

# The Influence of Financial Literacy and Inclusion on Financial Management (A Case Study of Students of Graduate Program in Management at Universitas Pattimura Ambon)

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## ABSTRACT

*This research aims to examine whether financial literacy influences financial management significantly and whether financial inclusion influences financial management significantly among students of the Graduate Program in Management at Universitas Pattimura Ambon. This study applied a descriptive verification method and involved 50 samples of students of the Graduate Program in Management at Universitas Pattimura Ambon. Data were analyzed using the Partial Least Square (PLS) method with the assistance of SmartPLS version 3. The results showed that financial literacy influenced financial management significantly and financial inclusion influenced financial management significantly among students of the Graduate Program in Management at Universitas Pattimura Ambon in the Class of 2020-2022*

**Keywords:** Financial Literacy, Financial Inclusion, Financial Management

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## I. INTRODUCTION

Based on data from the Financial Services Authority (OJK), most Indonesian people still lack awareness of saving. Low awareness of saving leads to a high-consumption lifestyle. Since this behavior can affect a person's financial situation in the future, it is necessary to encourage saving habits. One way to do this is by having good financial literacy. In financial literature, many researchers have confirmed that a person's financial behavior is influenced by financial knowledge or literacy. Theoretically, Robb and Woodyard (2011) stated that financial literacy includes financial knowledge about how financial markets work and how to help people make more effective decisions.

Low financial literacy has led people to use money beyond their needs or people spend money only to fulfill their desires. This makes financial literacy important for personal financial management. This also shows that there is a close relationship between financial literacy and financial inclusion, since the higher the financial literacy, the greater the level of utilization of financial products and services.

Simply, a student lifestyle can be described as a group of young people who spend their time improving their knowledge, skills, and expertise and keep themselves busy with positive, future-oriented activities, as useful and rational human beings, who prioritize needs over desires and can resist temptations on campus and outside campus.

## II. THEORY

Erwin and Garman (2010) state that financial literacy is knowledge of the facts, concepts, principles, and technological tools that underlie smart money management. Meanwhile, according to Brigham and Houston (2021), financial literacy is defined as a component of human resources that can be used to improve financial well-being. Anyone who has the knowledge and ability to apply that knowledge is considered to have financial literacy. According to Chen and Volpe (1998), some of the indicators included in financial literacy include: General knowledge of Finance, Savings and Loans, Insurance, and Investment.

According to the Center for Financial Inclusion, financial inclusion means access to appropriate financial products such as credit, savings, insurance and payments. The availability of quality access will result in convenience, affordability and suitability, and consumer desires, defined by considering protection in managing finances. The following are the basic principles of financial inclusion contained in the Indonesian National Financial Literacy Strategy (Strategi Nasional Literasi Keuangan Indonesia, 2017): measurable, affordable, targeted, sustainable.

Based on the Financial Services Authority Regulation Number 76/POJK.07/2017 concerning Improving Financial Literacy and Inclusion in the Financial Services Sector for Consumers and the Community, the objectives of financial inclusion include: a). Increasing public access to financial services institutions, both in the form of products and services of financial services business actors. b). Strengthening the provision of financial products and services provided by financial service providers that are tailored to the needs and capacity of the community. c). Increase the use of financial products and services that are in accordance with the needs and capacity of the community.

Financial management is a process that starts from planning, implementing and evaluating. Financial management is a strategy that, if carried out by a person, can help achieve financial goals in the future. Personal financial management is also determined by the financial knowledge possessed by each individual (Chusnul and Suci, 2015). There are several tips for managing personal finances easily, namely: a). Set financial goals. b). Make a spending plan. c). Track personal expenses. d). Start your own business. e). Don't shy away from debt.

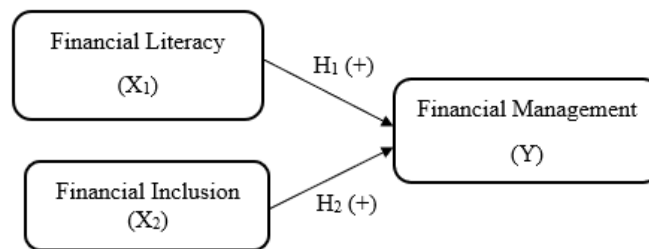


Figure 1. Framework of Thought

### III. METHODOLOGY

This research uses a qualitative method through a survey using primary data obtained by distributing questionnaires. The questionnaires were distributed to students in the age range of 23-55 years indirectly. Indirect distribution of questionnaires is done through online media using Google Form. In conducting this research, the population is Postgraduate students of the Faculty of Economics and Business, Management Study Program class of 2020, 2021 and 2022. A good sample is one that can represent as many characteristics of the population as possible. The following are the characteristics of the population, namely: a). Active students of class 2020-2022. b). Management study program students of the faculty of economics. c). Students who have jobs and income. Data analysis using Smart PLS by regressing financial literacy and financial inclusion variables as independent variables and financial management as the dependent variable, by conducting data validity and data reliability tests first.

### IV. RESULT

The results of the convergent validity test are shown in Figure 2, if the loading factor value is less than 0.7 then the indicator is removed:

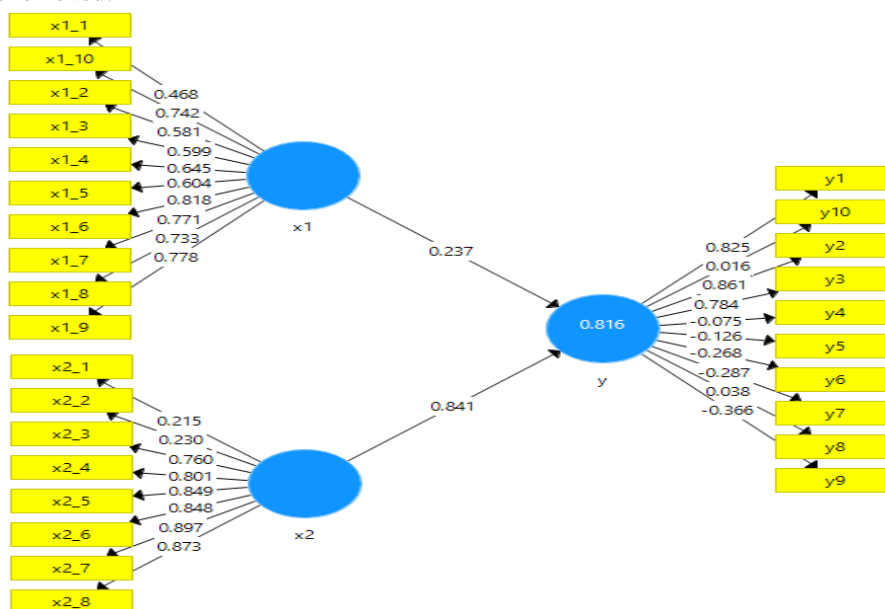


Figure 2. Outer Model Test

Then the researcher removed the 14 invalid indicators and improved the outer model test with these indicators invalid and had to be removed from the analysis. The results of the outer model test improvement after removing the 14 indicators are summarized in the following figure and table.

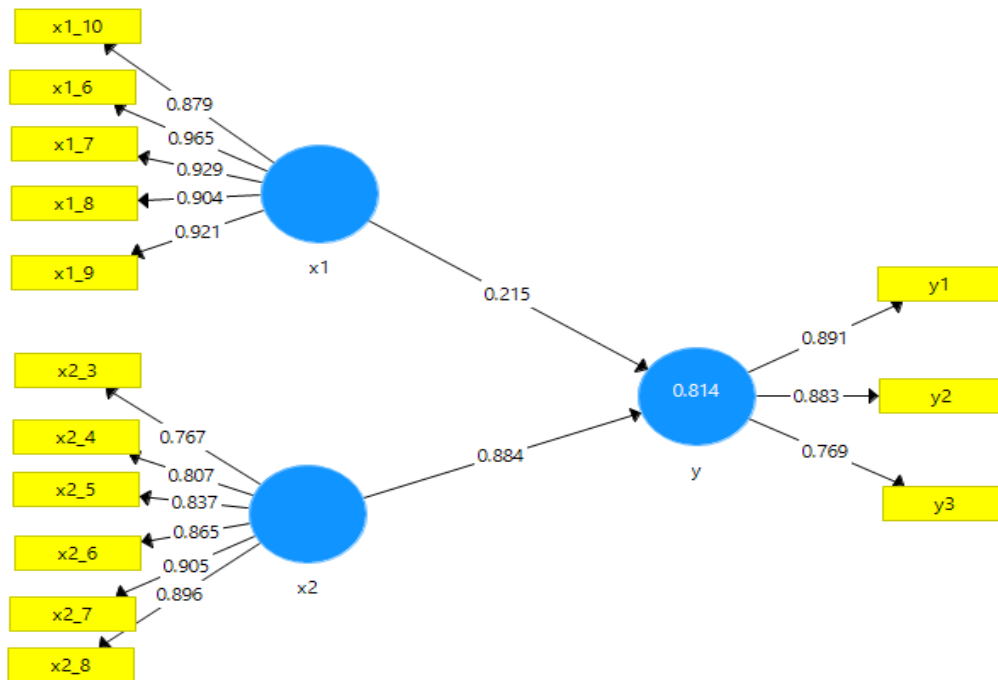


Figure 3. Outlier test improvement model

Table 1. Construct Reliability and Validity

Variable	Cut-off	Cronbach's Alpha	Average Variance Extracted (AVE)	Description
X1	0.50	0.955	0.846	Fulfilled
X2	0.50	0.921	0.718	Fulfilled
Y	0.50	0.807	0.722	Fulfilled

Source: data processed, 2024

From table 1 above, it can be seen that all variables are valid because they have an AVE value of more than 0.5 and all variables are declared reliable, because they have a Cronbach's Alpha value of more than 0.5.

Tabel 2. Uji Hipotesis Penelitian

Hypothesis	Coefficient	P value	Decision
H1 : Financial Literacy → Financial Management	0,215	0,001	Significant
H2 : Financial Inclusion → Financial Management	0,884	0,000	Significant

Source: data processed, 2024

### V. CONCLUSION

Based on the results and discussion presented in the previous chapter, it can be concluded that:

- 1) Financial literacy influenced financial management significantly among students of the Graduate Program in Management at Universitas Pattimura Ambon in the Class of 2020-2022,
- 2) Financial inclusion influenced financial management significantly among students of the Graduate Program in Management at Universitas Pattimura Ambon in the Class of 2020-2022.

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