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**COLLEGE STUDENT'S FINANCIAL WELL-BEING ON JAVA ISLAND: THE
ROLE OF FINANCIAL LITERACY, FINANCIAL BEHAVIOR, AND FINANCIAL
SOCIALIZATION**

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ABSTRACT

After graduating from college, a student's financial situation is critical since it impacts their **3** general level of contentment with life. This study used financial behavior among university students on Java Island to investigate the impact of financial socialization and literacy on financial well-being. This kind of study uses a non-probability sampling method and quantitative methods, involving 134 students in Java Island data processing procedures with Smart PLS. The findings revealed that financial socialization and financial literacy are favorably related to financial well-being. Financial literacy and financial socialization positively affected both financial behavior and financial well-being. Financial conduct acts as a mediating variable between financial well-being, financial literacy, and financial socialization, which both have a favorable impact.

Keywords: Financial Literacy, Financial Socialization, Financial Behavior, Financial Well-being.

INTRODUCTION

Financial knowledge becomes crucial when young students begin to spend their own money (Ahmad et al., 2021). When they first start college, live alone, and experience managing their finances for the first time, most students find it challenging to manage their finances (Shaari et al., 2013). After the end of the university period, students will face the challenge of intense independent financial management without parental supervision (Brüggen et al., 2017). Based on data, the population in Indonesia is dominated by Gen Z born in 1997 - 2012 at 27.94% (Statista Research Department, 2020). The Ministry of Home Affairs (MOHA) reports that West Java, East Java, and Central Java are home to the greatest concentration of Generation Z (Central Bureau of Statistics Republic of Indonesia, 2020). Indonesia's overall university count is 176,022 at the end of 2020 (Ministry of Education, Culture, Research, 2020).

The number of students in Indonesia in 2020 was 2,163,682 students (Ministry of Education, Culture, Research, 2020). The most significant number of students are in Banten (210,202 people), East Java (284,240 people), West Java (270,113 people), DKI Jakarta (200,748 people), Central Java (208,533 people), and DI Yogyakarta (115,507 people) (Ministry of Education, Culture, Research, 2020). This results in financial well-being for students becoming an important issue that can affect overall life satisfaction (Margaretha & Pambudhi, 2015). Many students have yet to be able to manage finances and prefer to indulge in desires and prestige, resulting in expenses that are not proportional to income (Natalia et al., 2019).

Financial well-being is strongly associated with quality of life (Osman et al., 2018). Low financial well-being compromises a person's psychological, social, and physical well-being and, if left unchecked, can eventually result in poor efficiency, errors in judgment in the short term, low productivity, and difficulty concentrating (Osman et al., 2018). Poor financial health will also keep people in low-paying employment and a never-ending cycle of poverty (Osman et al., 2018).

When someone can meet their present and future financial responsibilities, maintain a desirable level of living, and make decisions that let them enjoy life and attain financial freedom, they are said to be in a state of financial well-being (Brüggen et al., 2017; Consumer Financial Protection Bureau, 2017). Based on previous research, topics related to financial well-being are still not widely discussed, and there is no consensus in the literature regarding methods of measuring financial well-being (Brüggen et al., 2017; Kempson et al., 2017).

Previous studies have measured well-being using objective and subjective techniques (Brüggen et al., 2017). The subjective method facilitates examining people's views and responses to financial circumstances, such as financial satisfaction (Brüggen et al., 2017). This is opposed to

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objective methods like using one's income level to gauge one's financial well-being (Brüggen et al., 2017). This study uses a subjective approach to measuring financial well-being because it can provide more comprehensive research results, capture non-financial issues, and measure complex personal phenomena (Brüggen et al., 2017).

If people have financial literacy and financial socialization, they can attain financial well-being (Ameliawati & Setiyani, 2018; Utkarsh et al., 2020; Castro-González et al., 2020). Numerous earlier studies have shown how financial socialization and financial literacy affect people's behaviors linked to responsible money management (Andarsari & Ningtyas, 2019; Setiyani & Solichatun, 2019). Good financial behavior will encourage the achievement of financial well-being (Hasibuan et al., 2018).

Nevertheless, some earlier study findings indicate otherwise. According to Addin et al. (2013), financial well-being is unaffected by financial literacy. Wulansari (2019) found that financial behavior cannot be a factor that influences one's financial state. These issues and knowledge gaps motivate more studies on financial socialization and financial literacy's effects on financial well-being, using financial behavior as an intervening variable for Java students.

LITERATURE REVIEW

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The OECD (Organization for Economic Co-operation and Development) characterizes financial literacy as a combination of awareness, knowledge regarding financial concepts and risks, behavioral skills, motivation, and habits that support effective financial decisions (Hasibuan et al., 2018). The intricacy of financial products and the shifting economic environment demand that individuals acquire financial knowledge that can enable them to make financial decisions (Kamakia et al., 2017). Past research shows that both developed and developing countries have low levels of financial literacy (Sharif & Naghavi, 2020). Prior research also shows financial literacy changes across age groups, ethnicities, and educational levels (Sharif & Naghavi, 2020).

Financial socialization can influence individual financial decision-making behavior (Setiyani & Solichatun, 2019). The process of learning and developing beliefs, attitudes, standards, conventions, knowledge, and behaviors seeking personal and financial well-being is called financial socialization (Zhao & Zhang, 2020). Financial socialization pertains to the deliberate and inadvertent teaching and learning of financial knowledge by socialization agents, including parents, spouses, family members, instructors, and the media, to teenagers (Shim et al., 2010).

The idea of planned behavior states that people's attitudes about certain behaviors influence their intentions to carry them out, which come before the actual actions (Ajzen, 1991; Serido et al., 2015). The effort someone is willing to put forth when engaging in behavior depends on how they feel about the action's effectiveness and the results they want to achieve (Serido et al., 2015). Subjective norms will impact an individual's behavior, as demonstrated by planned behavior (Setiyani & Solichatun, 2019). Subjective norms are social factors that encourage a person to take action or not (Setiyani & Solichatun, 2019). According to the idea of planned behavior, people's attitudes have a consequence on their financial well-being.

Financial socialization provided from an early age will show better financial behavior and improve financial well-being (Setiyani & Solichatun, 2019). Financial behavior is how well individuals manage financial resources, including budget planning, insurance, and investment (Hasibuan et al., 2018). Financially destructive habits include overspending, compulsive debt accumulation, late bill payments, and routine use of emergency savings (Brüggen et al., 2017). Managing and limiting spending, generating income, making investments, and paying fees on time are all indicators of responsible financial behavior (Hasibuan et al., 2018). A person is considered to be in a state of financial well-being when they can fulfill their current and future financial obligations, maintain a desirable standard of living, and make choices that allow them to live a fulfilling life and achieve financial independence (Brüggen et al., 2017; Consumer Financial Protection Bureau, 2017).

This study has seven hypotheses. It evaluates the effects of financial literacy on financial behavior, financial socialization on financial behavior, financial behavior on financial well-being, financial socialization on financial well-being, and financial literacy on financial well-being. That is, to examine the relationship of financial literacy on financial well-being with financial behavior as an

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intervening variable and to assess the impact of financial socialization on financial well-being with financial behavior as an intervening variable.

Financial literacy positively influences financial behavior (Sharif & Naghavi, 2020). People with strong financial literacy typically exhibit sound financial behavior, as demonstrated by their capacity for saving, prudent asset management, and investment diversification (Kamakia et al., 2017; Sharif & Naghavi, 2020). Individuals with financial literacy can avoid being tempted by investments that are not legal (Sharif & Naghavi, 2020). Individuals who lack financial literacy are more likely to have credit card debt, high borrowing costs, and excessive debt (Sharif & Naghavi, 2020). Financial competence is the ability to use concepts and information necessary for each person's financial advancement. Financial literacy teaches people how to make long-term financial decisions, such as purchasing an underutilized home or creating retirement plans (Blue et al., 2014).

H₁: Financial literacy on financial behavior.

Financial socialization can affect financial decision-making behavior (Setiyani & Solichatun, 2019). Supported by planned behavior, financial socialization can influence a person's conduct by acting as a subjective norm (Ameliawati & Setiyani, 2018). The more seasoned party will assist the novice learner in financial socialization by imparting norms, values, guidelines, and attitudes that will affect the person's thinking and doing (Ray, 2016).

H₂: Financial socialization on financial behavior.

Financial behavior affects financial well-being (Setiyani & Solichatun, 2019). Individual behavior will be related to decision-making every day. Financial well-being is more likely to be attained by those with sound financial habits (Hasibuan et al., 2018). People who practice good financial conduct will be more empowered to manage their finances going forward (Hasibuan et al., 2018).

H₃: Financial behavior on financial well-being.

Financial literacy enables individuals to manage their finances to improve their welfare (Ameliawati & Setiyani, 2018). Students can obtain financial literacy through education pursued through higher education (Margaretha & Pambudhi, 2015). Therefore, Otoritas Jasa Keuangan also strongly urges the public to learn financial literacy (Sugiarto, 2017). Kamakia et al. (2017) and Hasibuan et al. (2018) have proven that financial state depends on financial literacy.

H₄: Financial literacy on financial well-being.

One's financial well-being is positively impacted by financial socializing (Sabri et al., 2021). The formation of standards, values, norms, and attitudes that will impede or promote an individual's ability to acquire financial aptitude and enhance financial well-being is included in the process of financial socialization, which goes beyond simple money management (Ullah & Yusufeng, 2020).

H₅: Financial socialization on financial well-being.

Excellent financial behavior, such as the ability to save, manage their wealth wisely, and diversify their investments, is often exhibited by those with excellent financial literacy (Castro-González et al., 2020). Financial behavior can be critical When assisting people in achieving financial well-being (Brüggen et al., 2017).

H₆: Financial literacy on financial well-being with financial behavior as an intervening variable.

Numerous factors, including peer pressure, family guidance, ads, economic standing, marital status, wage level, and so forth, might potentially affect a person's financial conduct (Sudindra & Naidu, 2018). According to Ameliawati and Setiyani (2018), financial socialization carried out by socialization agents (such as parents, friends, education, and media) as representatives in interactions can improve individual financial behavior. This is because socialization agents can provide financial information that is useful in sound financial management, thus enabling individuals to achieve a financial state (Setiyani & Solichatun, 2019).

H₇: Financial socialization on financial well-being with financial behavior as an intervening variable.

METHODOLOGY

The study adopts a quantitative method and purposive sampling. It involves university students on Java Island who are 18 years of age or above. The sampling technique uses the calculation formula Hair et al. (2019) with a minimum of 105 respondents.

The endogenous variable is financial well-being. When someone can maintain their desired level of living both now and in the future, pay their present and future debts, and make decisions that let them enjoy life and become financially independent, they are said to be in a state of financial well-being (Brüggen et al., 2017; Consumer Financial Protection Bureau, 2017). This study's indicators of financial well-being include (Consumer Financial Protection Bureau, 2017):

- a. Having financial control
Maintain financial control on a daily and monthly basis.
- b. Being able to handle financial shocks
Possess the ability to manage unforeseen high costs.
- c. Moving toward financial objectives
Knowledgeable about both long- and short-term financial objectives.
- d. Having enough money to enjoy life
Possess the financial independence to enable you to live a fulfilling life.

Exogenous variables are financial literacy and financial socialization. Financial literacy is the knowledge and comprehension of basic financial principles that enable people to handle their money wisely (Arofah et al., 2018). Indicators of financial literacy are (Arofah et al., 2018):

- a. Understanding related to personal finance
Possess the ability to set priorities and understand personal finance goods and services.
- b. Understanding related to expenses and income
Understanding of managing a budget's expenses and revenues.
- c. Understanding related to financial instruments
Familiarity with both long- and short-term investing options.

In order to attain both financial viability and individual welfare, financial socialization is the process by which people acquire and develop knowledge, skills, information, values, norms, attitudes, standards, and practices from both internal and external settings (Ameliawati & Setiyani, 2018; Zhao & Zhang, 2020). Financial socialization indicators consist of (Sabri & MacDonald, 2010):

- a. Parental influence
The role of parents in fostering financial knowledge and expertise.
- b. Friend influence
Friends play a vital role in promoting financial understanding and expertise.
- c. Sibling influence
The function of siblings in promoting knowledge about finance and competence.
- d. University influence
The function of higher education in promoting financial awareness and proficiency.
- e. Religious influence
The contribution of religion to the development of financial education and expertise.
- f. Media influence
The media's contribution to the development of financial knowledge and competence.

The intervening variable is financial behavior. The capacity of individuals to oversee their daily financial resources, including planning, budgeting, checking, managing, controlling, and storing them, is known as financial behavior (Andarsari & Ningtyas, 2019; Rahayuningsih & Prihastuty, 2021). Indicators of financial behavior are (Andarsari & Ningtyas, 2019):

- a. A careful attitude in purchasing goods
- b. Using money according to goals
- c. Having savings
- d. Paying bills on time
- e. Being willing to accept investment risks
- f. Regularly create a budget strategy
- g. Having long-term financial plans
- h. Execute budgetary management

The original data is collected by sending online surveys to the participants who meet the predefined selection standards. The research questionnaire is divided into two parts: the

respondent's personal data and the indicator statement for each variable. A Likert scale will be used to complete the Google Forms research questionnaire. Respondents are asked to fill in one of the answers in the form of numbers on a scale of one, which means strongly disagree, to a scale of five, which means strongly agree.

Furthermore, data analysis uses Smart Partial Least Square (PLS) version 3.0. PLS is used because of its advantages in producing information that is efficient and easy to interpret, especially in complex models or hypotheses, can be used on a small amount of data, does not require data prerequisites that are normal, linearity, and heteroscedasticity (Jogiyanto & Abdillah, 2019). Smart Partial Least Square can also be used on reflective and formative indicators of the latent variable (Jogiyanto & Abdillah, 2019).

If concepts and models have not been purified through the measurement model, they cannot be assessed in relational and causal relationship prediction models (Jogiyanto & Abdillah, 2019). The instrument's reliability and the construct's validity are tested using the measurement model (Jogiyanto & Abdillah, 2019). To assess the relevance between the constructs in the structural model, the adjusted r-square for the dependent construct, the path coefficient value, or the t-values for each path are used to evaluate the structural model derived by PLS (Jogiyanto & Abdillah, 2019). Figure 1 shows the theoretical framework.

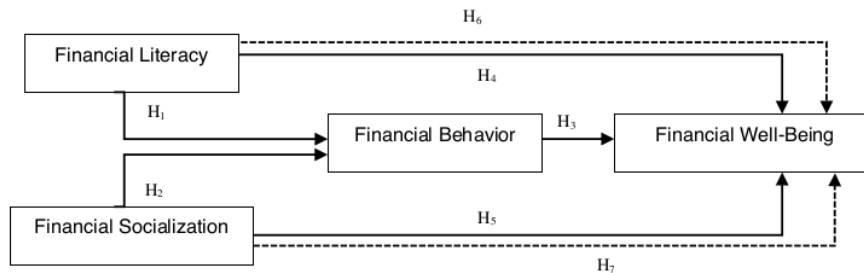


Figure 1. Theoretical Framework

ANALYSIS AND DISCUSSION

Analysis

Table 1 shows the descriptive statistics. There were 134 respondents who fit the research criteria. The average respondent is 18 to 24 years old and is dominated by students taking college in the third year, with as many as 50 respondents (37.3%), and in the fourth year, as many as 43 respondents (32.1%). The rest are students who are taking college in the first year, with as many as 8 respondents (6%); in the second year, as many as 18 respondents (13.4%), and over the fifth year, as many as 15 respondents (11.2%), who come from various universities in Java.

Table 1. Descriptive Statistic

Levels of Learning in Higher Education	Total	Percentage
First year	8	6%
Second year	18	13.4%
Third year	50	37.3%
Fourth year	43	32.1%
Over the fifth year	15	11.2%
Total	134	100%

Variables	
Average value of financial well-being	4.054
Average financial literacy score	3.936

The average value of financial socialization	3.700
Mean value of financial behavior	3.932

Source: Processed data (2021)

The financial well-being variable has an average value of 4.054. The average financial literacy variable is 3.936. The financial socialization variable has an average value of 3.700. The financial conduct variable has an average value of 3.932. The four variables' average value is categorized as high.

Based on the convergent validity test with the rule of thumb, outer loading above 0.7, communality above 0.5, and AVE or Average Variance Extracted above 0.5 (Jogiyanto & Abdillah, 2019). All indicators are valid for all variables, as observed from the findings. However, the FB4 and FB5 indicators, which are indicators of financial behavior, have an AVE value of less than 0.5, so they are eliminated and not used in this study.

The test results of the discriminant validity by examining the measurement's cross-loading value with its constructs (Jogiyanto & Abdillah, 2019). It can be seen that each indicator is valid and able to explain and measure their respective latent variables, marked by the cross-loading value of each construct being more significant than other constructs. Cronbach's alpha or the composite reliability value, whichever comes first, must be more than 0.7 in a reliability test, while 0.6 is still acceptable (Jogiyanto & Abdillah, 2019). Because the composite reliability value, also known as Cronbach's alpha, is more than 0.8, every variable in this study has been deemed reliable. The PLS measurement model's output is displayed in Figure 2.

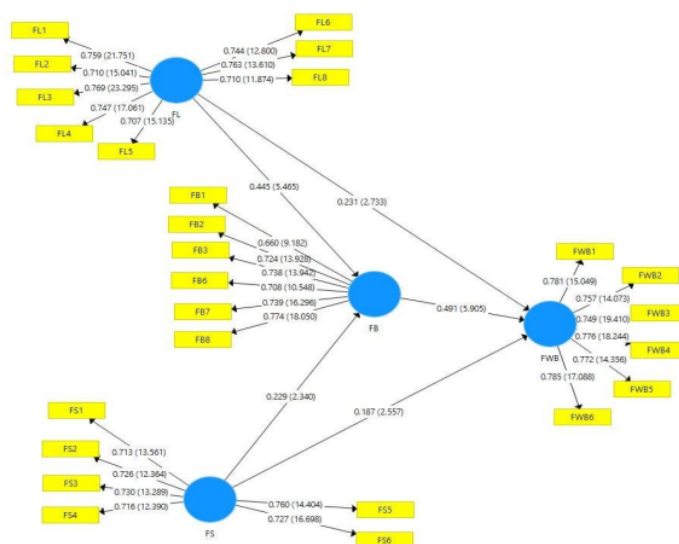


Figure 2. PLS Output model

The financial behavior variable's adjusted R^2 (Coefficient of Determination) value is 0.335, meaning that financial socialization and financial literacy can account for 33.5% of the variation in financial behavior.

The financial well-being variable's adjusted R^2 (Coefficient of Determination) value is 0.565, meaning that financial behavior, financial socialization, and financial literacy account for 56.5% of the variation in financial well-being, with other variables outside the suggested model accounting for the remaining 43.5%. The research structural model has a high predictive relevance (Q^2) of 71.1%, as indicated by the Q^2 (predictive relevance) value of 0.711. Other factors not included in this study model account for the remaining 28.9% of the variance.

Test the hypothesis by comparing the t-statistic and the t-table value, which is 1.96 (two-tailed) for a significance level of 0.05. The hypothesis is accepted if the t-statistic > t-table value,

which is 1.96, and the initial sample estimate is positive. It is vital to consider each t-statistic value of exogenous variables on endogenous variables to make judgments regarding the impact of each variable.

7 Table 2 shows the results of the hypothesis test.

Direct Effects and Indirect Effects	Original Sample	T Statistics	P Values	Significance
H ₁ . FL affects FB	0.445	5.465	0.000	Significant
H ₂ . FS affects FB	0.229	2.340	0.020	Significant
H ₃ . FB affects FWB	0.491	5.905	0.000	Significant
H ₄ . FL affects FWB	0.231	2.733	0.007	Significant
H ₅ . FS affects FWB	0.187	2.557	0.011	Significant
H ₆ . FL affects FWB with FB as an intervening variable	0.218	3.854	0.000	Significant
H ₇ . FS affects FWB with FB as an intervening variable	0.112	2.436	0.015	Significant

Source: Processed data (2021)

Discussion

The first hypothesis is supported by the path coefficient of 0.445, the t-statistic of 5.465 > 1.96, and the p-value less than 0.05, which shows that financial literacy has a favorable impact on financial behavior. Andarsari & Ningtyas (2019) also assert that financial literacy has a favorable impact on financial behavior. By enhancing their financial literacy, students can gain positive financial behavior as an advantage (Utkarsh et al., 2020). Having strong financial literacy leads to sound financial behavior, such as prudent debt management, saving, and investing (Blue et al., 2014; Andarsari & Ningtyas, 2022).

Hypothesis 2 indicates that there is a positive correlation between financial socialization and financial behavior, as evidenced by a path coefficient of 0.229, a t-statistic of 2.340, and a p-value less than 0.05. The findings of this research correspond with those of Setiyani & Solichatun (2019) and Ameliawati & Setiyani (2018). According to Setiyani & Solichatun (2019), financial socialization can influence financial decision-making behavior. Backed by the theory of planned behavior, financial socialization, serving as a subjective norm, has the potential to shape an individual's behavior (Ameliawati & Setiyani, 2018).

Agents of socialization, like parents and family members, can serve as inspirations and encouragers in managing finances. (Shim et al., 2010). Basic knowledge related to finance provided by families and parents has an important role that can influence adolescent behavior, although over time individual personal experiences will also affect their behavior (Sabri et al., 2021). Through media and education, students can learn financial information that is useful in sound financial management (Setiyani & Solichatun, 2019).

Hypothesis 3 demonstrates that financial behavior positively affects financial well-being, as indicated by an original sample of 0.491, a t-statistic of 5.905, and a p-value below 0.05. This aligns with the research findings of Hasibuan et al. (2018), Setiyani & Solichatun (2019), and Sabri et al. (2021). This study's findings diverge from Wulansari (2019). People who manage their finances well will be able to use money wisely, make money, manage and control expenses, make investments, and make timely payments of costs (Hasibuan et al., 2018). The existence of good control that individuals have over finances will have an impact on their financial well-being (Hasibuan et al., 2018; Sabri et al., 2021).

Financial literacy has a positive effect on financial well-being, as demonstrated by the original sample value of 0.231, t-statistic of 2.733, and p-value less than 0.05, all of which support hypothesis 4. The findings of this investigation diverge from those of Addin et al. (2013), who demonstrate no relationship between financial well-being and financial literacy. Consistent with Ameliawati & Setiyani (2018) and Sabri et al. (2021), financial literacy has positively impacted financial well-being. The knowledge gained by students regarding personal finance, investment, loans, and insurance can support achieving financial well-being goals (Setiyani & Solichatun, 2019). Students with limited financial literacy are likely to experience poor financial well-being because they are entangled in high debt installments, illegal investments, and other financial risks Sabri et al. (2021).

According to hypothesis 5, financial socialization has a positive effect on financial well-being, as demonstrated by the p-value of less than 0.05, the t-statistic of 2.557, and the original sample of 0.187. This study's findings are consistent with those of Utkarsh et al. (2020) and Sabri et al. (2021). Socialization agents, particularly parents, greatly influence adolescents' financial well-being since they provide a basis for developing sound money management practices and favorable attitudes regarding money (Utkarsh et al., 2020).

With financial conduct acting as a mediating variable, hypothesis 6 demonstrates that financial literacy has a positive impact on financial well-being. This is supported by the original sample value of 0.218, t-statistic of $3.854 > 1.96$, and p-value less than 0.05. The findings of this study are consistent with those of Kamakia et al. (2017), Setiyani & Solichatun (2019), Sharif & Naghavi (2020), and Castro-González et al. (2020), which demonstrate that people who possess strong financial literacy also typically exhibit strong financial behavior, as evidenced by their capacity for saving, prudent wealth management, and investment diversification. Students who have good financial literacy, such as general knowledge related to finance, will have awareness in making effective financial decisions, tend to manage their finances to achieve their desired goals, tend to have investments in the future, and do not want to be tied to personal or institutional loans (Setiyani & Solichatun, 2019).

With financial conduct acting as an intervening variable, hypothesis 7 demonstrates that financial socialization benefits financial well-being. This is supported by the original sample value of 0.112, t-statistic of $2.436 > 1.96$, and p-value less than 0.05. Socialization agents provide financial knowledge and skills that will influence good financial behavior, thus enabling individuals to achieve financial well-being (Setiyani & Solichatun, 2019). According to LeBaron & Kelley (2021), parents' guidance of their adolescent children, in particular, can positively impact their financial behavior and allay worries about future money management, ultimately leading to the attainment of financial well-being. Financial socialization provided early on will shape individuals to have better financial behavior to improve financial well-being (Setiyani & Solichatun, 2019).

According to the financial literacy variable with the largest outer loading, a significant number of students still possess only rudimentary knowledge of pension funds and savings for retirement. Students can start saving early for their retirement by learning about pension funds and their importance, administration, and knowledge. The financial socialization variable with the highest outer loading indicates that religion significantly impacts students' financial literacy and skill sets. Students can learn practical money management skills from religious leaders through their sermons.

The financial behavior variable with the largest outer loading indicates the significance of spending management. To be able to attain their intended financial goals and financial well-being in the future, students must learn financial control at a young age. Students who feel they have the freedom to make financial choices are those who have the greatest outer loading on the financial well-being variable. Financial conduct, financial socialization, and financial literacy are all necessary for achieving student's financial well-being.

CONCLUSIONS AND RECOMMENDATIONS

Financial well-being is essential for students. On average, financial welfare among students in Java Island is already classified as good. This is backed by positive financial behavior, which aims to reach the target of financial well-being. Early provision of financial literacy and financial socialization can aid in developing positive financial behavior. Students benefit significantly from a foundation of financial literacy and financial socialization via socialization agents like parents and the media. However, students will also face challenges in choosing information the media provides as a socialization agent.

It is evident from the study findings that financial conduct is positively impacted by financial socialization and literacy. As a result, financial literacy programs offered at colleges can assist students in gaining the information and abilities needed to handle their finances. A sound understanding of financial literacy will help to foster responsible financial behavior. Parents, friends, religion, and the media are a few examples of significant socialization factors that might affect a student's financial behavior. The greater the positive influence of socialization agents on students, the better students' behavior in managing finances.

The way one manages their finances positively impacts their financial well-being. The accomplishment of financial well-being will be encouraged in students who exhibit sound financial conduct from an early age, such as saving and investing. With financial behavior as a mediating variable, financial literacy and socialization directly and indirectly boost financial well-being. An excellent financial attitude results from adequate financial socialization and knowledge, which helps attain financial well-being. From the result of predictive relevance value, future research is expected to examine other variables outside this research model, such as personal and family characteristics, gender, and social, political, and economic issues.

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