

The Effect of Financial Literacy on Consumptive Behavior: Self-Control as a Mediator

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ABSTRACT

Background: The situation faced by the younger generation today can affect their consumptive behavior. The level of literacy and self-control are some of the variables that can affect a person's consumptive behavior. How financial literacy can affect a person's consumptive behavior is the aim of this study. Method: To obtain research data, students of the Faculty of Economics and Business from various universities in the Special Region of Yogyakarta were given questionnaires. The data that has been obtained is then processed using the SPSS statistical tool. Results: Research shows that self-control has the ability to mediate the effects of financial literacy on consumptive behavior. Conclusion: Thus, it can be concluded that when one's students have high financial knowledge, they are better able to control their consumptive behavior.

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1. INTRODUCTION

Financial problems can occur for many reasons, in addition to low income, poor financial management, and lack of understanding of financial literacy can be triggers [1]. To be free from financial problems, people must have adequate financial literacy [2]. Financial literacy can influence consumptive behavior. Humans consume to fulfill their own desires, but it will be problematic to place desires above their abilities [3]. One way to reduce the negative impact of consumptive behavior is to have sufficient financial literacy [4]. Research [5] and [6] prove that financial literacy has a negative influence on consumptive behavior. [7] explains that individuals with poor financial literacy will make poor purchasing decisions as well because they do not prioritize their needs when they consume.

Financial literacy can also affect self-control. Individuals with qualified financial literacy will be able to manage their expenses while also practicing good self-control [8]. Research [9] and [10] prove that financial literacy has a positive effect on self-control. It explains that individuals with strong self-control and financial literacy tend to help them make wise financial judgments [11].

Self-control influences consumptive behavior. Individuals with strong self-control will think about whether the purchase they are going to make will really be needed or not [12]. According to [13], lack of self-control results in irrational decision-making and lack of self-confidence, and vice versa when the individual can make decisions appropriately, indicating that the individual has good self-control as well [14]. According to [15],

practicing self-control concerning money management will encourage thrift behavior. Consumptive behaviors can develop as a result of a person's lack of self-control so that if we want to avoid developing these behaviors, we must be able to control ourselves. [16] and [17] in his research stated the negative effects of self-control on consumptive behavior.

The existence of financial knowledge will help a person in making their personal financial decisions for the better, which will allow them to maximize their money, time, and profits [18]. According to studies [19] and [20], financial literacy influences consumptive behavior through self-control. Financially conscious people are better able to manage their money well and may indirectly limit their consumption levels, as well as consider whether buying something is really needed [21].

The subject of this research is a student of the Faculty of Economics and Business (FEB) in the Special Region of Yogyakarta. Researchers take students as research subjects because, first, FEB students have studied finance courses in their classes, so they are believed to already understand financial concepts. Researchers wanted to see how well FEB students in the Special Region of Yogyakarta used financial literacy and self-control when they consumed their daily lives. Second, the research subjects in previous studies were limited to only one university [22]; [23]. However, the research subjects in this study were students from various universities in the Special Region of Yogyakarta. Therefore, researchers want to conduct research with FEB students in the Special Region of Yogyakarta. The purpose of this study is to determine how financial letarations impact students' consumptive behavior with self-control mediating variables.

2. RESEARCH METHOD

2.1. Population and Sampling Method

This research involved 231.714 students of the Faculty of Economics and Business in the Special Region of Yogyakarta (Based on the Higher Education Database, 2020). For this study, the sample criteria are as follows: 1) Students of the Faculty of Economics and Business from Universities in the Special Region of Yogyakarta; and 2) Students from the Faculty of Economics and Business who have taken finance courses.

2.2. Data Collection Method

This study collected data from questionnaires distributed to students of the Faculty of Economics and Business (FEB) from universities in the Special Region of Yogyakarta. The five-point Likert scale is used to measure respondents' answers. Financial literacy variables use 12 items developed by [7], self-control variables use 30 items developed by [24], and consumptive behavior variables use 12 items developed by [25].

2.3. Data Analysis Method

In this study, the Confirmatory Factor Analysis (CFA) technique was used to test validity. According to [26], the main purpose of CFA is to find out whether the indicator comes from a single entity or is able to explain the variable. If the loading factor value is more than 0.5, the test is considered valid [27]. Reliability tests are performed to determine how far the measurement results of the same symptoms will produce the same data with the same measuring device twice or more. The reliability of the instruments used is assessed using Cronbach's alpha value. If Cronbach's alpha value is greater than 0.5, then the instrument is considered reliable or reliable [26]. To test the hypothesis, the probability value is compared to the alpha value of 5% (0.05). The result is that the hypothesis is considered accepted if the probability value is less than the alpha value of 0.05 [26].

3. RESULT AND DISCUSSIONS

Table 1. Validity Test Results

| | Loading Factor Value |
|-------------------------|----------------------|
| Financial Literacy (FL) | |
| FL1 | 0.807 |
| FL3 | 0.608 |
| FL4 | 0.533 |
| FL5 | 0.740 |
| FL6 | 0.682 |
| FL8 | 0.781 |
| FL9 | 0.630 |
| FL10 | 0.681 |
| FL11 | 0.883 |
| FL12 | 0.863 |

| Loading Factor Value | |
|---------------------------|-------|
| Self-Control (SC) | |
| SC1 | 0.604 |
| SC2 | 0.697 |
| SC3 | 0.754 |
| SC8 | 0.533 |
| SC9 | 0.655 |
| SC14 | 0.762 |
| SC15 | 0.765 |
| SC16 | 0.760 |
| SC21 | 0.788 |
| SC22 | 0.727 |
| SC23 | 0.719 |
| SC24 | 0.623 |
| SC26 | 0.634 |
| SC27 | 0.633 |
| SC30 | 0.669 |
| Consumptive Behavior (CB) | |
| CB1 | 0.798 |
| CB2 | 0.855 |
| CB5 | 0.566 |
| CB6 | 0.847 |
| CB7 | 0.879 |
| CB8 | 0.759 |
| CB9 | 0.625 |
| CB10 | 0.782 |
| CB12 | 0.804 |

The validity test results seen with the loading factor value are presented in Table 1. All variable items listed in the table are said to be valid because it is proven that the loading factor value is more than 0.5. However, from some of the items shown above, there are some items that are removed because they have a loading factor value of less than 0.5 (FL2, FL7, SC4, SC5, SC6, SC7, SC10, SC11, SC12, SC13, SC17, SC18, SC19, SC20, SC25, SC28, SC29, CB3, CB4, CB11).

Table 2. Reliability Test Results

| Variable | Cronbach's Alpha | Conclusion |
|----------------------|------------------|------------|
| Financial Literacy | 0.914 | Reliable |
| Self-Control | 0.946 | Reliable |
| Consumptive Behavior | 0.908 | Reliable |

Table 2 shows the reliability test results for each variable used in this study. The variables financial literacy, self-control, and consumptive behavior each had a Cronbach's alpha value of more than 0.5, indicating that they were all reliable.

Table 3. Hypothesis Test Results

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|-----------------------------|------------|---------------------------|--------|-------|
| | B | Std. Error | Beta | | |
| Financial Literacy → Consumptive Behavior | -0,469 | 0,072 | -0,500 | -6,511 | 0,000 |
| Financial Literacy → Self-Control | 0,675 | 0,045 | 0,800 | 15,037 | 0,000 |
| Self-Control → Consumptive Behavior | -0,568 | 0,085 | -0,511 | -6,693 | 0,000 |
| Financial Literacy → Self-Control | -0,239 | 0,118 | -0,255 | -6,511 | 0,045 |
| Self-Control → Consumptive Behavior | -0,341 | 0,140 | -0,307 | -2,440 | 0,016 |

The results of the hypothesis test seen based on the probability value (significance) are shown in Table 3. Based on the results of the hypothesis test, it is known that all hypotheses are said to be accepted because they have a probability value (significance) of less than 0.05. The first hypothesis proved that financial literacy had a negative effect on consumptive behavior, the second hypothesis proved that financial literacy had a positive effect on self-control, the third hypothesis proved that self-control had a negative effect on consumptive behavior, and the fourth hypothesis proved that self-control mediated the influence of financial literacy on consumptive behavior.

Financial Literacy Proven to Negatively Affect Consumptive Behavior

The study's findings are supported by [5] and [6] that financial literacy has a negative impact on consumptive behavior; More financial literacy means less consumptive behavior. Individuals are aware of the consequences that will occur if they abandon their priorities, so financially conscious individuals will be more selective when purchasing items that are essential. According to [28], high levels of consumption and the tendency to extravagant lifestyles are two common phenomena. This is especially true for teenagers who live and go to school in cities. [7] says that people who don't know much about money will make wrong decisions about how they use money because they won't consider what's most important.

Financial Literacy Proven to Have a Positive Effect on Self-Control

This study shows that knowledge of finance increases self-control [9]; [10]. To avoid financial problems, a good understanding of finances is essential. Not only does low income cause financial problems, but many people also don't know how to manage their finances. Financial literacy is the knowledge and understanding of financial concepts and risks, as well as the skills, motivation, and confidence to apply this knowledge and understanding to make sound financial decisions and improve the financial well-being of a person and society.

Self-Control Proven to Negatively Affect Consumptive Behavior

Self-control is another component that can help reduce consumptive behavior in addition to financial literacy. Although people today often have no self-control, self-control is when a person can control or restrain their desires. Unnecessary or unneeded desires can arise if a person lacks self-control [29]. Things that encourage people to be consumptive can affect their self-control. For example, people who are too dependent on their friends will do things that their friends do, such as buy things. Individuals who tend to overadjust only to gain social recognition [30]. Individuals can behave consumptively for the sake of social recognition, i.e. buying goods or services not out of necessity, but out of desire or satisfaction. The results of studies [16] and [17] showed that there is a negative correlation between self-control and consumptive behavior.

Self-Control Proven to Mediate the Effect of Financial Literacy on Consumptive Behavior

The results of this study are in accordance with the results of studies [31] and [32] that self-control mediates the influence of financial literacy on consumptive behavior. Consumptive behavior will decrease when financial literacy increases. Financially conscious individuals will be more selective when buying things because they know what the consequences will be if they put aside what they need. One example is the mistake made when using monthly money to buy things that are not important without making financial planning. As a result, the money that should be used according to the plan becomes unable to meet the needs.

4. CONCLUSION AND RECOMMENDATION

Based on the final results that have been obtained, it can be concluded that the purpose of the study is answered if the consumptive behavior of FEB students in the Special Region of Yogyakarta is influenced by the level of financial literacy possessed by each student. Financial literacy has been shown to negatively affect consumptive behavior. In addition, self-control has also been shown to mediate the influence of financial literacy on consumptive behavior. These results also indicate that the level of financial literacy possessed by students will affect their self-control so that in the end it will have an impact on their respective consumptive levels. This study was limited to the subjects of FEB students in the Special Region of Yogyakarta with research variables on financial literacy, self-control, and consumptive behavior. Future research may use subjects and other variables that are different from this study. Research [33] and [34] used students and millennials as research subjects. Then the study [35] and [28] used environmental and lifestyle variables in their research to determine the factors that influence consumptive behavior.

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