

The Financial Balancing Act: How Lifestyle and Pocket Money Shape Student Spending in Indonesia

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Abstract. The results of the 2023 OJK SNLIK survey show that the financial literacy and inclusion index of students is below the national index. This is interesting to study considering the government's efforts to increase knowledge and access to finance evenly, as well as the increasing number of students who choose to study outside their domicile so that they are required to be able to manage their personal finances. This study aims to analyze the effect of financial literacy on spending behavior, as well as present lifestyle and pocket money moderation variables. This type of research is explanatory research with a sample of 460 students from the State University of Surabaya who live in boarding houses, determined through purposive sampling based on slovin measurements. The data analysis used path analysis with SmartPLS 3.0. The results of this study showed that financial literacy has a positive effect on spending behavior. Lifestyle is proven to moderate the effect of financial literacy on spending behavior, while pocket money has no effect as a moderating variable. These findings indicate that student spending behavior is more influenced by the ability to manage finances and lifestyle patterns than the amount of pocket money they have.

Keywords: Spending Behavior, Financial Literacy, Life Style, Pocket Money

Introduction

Surabaya State University is one of the state universities receiving the most students. Surabaya State University increased the capacity of new students in 2023 and accepted 22,915 new students (Republika, 2023). The increase in acceptance of new students will be offset by an increase in boarding students from State University of Surabaya. Given that Surabaya State University students are dominated by students who come from various cities, islands, and countries.

Boarding students are students who pursue education outside the city of domicile. Boarding students will be faced with various complex problems, starting from the environment, peers, language, culture, and social conditions. As students migrants, they should be able to live independently and be able to manage finances correctly. Financial problems for boarding students are generally related to financial management conflicts. This happens because most students still have no income and still depend on their families. Each student has a different financial behavior in managing finances. Often a wasteful attitude arises so that expenses are not proportional to the pocket money received from parents (Amelia *et al.*, 2020). This phenomenon is in line with the results of the National Survey on Financial Literacy and Inclusion (SNLKI) conducted by OJK in 2022 on the financial literacy and inclusion index of students in Indonesia, which amounted to 47.56 percent and 77.80 percent, respectively. Both indices are below the national financial literacy and inclusion index, which amounted to 49.68 percent and 85.10 percent (Alatas & Situmorang, 2024). This phenomenon will lead to the condition of the inability of students to manage finances, causing consumptive behavior. The lack of

financial literacy possessed by students will lead to negative spending behavior or the habits, preferences, and goals of someone in spending their money unwisely (Aini & Rahayuningsih, 2024).

Several factors influence spending behavior and become a gap in previous research, one of which is financial literacy. In general, financial literacy is the knowledge, skills, confidence, and motivation needed to manage money effectively (Remund, 2010). When students have good financial literacy, it will increase the effectiveness of wise financial management (Abebe *et al.*, 2018; Supanantaroeek *et al.*, 2017; Supriyanto *et al.*, 2023). Financial literacy in the form of a combination of knowledge, skills, and individual confidence in managing finances so as to minimize the occurrence of consumptive behavior (Sari *et al.*, 2023) 9. Students must have financial literacy to be used as a solution in overcoming financial problems owned. In addition, financial literacy possessed by students can also be a controller not to behave consumptively, have a wise spending behavior, and allocate income or pocket money obtained from their parents optimally (Rikayanti & Listiadi, 2020)10. In contrast to the results of research by (Alshebami & Aldhyani, 2022; García & Vila, 2020) higher financial literacy has no effect on financial behavior and cannot automatically be associated with better long-term financial behavior.

Referring to previous research, there are several variables that have the potential to moderate the effect of financial literacy on spending behavior. Lifestyle encourages a person to be more consumptive. Most students follow the desires of their lifestyle and do not consider wise financial management. The increasingly complex lifestyle requires a comprehensive understanding and ability of financial literacy to be able to avoid consumptive behavior. The phenomenon of students who experience a shortage of money to buy goods to suit their lifestyle or according to their lifestyle according to their social circle should be minimized by wise financial management skills in order to set financial priorities. A lifestyle that is not accompanied by financial literacy will encourage excessive spending behavior. Students who have good financial knowledge will encourage wise pocket money management and a normal lifestyle (Dewi *et al.*, 2021; Trianingsih & Mahyuni, 2023). In addition, pocket money or student pocket money also has the potential to moderate the effect of financial literacy on spending behavior. The amount of pocket money that is not accompanied by good financial literacy will encourage consumptive behavior (Armelia & Irianto, 2021; Hidayah & Bowo, 2019; Rahmawati & Mirati, 2022).

This research uses a problem-solving approach by exploring the influence of each variable so as to find reinforcement that financial literacy affects spending behavior with life style and pocket money as moderating variables. A quantitative approach is also used to test the proposition and research model. This research takes a sample of precise subjects in accordance with the phenomena and gaps described to provide the information needed.

Methods

This research uses an explanatory methodology with the aim of describing the position of variables and explaining the relationship between them. Information was collected using a questionnaire that used a five-point Likert scale. Respondents were given a scale consisting of five options: strongly disagree (1), disagree (2), neutral (3), agree (4), and strongly agree (5). The participants of this study consisted of students Surabaya State University. The Likert scale used in this study belongs to previous researchers who are well versed in financial literacy, spending behavior, lifestyle, pocket money.

To assess the returned surveys, we used Smart PLS for descriptive statistics and Structural Equation Modeling (SEM). Data collection started in June 2024 and continued until August 2024 using questionnaires. In total, 460 students completed the survey. The questionnaires were distributed through social media platforms. This study used purposive sampling technique with the following criteria:

1. Surabaya State University students who come from outside Surabaya
2. Surabaya State University Indekos students

The number of research samples is 460 samples obtained from 10 multiplied by 46 number of indicators so that 460 research samples are obtained.

Result and Discussion

Table 1. Factor Loading

Indicator	Factor Loadings	Indicator	Factor Loadings
X1.1	0.678	Y1.11	0.812
X1.2	0.699	Z1.1	0.809
X1.3	0.774	Z1.1	0.822
X1.4	0.704	Z1.2	0.780
X1.5	0.680	Z1.3	0.700
X1.6	0.716	Z1.4	0.785
X1.7	0.640	Z1.5	0.727
X1.8	0.722	Z1.6	0.748
X1.9	0.750	Z1.7	0.788
Y1.1	0.664	Z1.8	0.771
Y1.2	0.797	Z1.9	0.699
Y1.3	0.761	Z2.1	0.657
Y1.4	0.792	Z2.2	0.747
Y1.5	0.760	Z2.3	0.740
Y1.6	0.758	Z2.4	0.753
Y1.7	0.766	Z2.5	0.672
Y1.8	0.770	Z2.6	0.651
Y1.9	0.726	Z2.7	0.734
Y1.10	0.742	Z2.8	0.716

After giving questionnaires, SmartPLS used structural equation modelling (SEM) to analyse the data. The validity and reliability ratings were presented in an external model after data processing. Validity needs factor loadings above 0.60. Validity test results in Table 1 show factor loadings over 0.60 for all indicator items for each variable. For all research variables, the questionnaire items are valid. Reliable and valid for all of the variable.

Table 2. Average Variance Extracted

Variable	Average Variance Extracted
Financial Literacy	0.501
Spending Behavior	0.595
Pocket Money	0.511
Life Style	0.576

According to the research, all of the variables utilized had an average variance extracted (AVE) value higher than 0.50, which certifies their validity. The AVE values can be seen in.

Table 3. Cronbach's Alpha

Variable	Cronbach's Alpha
Financial Literacy	0.876
Spending Behavior	0.951
Pocket Money	0.913
Life Style	0.908

Cronbach's Alpha was utilized to conduct reliability testing, with a minimum threshold value of 0.70. Based on the data presented in Table III, it can be observed that all variables possess Cronbach's Alpha values that surpass the threshold of 0.70, hence satisfying the requirements for internal consistency.

Table 4. The Coefficient Of Determination (R2)

Description	Spending Behavior
R2	0.621

Table IV shows that spending behavior has an R2 value of 0.621. The variety of spending behavior is 62.1% explained by financial literacy, while the rest is explained by variables outside the research.

Table 3. Cronbach's Alpha

Var	Path-Analysis	Path-Coefficient	P-Value
H1	X1 -> Y	0.078	0.000
H2	X1 x Z1-> Y	0.054	0.000
H3	X2 x Z2-> Y	0.047	0.252

According to the findings, there is a significant relationship between financial literacy and spending behavior. Students who have good financial literacy can increase higher spending. The reason is because students have higher living needs for clothing, housing and food so that spending on needs increases. However, despite having increased consumer behavior, students are able to manage financial management well and have financial reserves to face any situation. Supported by previous research results, financial literacy also influences consumer behavior both directly and indirectly, especially students, showing that a good understanding of finance can encourage wiser spending management (Munawar, 2023).

Lifestyle is successful in moderating the relationship between financial literacy and spending behavior. A person's lifestyle, including spending money and time, is reflected through the activities, interests, and views they have, especially in students (Yuliana & Rosidah, 2024). This can be caused by a consumptive lifestyle that follows fashion trends and the level of consumption of students who have a healthy lifestyle so that they forget about good financial management. Lifestyle can affect an individual's ability to manage finances effectively. Even though someone has knowledge about finance, their lifestyle which may be consumptive or unwise can reduce the effectiveness of that knowledge in managing expenses. Meanwhile, for those who have a healthy lifestyle, the level of consumptiveness tends to be directed at increasing higher spending on living needs, such as staple foods and side dishes that pay attention to balanced nutrition. So that groups who have a healthy lifestyle tend to spend a lot of money to buy products with higher value needs. The results of previous studies also show that lifestyle can weaken financial literacy on student consumptive behavior. Pocket money is not able to moderate the influence of financial literacy on spending behavior. Pocket money does not play a role in strengthening or weakening the relationship between financial literacy and spending behavior. This is because the pocket money received by students is mostly used to meet daily needs and allocated as emergency funds, so it does not function as a moderating factor in their financial management. The amount of pocket money a person has does not affect how their financial literacy affects the way they manage their expenses. This suggests that other factors, such as individual attitudes or habits, may be more influential than just the amount of money available.

Overall, the results of this study emphasize the importance of a deep understanding of financial literacy and the influence of lifestyle on effective financial management among college students. To achieve better financial management, it is important for college students to not only have knowledge about finance, but also to adopt a wise lifestyle in spending. Financial education efforts and awareness of lifestyle can help college students manage their spending more wisely, leading to better and more responsible financial management.

Conclusion

This research highlights a significant relationship between financial literacy and spending behavior among students. Although students with good financial literacy tend to spend more due to higher living costs, they are generally able to manage their finances wisely, ensuring financial preparedness for unforeseen situations. The study confirms that lifestyle plays a moderating role in this relationship, where a consumptive lifestyle weakens the positive effects of financial literacy on spending behavior. A healthy lifestyle, however, tends to increase spending on essential needs such as nutritious food. On the other hand, pocket money does not moderate the influence of financial literacy on spending behavior, as it is primarily used for daily needs and emergencies. The range of pocket money for boarding students varies quite a bit with the lowest, medium, and highest categories. The average student pocket money is in the medium category ranging from IDR 1,000,000 - IDR 2,500,000. In other

words, the level of pocket money received by boarding students does not make them better or worse at managing student expenses, even if someone has a good level of financial literacy. Overall, the findings emphasize the importance of understanding both financial literacy and lifestyle for effective financial management among students. It is crucial for students to not only acquire financial knowledge but also adopt a prudent lifestyle to manage expenses wisely. Financial education and lifestyle awareness initiatives can aid students in making more responsible financial decisions, leading to better financial management.

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