-control to provide a more comprehensive understanding of financial management behaviour.

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