

## The Impact of Perceived Financial Literacy and Parental Norm towards Money Management of *Bidikmisi* Student

Rinita Pappang<sup>1\*</sup> and Njo Anastasia<sup>2</sup>

<sup>1,2</sup> Faculty of Business and Economics, Petra Christian University  
Jl. Siwalankerto 121-131, Surabaya 60236, INDONESIA  
Corresponding author, email: <sup>1\*</sup>pappang13@gmail.com; <sup>2</sup>anas@petra.ac.id

### Abstract

This research examines the impact of perceived financial literacy and parental norms on money management. I collected the data by spreading online and printed questionnaires towards 100 respondents of students who got *Bidikmisi* scholarship from several universities in Indonesia. Then, the data was processed by SmartPLS. The result of the research shows that perceived financial literacy and parental norms significantly influence money management of students who got *Bidikmisi* scholarship. So, the role of parents in terms of educating the children about finance shapes the knowledge of the students to manage the scholarship to fulfill the needs of the college.

**Keywords:** Perceived financial literacy; parental norms; money management; *bidikmisi*.

### 1. Introduction

The government has a role to make Regulation of Indonesian Republic number 12 in the year 2012 about higher education. Chapter 76 of the regulation is about the fulfillment of students' rights. This law requires the government or higher education institutes to give scholarships, exempt tuition fees, or lending money without interest that can be returned after graduation or having a job. The scholarship helps students to have financial support to join/finish the study in a university with consideration of achievement or academic potential. Financial support for education could help the students who cannot pay the tuition to join or finish the study in university. The government, especially the Ministry of Research, Technology and higher education, have several programs to help students. They are *Bidikmisi* scholarship, *Afirmasi Pendidikan* scholarship, and *Peningkatan Prestasi Akademik* scholarship. *Bidikmisi* scholarship can help students who cannot pay the tuition fee and have an academic potential to study in a university. *Afirmasi Pendidikan Tinggi* can help students to pay the tuition with the purpose of acceleration and equitable in the field of education. *Peningkatan Prestasi Akademik* scholarship can help the students who have good achievements. In 2015, the government allocated 2.34 trillion rupiahs for *Bidikmisi* scholarship, 40.6 billion for *Afirmasi Pendidikan* scholarship, and 5 billion for *Peningkatan Prestasi Akademik* scholarship. The biggest assistance from the government is the *Bidikmisi* scholarship, therefore the subject of the research is focusing on the students who received the *Bidikmisi*

scholarship (Dikti, Bidikmisi, 2011). Each student gets 6,000,000 rupiahs per semester which is 40% for fulfilling education needs while 60% for daily needs (Dikti, Bidikmisi, 2016).

The assistance for daily needs is given to the students every 6 months to fulfill the daily needs of the students in 6 months. According to pre-survey made to 8 *Bidikmisi* scholarship students, 37% of respondents could spend the money in 3 months. Even 12.5% of respondents could spend it less than 3 months. Other respondents could spend it in 6 months (12.5%), and more than 6 months (25%), and the other 12.5% respondents say uncertainly. Generally, they receive the same amount of money, but they can spend it differently. This phenomenon shows that students of *Bidikmisi* scholarship that could spend it in 6 months have good financial management, but the others do not have it. On the pre-survey, 62.5% of students who received the *Bidikmisi* scholarship agree to the statement that they need to manage their financial management, and the rest, 37.5%, only says agree. Practically, respondents do not always manage the money they get in a good way. Only 37.5% who can spend it in a good way, while 62.5% say sometimes. Consequently, a student could get the scholarship, but he/she does not always get the dream (Endang & Horas, 2018).

Everyone has his/her purpose in financial. To reach the dream, one of the ways is money management. Money management is an ability to understand, analyze, manage, and communicate the self-financial problem to have financial welfare. This ability includes the ability of decision making towards the

money, discussing the uncomfortableness in finance, making a good influence, and planning the money for the future (Vitt & Siegenthaler, 2000). Bad behavior of spending money could affect negatively in-home life and the workplace (Mien & Thao, 2015). Factors that affect money management towards young adult people are perceived financial literacy and parental norms (Sheela & Muhammad, 2017). Hogarth & Hilgert (2012) claims that financial literacy is knowledge towards finance; and the ability to use it in a good financial decision making. Financial literacy is related to the ability to manage money (Remund, 2010). Knowledge about managing money is less of the main reason why people are failed to manage their finances. In this research, the financial literacy of students is from the perception of each because the samples of the research are from different majors and different levels of knowing and experiencing finance. Besides perceived financial, parents also have an important role in somebody's money management. Parental norms are behavior that parents usually do then it being taught to the children and the children do so. Parents are the main socialization agent for teenagers and adults (Clarke et al., 2005). Parents are the people that have an important role for every child because almost all children are growing up with their parents. Even they still live with their parents when they already married. Parents' behavior is influential towards the children in terms of how they talk, behave, and think about managing money (Mulyadi & Trizki, 2012).

This research has a purpose to examine the impact of perceived financial literacy and parental norms on money management of the students who get the *Bidikmisi* scholarship. The benefit of the research shows the different background of the students who get *Bidikmisi* scholarship with their own perceived financial literacy that they have been had since young and will help the students to manage the scholarship to finish the study in higher education. that condition also gives a benefit for the government in the long-term to prepare the young generation to have good financial literacy that can help themselves, families, work, and country.

## 2. Literature Review

Money management is the basic domain of financial behavior. Money management is a financial behavior related to the daily spending, payment and plan and the ownership of any products of money, also financial plan to reach the goal of a family. Besides, financial management behavior is an ability to manage their own money. The ability of managing

finance is what everyone needs to have good finance. Financial management behavior is related to the financial responsibility of somebody in terms of how they manage their financial money management (Ida & Dwinta, 2010), while according to Kholilah & Iramani (2013), financial management behavior is related to cash management, saving and investment, credit management, and insurance. Cash Management is a form of arrangement to the cash that is owned by somebody, so it is enough to meet the needs. Cash management is a key to financial freedom (Khuon, 2015). Cash management is focusing on collecting, treatment and the using of cash (Roudik, 2018). Saving & investment is a proponent of today's consuming for the future. Credit is an act of borrowing money that should be returned at a certain time. insurance is a media of consumer to protect their self from any potential losses in the future. This research is focusing on cash management and saving & insurance.

The knowledge about finance is needed by everyone who has money, so the money can be utilized as well as possible. According to Hogarth and Hilgert (2012), financial literacy is knowledge towards finance and the ability to use it to make a good financial decision making. According to Bhusan & Medury (2013), a consumer that has financial literacy can pass a bad time of finance because they have savings, insurance, diversification of investments. Financial literacy is knowledge of the concept of finance that being used to choose money product that effectively increasing financial well-being from every one of a group of people to participate in the life of economics. Financial literacy is knowledge about the concept of money such as insurance, mortgages, and skills. Financial literacy is measured with the variable of financial knowledge (Raaij, 2016). According to Lusardi & Mithchell (2014), financial knowledge can be measured with 3 indicators: interest rate, inflation, and risk diversification. The interest rate is the behavior of interest rates offered by the financial world or the rate of compensation of monetary value at this time and in the future. Inflation is a general and continuous increase in price within a certain period. Risk diversification is a capital that is implanted in various types of investments to reduce the chances of risk to be faced. This research uses 2 indicators namely interest rate and risk diversification.

Financial socialization is one's process to gain skills, knowledge, and attitudes related to its functions. Beutler and Dickson (2008) said that family influences the final result in developing attitudes such as attitudes toward money. Ardiana (2016) also said that parents are the agent of main socialization in the

child's learning process concerning money and the process of developing financial management behavior that is carried out accidentally and intentionally through learning in the family. In fulfilling the role, parents always try to make their children grow as good, independent and have great life values, so they are expected to be a person who appreciates life. One of them is to respect the money that they owned by spending it wisely. Sim, Xiao, Berber & Arizona (2009) agreed that adults who are confident in their choice of financial transactions tend to have enough guidance from their parents since childhood, in addition to formal financial literacy education from various sources. Parents are people who play a significant role for every child, because almost all children grow up with parents, from childhood to adulthood, even when the child is married and have their own family. Parental behavior can affect children such as how to talk, behave, think and even manage money (Mulyadi & Trizki, 2012). According to Sim, Xiao, Berber & Arizona (2009) there are several indicators to measure financial socialization, namely parental socio-economic status (SES), parent financial behavior, parent direct teaching, high school work experience, high school financial education, adopting parental financial role modeling, financial knowledge, parental subjective norms, perceived behavior control, financial attitude, financial relationships with parents, financial satisfaction and healthy financial behavior. Three indicators will be used in this study, among others are parental subjective norms, parental direct teaching and adopting parental financial role modeling. Parental subjective norms show parents' financial behavior. Parent direct teaching is a level of parental involvement in educating finance to their children, such as discussing family financial issues with children and teaching children how to use credit cards appropriately. Adopting parental financial role modeling is how much the children make parents as role models in managing finances.

Money management is the individual behavior in managing money that they owned. The more financial knowledge they have, the better the individual managing their money. Low financial knowledge can cause the creation of a wrong financial plan (Widdowson & Hailwood, 2007). Aside from causing the creation of a wrong financial plan, it also will cause undirected daily financial decisions (Yulianti & Silvy, 2013). Widdowson & Hailwood (2011) stated that financial literacy affects individuals in their saving, borrowing, investing and managing financial activities. Perry and Morry (2005) found that financial knowledge has a positive effect on financial mana-

gement behavior. In contrast, Kholilah and Iramani (2013) stated that financial knowledge does not directly affect financial management behavior.

Furthermore, parental role in children's education is crucial, including education in managing personal finance. The knowledge gained by children during their experience living with parents, causes them to grow up as smart as their parents in managing finances and have the same values as their parents (Mulyadi & Trizki, 2012). Shim et al (2009) found that socialization about finances from parents had a great impact on young people in shaping attitudes and behaviors towards money. The same thing was proven by Solheim, Zuiker & Levchenko (2011) that parents are a model that has a positive effect on saving behavior in children. Children gain financial knowledge from parents starting with simple things such as how parents supervise and handle financial problems in the family (Solheim, Zuiker, & Levchenko, 2011).

Based on the discussion that has been explained before, the hypothesis proposed is:

H<sub>1</sub>: Perceived Financial Literacy affects Money Management

H<sub>2</sub>: Parental Norms affects Money Management

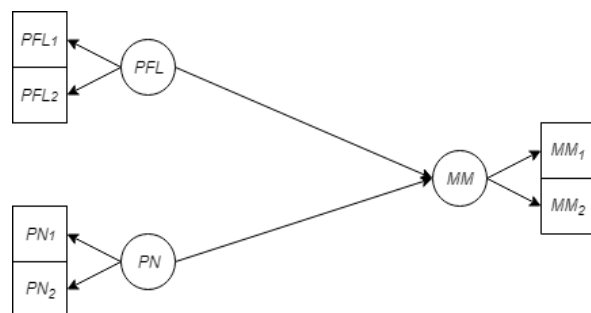


Figure 1. Equation model and hypothesis relationship

### 3. Methods

The research sample is *Bidikmisi* scholarship recipients in universities in Indonesia. The sampling technique used incidental sampling on 100 respondents. The measurement of the research variable used is the Likert scale with a range of 1 = strongly disagree to 5 = strongly agree on the money management variable, parental norms. In addition, perceived financial literacy is measured by choosing the correct multiple choice answer. The measurement of money management variables used two indicators, namely cash management and saving & investment according to a study by Dew & Xiao (2011). The perceived financial literacy variables used two indicators, namely interest rate, and risk diversifica-

tion in accordance with the study of Boon, Yee & Ting (2015). Parental norms variable used two indicators, namely parental direct teaching and adopting parental financial role modeling in line with the study conducted by Sim, Xiao, Berber & Serido (2010). Data processing used Smart-PLS (Partial Least Square) application to test the hypothesis.

#### 4. Results

Data collection is carried out through online questionnaires on 100 *Bidiknisi* scholarship recipients. The description test results show the dominance of 71 female students and the remaining 29 male students, with the highest age 22 years old (34%), 21 years old (33%), 20 years old (13%) and 19 years old (13%), 23 years old (3%), 24 years old (2%), the remaining 18 years old (1%) and 25 years old (1%). Samples of students from Surabaya State University (46%), University of Brawijaya (15%), Petra Christian University (11%), University of Sam Ratulangi (7%), University of Hasanuddin (5%), Manado State University (4%), University of Mulawarman (3%), University of Haluoleo and State Christian Colleges (2%) respectively, the rest are State University of Makassar, Hamzanwadi University, Pasundan University and The Electronic Engineering Polytechnic Institute of Surabaya (1%), respectively. Student background is dominated by the Faculty of Economics as many as 32 students (34%) and currently has the most student in the 8th semester as many as 58 people (58%), 6th semester as many as 22 people (22%), 4th semester as many as 15 people (15%). The admission period for most scholarships starts in the 1st semester which is 87%. The financial condition of allowance received by students averagely amounted to IDR.820,500.00 while for expenditure per month on average by IDR.823,380.00

**Table 1.** Variable description data (n=100)

| Indicator                                       | Mean  | Standar Deviasi | Minimum | Maximum |
|---|-------|-----------------|---------|---------|
| Parental Subjective Norms (PN1)                 | 3.654 | 0.817           | 1       | 5       |
| Parent Direct Teaching (PN2)                    | 3.877 | 0.782           | 1       | 5       |
| Adopting Parental Financial Role Modeling (PN3) | 3.737 | 1.033           | 1       | 5       |
| Cash management (MM1)                           | 3.580 | 0.697           | 1       | 5       |
| Saving & Insurance (M2)                         | 2.662 | 0.892           | 1       | 5       |
| Interest rate (PFL1)                            | 0.325 | 0.349           | 0       | 1       |
| Risk diversification (PFL2)                     | 0.507 | 0.227           | 0       | 1       |

Table 1 shows the average value of all indicators used. In the parental norms, variables and parental direct teaching (PN2) indicators have the highest average value (3.877). This indicates that parents

play an active role in discussing and teaching finance directly to their children, namely the topic about saving, wise ways to shop, and how to finance college needs. Money management variable and cash management indicator (MM1) shows an average value of 3.580, so the students often compare prices when they want to buy a product or service, keep written or electronic records of monthly expenses and expenses by the budget or plan. Further, the perceived financial literacy variable and the indicator of risk diversification (PFL2) have an average value of 0.507, so the level of student knowledge about risk diversification is high compared to knowledge about interest rates.

**Table 2.** Validity & Relief Test results based on Loading Value, AVE and Composite Reliability

| Indicator | Loading Value | AVE   | Composite Reliability |
|-----------|---------------|-------|-----------------------|
| PFL1      | 0.536         | 0.615 | 0.747                 |
| PFL2      | 0.971         |       |                       |
| PN1       | 0.780         | 0.687 | 0.868                 |
| PN2       | 0.850         |       |                       |
| PN3       | 0.854         |       |                       |
| MM1       | 0.825         | 0.678 | 0.808                 |
| MM2       | 0.822         |       |                       |

The study was continued with validity and reliability testing of outer model evaluation. The test results are shown in Table 2, where loading values and AVE (Average Variance Extracted) are > 0,50. If the AVE value is below 0,5; the composite reliability is higher than 0,6 so the construct of convergent validity is still considered meets the requirements (Fornell & Larcker, 1981). While the reliability test of all indicators are qualified if the composite reliability value is > 0,70.

**Table 3.** Effect Sizes, R-square, Q-square

| Variable                     | Money Management |
|------------------------------|------------------|
| Perceived Financial Literacy | 0.214            |
| Parental Norm                | 0.396            |
| Nilai Adjusted R-square      | 0.201            |
| Nilai Q-square               | 0.217            |

Solimun, Fernandes & Nurjannah (2017) stated that the smallest effect size value of the indicator is 0,02, the effect size value <0,02 is very weak and must be excluded. Table 3 shows the effect size of each indicator of the research variable qualified the standard value because perceived financial literacy of money management has an effect size of 0,214 (medium) while parental norms on money management have an effect size of 0,396 (strong). To measure the relationship between variables and the level of influence of the relationship of the overall variables built, the inner model is used with Q2 money

management variable of 0,217. So, the money management variable is affected by the perceived financial literacy and parental norms by 21.7%, the remaining are predicted by other variables that did not use in this study.

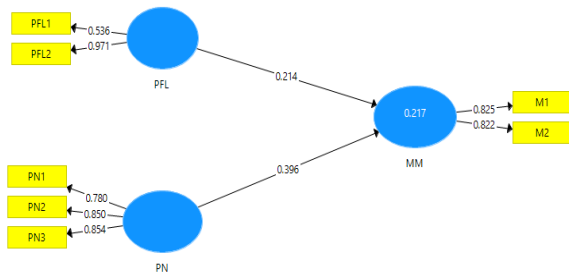


Figure 2. Structural Model in this study

Table 4. Hypothesis test

| Variable                                       | Path Coefficient | t <sub>statistic</sub> | p-value |
|--|------------------|------------------------|---------|
| Perceived Financial Literacy→ Money management | 0.214            | 2.390                  | 0.017** |
| Parental Norms→ Money management               | 0.396            | 4.747                  | 0.000** |

\*\*\*) sig ≥ 1.96

Hypothesis testing in this study is shown by the t-test, where the research hypothesis is accepted if t<sub>statistic</sub> ≥ 1.96. Table 4 show the results of hypothesis test.

## 5. Discussion

### 5.1 Perceived Financial Literacy towards Money Management

This study proves that the perception of financial literacy of Bidikmisi scholarship recipients has a significant effect on money management. This is contrary to the research of Perry and Morry (2005) who agree on financial knowledge that is positive towards financial management behavior. But in practice students only sometimes do savings & investment planning, because the amount of pocket money received is only enough to meet their daily needs. In this case, it also shows financial knowledge about risk diversification, namely estimation questions, stock market functions, investment in shares, and consideration of higher bidikmisi recipient students comparing knowledge about interest rates, namely interest rates and the time value of money. need to know. For students who receive Bidikmisi scholarships, they need to increase their financial knowledge so that they can receive scholarships well in the process of completing Education in Higher Education.

### 5.2 Parental Norms towards Money Management

This study also proves that parental norms have a significant effect on money management. The habits carried out by parents as well as education carried out by parents towards children regarding finance can influence Students in managing finances well. This is in line with what was said by Mulyadi & Trizki (2012) that parental behavior affects children such as how to talk, behave, think and even manage money. In this study it was found that students quite agree that parents have subjective norms that are good at managing finances, active parents in teaching finance, and making parents as role models in managing finances. The parent direct teaching indicator also shows the direct involvement of parents in teaching children about managing money which is very influential in the financial management of students. Parents who have good and open financial management about finance towards children encourage children to adopt or follow what their parents do. A child who has parents with good financial management skills will cause children to have the ability to manage money well. Solheim, Zuiker & Levchenko (2011) prove that parents are a model that has a positive effect on financial behavior for children, such as saving activities. Children will get financial knowledge from parents starting from simple things related to the ways their parents supervise and handle financial problems in the family (Solheim, Zuiker, & Levchenko, 2011). These conditions shape children's behavior to imitate the activities of their parents.

## 6. Conclusions

This study proves that perceptive financial literacy and parental norms have a significant effect on money management. With a good perceived financial literacy and the role of parents as agents of socialization, it increases the ability of students in financial management. The government that has set aside the state budget in the form of educational scholarships at universities also plays a role in the development of people who have intelligence and personal financial management to face the future. This study can be used as a reference for Higher Education Institutions Service (LLDIKTI) to continue to play a role in educating students about the importance of managing Bidikmisi scholarship money they receive. Parents play a role as agents of socialization to build awareness and concrete or actual action for both parties (parents and children)

## References

- Abdillah, W., & Jogiyanto. (2015). Partial Least Square (PLS)-Alternatif Structural Equation Modeling (SEM) dalam Penelitian Bisnis. Yogyakarta: 2015.
- Ardiana, M. (2016). Kontrol Diri, Pendidikan Pengelolaan Keuangan Keluarga, Pengetahuan Inklusi Keuangan Siswa Pengaruhnya terhadap Perilaku Menabung siswa SMK se kota Kediri. *Jurnal Ekonomi Pendidikan dan Kewirausahaan*, 4(1), 57-75.
- Beutler, I., & Dickson, L. (2008). Consumer Economic. J.J.Xiao,(ed), *Handbook of Consumer Financial Research*.
- Bhushan, P., & Medury, Y. (2013, March-May). Financial Literacy and its Determinants. *International Journal of Engineering, Business and Enterprise Applications*, 4(1), 155-160.
- Boon, T. H., Ye, H. S., & Ting, H. W. (2011). Financial literacy and personal financial planning in Klang Valley. *Internasional Journal of Economics and Management*, 5(1), 149-168.
- Clarke, M., Heaton, M., Israelsen, C., & Eggert, D. (2005, June). The acquisition of family financial roles and responsibilities. *Family and Consumer Sciences Research Journal*, 33(4), 321-340.
- Dew, J., & Xiao, J. J. (2011, July). The Financial Management Behavior Scala: Developing and Validation. *Journal of Financial Counseling and Planing*, 22(1), 43-59.
- Dikti, D. P. (2011, January). *Bidikmisi*. Retrieved from Ristekdiksi: <https://ristekdikti.go.id>
- Dikti, D. P. (2016, February). *Bidikmisi*. Retrieved from Ristekdikti: <https://ristekdikti.go.id>
- Endang, R., & Horas, D. (2018). In *Modul Pengelolaan Keuangan Keluarga Miskin* (p. 2). Yogyakarta: Diandra Kreatif.
- Herdjiono, I., & Damanik, L. A. (2016, Desember). Pengaruh Financial Attitude, Financial Knowledge, Parental Income terhadap Financial Management Behavior. *Jurnal Manajemen Teori dan Terapan*, 9(3), 226-241.
- Hogart, J., & Hilgert, M. (2002, March). Financial knowledge, experience and learning preferences: Preliminary results from a new survey on financial literacy. *Consumer Interest Annual*, 48, 1-7.
- Ida, & Dwinta, C. Y. (2010). Pengaruh Locus of Control, Financial Knowledge, Income terhadap Financial Management Behavior. *Jurnal Bisnis dan Akuntansi*, 131-144.
- Kholilah, N. A., & Iramani, R. (2013, May). Studi Financial Management Behavior Pada Masyarakat Surabaya. *Journal of Business and Banking*, 3(1), 69-80.
- Khuon, T. (2015, January 29). *Personality Development for a Changing World: agilelifestyle.net*. Retrieved from Agilelifestyle.net: <http://agilelifestyle.net/personal-cash-management-strategies>
- Luzardi, A., & Mitchell, O. S. (2014, December 2). The Economic Importance of Financial Literacy:Teory Evidence. *Journal of Economic Literature*, 52(1), 1-40.
- Mien, N. T., & Thao, T. P. (2015). Factors Affecting Personal Financial Management Behavior: Evidence from Vietnam. *Proceedings of the Second Asia-Pacific Conference on Global Business, Economics, Finance, and Social Sciences*.
- Mulyadi, S., & Trizki, L. (2012). *Financial Parenting*. Jakarta: Noura Books.
- Perry, V. G., & Morris, M. D. (2005). Who Is in Control? The Role of Self-perception, Knowledge, and Income in Explaining Consumer Financial Behavior. *The Journal pf Consumer Affairs*, 39, 299-313.
- Raaij, W. F. (2016). *Understanding Consumer Financial Behavior*. Europe: Palgrave Macmillan.
- Remud, D. L. (2010). Financial Literacy Explicated: The Case for a Clearer Definition in an Increasingly Complex Economy. *The Journal of Consumer Affairs*, 44(2), 276-295.
- Rostiana, E., & Djulius, H. (2018, Mei). Modul Pengelolaan Keuangan Miskin. Sleman, Yogyakarta, Indonesia: Diandra Kreatif.
- Roudik, R. (2018, August 9). *Blog : Halt Buzas & Powell*. Retrieved from Halt Buzas & Powell Web Site: <https://www.cpas4you.com/budgeting-and-cash-management-what-you-need-to-know/>
- Sheela Devi D. Sundarasan, & Muhammad Sabbir Rahman. (2017). Attitude Towards : Mediation to Money Management. *Academy of Accounting and Financial Studies Journal*, 21(1), 1-17.
- Shim, S., Xiao, J. J., Barber, B. L., & Serido, J. (2009). Financial Socialization of First-Year College Students: The Roles of Parents, Work, and Education. *Journal Youth Adolescence*, 39(12). Retrieved July 4, 2009
- Simkiv, M. (2013). Money attitude of Ukrainian young people: socio-demographic aspect. *Journal of Education Culture and Society*(2), 36-45.
- Solheim, C., Zuiker, V., & Levchenko, P. (2011). Financial Socialization Family Pathways : Reflection from College Student's Narratives. *Financial Science Review*, 16(2), 97-112.
- Vitt, L., & Siegenthaler, J. K. (2000, January). *Personal Finance and the Rush to Competence : Financial Lliteracy Education in the U.S. Midleburg*: ResearchGate.

Widdowson, D., & Hailwood, K. (2007). Financial literacy and its role in promoting a sound financial system. *Reserve Bank of New Zealand: Bulletin*, 70(2), 37-47.

Yulianti, N., & Silvy, M. (2013, May). Sikap Pengelolaan Keuangan dan Perilaku Perencanaan Investasi Keluarga di Surabaya. *Journal of Business and Banking*, 3(1), 57-68. doi:<http://dx.doi.org/10.14414/jbb.v3i1.254>