

The Role of Financial Literacy, Income Level, and Lifestyle in Shaping Financial Management of Millennial Employees in Denpasar City

Ketut Sudarmini^{1*}, Ni Ketut Sariyani², and Nengah Ganawati³
Fakultas Ekonomi dan Bisnis Universitas Warmadewa

Corresponding Author: Ketut Sudarmini sudarmini14@gmail.com

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ABSTRACT

This study examined the influence of financial literacy, income level, and lifestyle on the financial management practices of millennial employees in Denpasar City. Financial management referred to the efficient handling of finances, while financial control involved evaluating whether financial management aligned with the budgeted plans. Millennial employees faced challenges such as limited financial resources and rising living costs, highlighting the need for strong personal financial management skills. The study aimed to address issues like impulsive spending and poor financial planning among millennials. Data were gathered from 75 respondents through a validated and reliable Likert scale questionnaire, selected via incidental sampling. Descriptive analysis provided a profile of the respondents, which served as a foundation for further statistical analysis using multiple linear regression.

INTRODUCTION

Financial literacy recently attracts interest from various groups, including governments, bankers, entrepreneurs, public interest groups, financial markets, and other organizations. The importance of improving financial literacy increases due to factors such as the development of new financial products, the complexity of financial markets, and changes in political, demographic, and economic factors (Al-Tamimi & Kalli, 2009). In recent years, financial literacy has become a topic of concern and discussion among policymakers and financial analysts globally, especially after the financial crisis beginning in mid-2008 centered in the United States and Europe (Wee & Goy, 2022). Similarly, the global Covid-19 pandemic also impacts financial literacy. The pandemic, affecting Indonesia among other countries, reduces global economies and threatens the financial stability of the lower-income population. A major implication of the pandemic is the lack of financial literacy, leading to poorly informed financial decisions and significant negative economic impacts. Financial literacy remains a significant concern in developing countries like Indonesia.

According to Yulianti and Meliza Silvy (2013) in Yushita (2017), financial management requires financial planning to achieve both short-term and long-term goals. These goals can be reached through savings, investments, or fund allocation. Good financial management prevents individuals from engaging in unlimited desire-driven behavior. The Financial Services Authority (OJK) in its 2022 National Survey of Financial Literacy and Inclusion (SNLIK) shows a financial literacy index of 49.68% and a financial inclusion index of 85.10. The 49.68% literacy index indicates that out of every 100 people, approximately 49 have a good understanding of financial institutions and financial products, leaving 51 without financial literacy. Financial literacy here refers to understanding features, benefits, risks, and rights and obligations related to financial products and services. It also measures skills, attitudes, and behaviors in using financial products and services. With the low level of financial literacy, stakeholders need to work hard to enhance public understanding of financial institutions. Moreover, with the rapid advancement of financial technology in the digital era, there is a need to educate the public to use financial services optimally and to prevent them from falling victim to fraud due to a lack of understanding.

The OJK reports that Indonesians are becoming more consumptive and are starting to abandon saving habits. Compared to other Southeast Asian countries, Indonesian consumption behavior is excessive. The low interest in saving is due to the reluctance to save and the tendency to spend money on consumptive activities (Perdana, 2016). Research by Provetic, a data processing company, shows that Indonesians spend most of their money on online shopping through mobile apps, which significantly impacts consumption patterns (Setyawan, 2016).

Millennials understand the importance of saving, but they only set aside a small portion of their income for savings. Research released by Alvara Research in 2017 indicates that savings are the most remembered financial

product among young people. However, according to IDN Research Institute (2019), only 10.17% of millennials' income is saved. The Indonesia Millennial Survey 2019 by IDN Times reveals that young millennial workers in Indonesia manage to save only 10% of their income. Young workers struggle to save due to spending on coffee and other consumptive activities instead of buying insurance or investing.

The study samples young people because financial literacy is first implemented at a young age. Millennials, born between early 1982 and late 2000 (Subhamv & Priya, 2016), are expected to dominate and drive change due to their innovative and creative thinking and rapid understanding of technology. They are familiar with financial technology such as SMS banking, mobile banking, internet banking, and e-money. Millennials will soon become the largest segment of the workforce, with their financial behavior significantly affecting the global economy. Indonesia is projected to experience a demographic bonus by 2030, and how to leverage this opportunity requires further consideration. Unfortunately, millennials tend to be consumptive and are easily tempted by media or social media promotions (CNN Indonesia, 2018).

IDN Research Institute's Indonesia Millennial Report 2019 shows that millennials allocate only about 10.7% of their income to savings. The largest portion of their income is spent on monthly needs, with 51.1% of their income going towards routine expenses. The perception of millennials as spendthrift and unable to save, preferring leisure activities and expensive branded goods, contributes to financial mismanagement. Consequently, financial intelligence becomes crucial in modern life. Financial intelligence is the ability to manage one's financial resources with financial well-being as the ultimate goal (Fauzi, 2006).

Financial management is also influenced by income and lifestyle. According to Alexander & Pamungkas (2019), income is the sum of all transactions received by individuals, families, or households over a period. Dewi & Suarmanayasa (2018) state that income, in the form of wages or salaries, is used to meet needs and desires, and it significantly impacts financial management. However, high income does not guarantee better financial management, as lifestyle often exceeds earnings. Silvy & Yulianti (2013) note that income level determines social and demographic status, with each level exhibiting different financial behaviors based on consumption patterns.

Lifestyle is defined as the pattern of living and spending money and time. It can be influenced by culture, values, demographics, social class, reference groups, personality, family, motivation, and emotions. Given the various factors influencing lifestyle, one must be selective in determining their lifestyle direction. A high lifestyle often leads to challenges in personal financial management, as individuals may feel constrained by financial planning, even though effective management helps achieve future financial goals.

Observations reveal a modern lifestyle among millennial employees, driven by a desire to keep up with current trends. With adequate financial resources, employees tend to adopt high-class goods and styles to project a

sophisticated image. This behavior is due to inadequate knowledge of efficient financial management. Financial instability often results from an inability to manage personal finances effectively. To avoid financial difficulties, it is crucial to maximize one's ability to manage finances. Regardless of income level, poor financial management can hinder future financial independence. Effective financial management habits can motivate individuals to overcome obstacles and stay on track with their financial plans.

THEORETICAL REVIEW

Financial management

According to Anggraini and Cholid (2022), several factors influence financial management, including: (1) Financial Literacy: the ability of an individual to manage their finances effectively, with the goal of achieving financial well-being. (2) Education Level: Education helps individuals understand the value of money and manage it according to their needs. (3) Income level determines social and demographic status, with each level exhibiting different financial behaviors based on consumption patterns. (4) Financial planning involves the careful preparation and coordination of plans to meet future financial desires and goals. (5) Lifestyle is a key factor in decision-making related to financial management.

According to Warsono (2010), the indicators of financial management are as follows: (1) Use of Funds: The allocation of funds aims to meet needs correctly and appropriately, regardless of the source of the funds. Funds should be distributed based on a priority scale, focusing on the most urgent needs while ensuring that not all funds are used for daily consumption. (2) Determination of Funding Sources: can include parents, gifts, salaries, wages, donors, and others. Individuals can identify the sources of their funding and, by doing so, seek alternative sources to manage their income. (3) Risk Management: Individuals must have adequate protection to anticipate unexpected events such as urgent needs or illness. Generally, this protection is ensured by following an insurance policy. Risk management involves handling potential risks. (4) Future Planning: is necessary as it aligns with individual goals. This planning allows individuals to analyze potential future needs and prepare investments starting now.

Financial Literacy

According to the Financial Services Authority (OJK) in the SNLKI (Revisit 2017), there are four basic principles of financial literacy: (1) Financial Inclusion: financial literacy must encompass all segments of society. (2) Systematic and Measurable: financial literacy is delivered in a programmatic, understandable, and simple manner, and its effectiveness can be measured. Activities should align with goals, strategies, authority policies, and financial service provider policies, and include indicators to track improvements in financial literacy. (3) Achievement-Oriented and Sustainable: activities should aim to enhance financial literacy by optimizing available resources. These activities should be continuous and have long-term aspects to achieve the planned objectives. In terms of sustainability, those involved in financial

businesses should prioritize their understanding of financial management, financial institutions, and financial products and services. (4) Collaboration: collaborate with all stakeholders to implement financial literacy.

According to Chen and Volpe in Gultom, et.al. (2022) the indicators of financial literacy include the following: (1) General Financial Knowledge: this involves managing income and expenses and understanding basic financial concepts. (2) Savings and Loans: this pertains to knowledge about returns, inflation, tax considerations, liquidity, security, and restrictions. (3) Insurance: this relates to methods of reducing financial risk. (4) Investment: This involves placing money in securities such as stocks, bonds, mutual funds, or purchasing real estate.

Income

According to the Central Statistics Agency (BPS, 2014), income is classified into four categories (Fitroh, 2019):

1. Very High Income: this category includes individuals with an average monthly income of more than IDR 3,500,000.
2. High Income: this category includes individuals with an average monthly income between IDR 2,500,000 and IDR 3,500,000.
3. Medium Income: this category includes individuals with an average monthly income between IDR 1,500,000 and IDR 2,500,000.
4. Low Income: This category includes individuals with an average monthly income of IDR 1,500,000 or less.

According to Bramastuti in Fitroh (2019), income indicators include: (1) Monthly earnings received (2) Occupation (3) Family responsibilities carried

Lifestyle

According to Amstrong in Baroroh (2019), factors influencing an individual's lifestyle include two types: internal and external factors. Internal factors consist of experience and observation, personality, self-concept, motives, and perception. External factors include: reference groups, family, social class, and culture. According to Wijaya et al. (2014) in Yusanti (2020), lifestyle segmentation measures human activities in terms of:

1. Activities: this refers to how individuals spend their time and money on work or hobbies they enjoy. One can identify an individual's personality based on their activity patterns.
2. Interests: may include food, technology, products, fashion, or entertainment.
3. Self-Perception and Perception of Others: Opinions expressed by individuals help understand their self-view and what they need to strengthen their character.
4. Basic Characteristics: Characteristics include life stage, income, education, and place of residence.

Hypothesis:

H1: Financial literacy has a positive and significant effect on the financial management of millennial employees in Denpasar City.

H2: Income has a positive and significant effect on the financial management of millennial employees in Denpasar City.

H3: Lifestyle has a positive and significant effect on the financial management of millennial employees in Denpasar City.

The conceptual framework of this research is as follows:

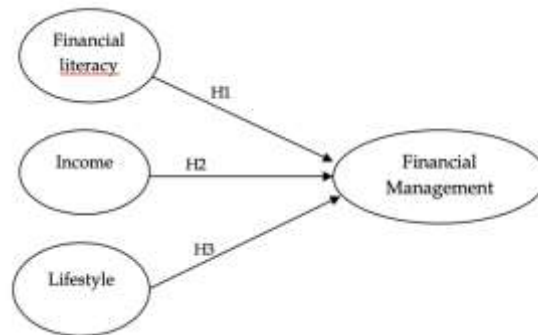


Figure 1. Conceptual Framework

METHODOLOGY

The sampling process uses incidental sampling based on millennial employee criteria. The sample size is calculated as five times the number of indicators (5 x 15 indicators = 75 samples). Data is collected through a validated and reliable questionnaire with a Likert scale. This study utilizes primary data obtained from millennial employees in Denpasar City. The collected data is then tabulated and analyzed using multiple linear regression techniques in SPSS to test the hypotheses.

RESULTS

Data Description

Table 1. Characteristics of Research Respondents

No	Characteristics	Description	Amount Respondent (Person)	Percentage (%)
1	Gender	Male	38	51
		Female	37	49
Total			75	100
2	Age	24-28 years old	23	31
		29-33 years old	42	56
		34-38 years old	6	8
		39-42 years old	4	5

Total	75	100
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Based on Table 1, out of 75 respondents, 38 are male and 37 are female, with the majority being between the ages of 29 and 33.

Table 2. Instrument Test

Variable	Item	Pearson Correlation Value	Desc.	Alpha Cronbach	Desc.
Financial literacy (X1)	X1.1	0,699	<i>Valid</i>	0,794	Reliable
	X1.2	0,642	<i>Valid</i>		
	X1.3	0,691	<i>Valid</i>		
	X1.4	0,561	<i>Valid</i>		
Income (X2)	X2.1	0,814	<i>Valid</i>	0,838	Reliable
	X2.2	0,659	<i>Valid</i>		
	X2.3	0,790	<i>Valid</i>		
Lifestyle (X3)	X3.1	0,546	<i>Valid</i>	0,786	Reliable
	X3.2	0,677	<i>Valid</i>		
	X4.3	0,671	<i>Valid</i>		
	X4.4	0,674	<i>Valid</i>		
Financial Management (Y)	Y1	0,709	<i>Valid</i>	0,793	Reliable
	Y2	0,556	<i>Valid</i>		
	Y3	0,726	<i>Valid</i>		
	Y4	0,597	<i>Valid</i>		

The results of the instrument testing show that all variables are valid and reliable, as both validity and reliability tests yield satisfactory results.

Normality test

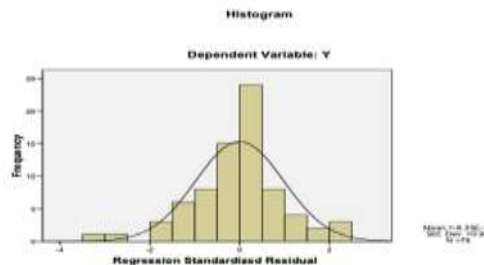


Figure 2. Normality test result

Based on Figure 2, the data forms a normal curve, indicating that the data distribution approximates a normal distribution.

Multicollinearity test

Table 3. Results of the Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.554	1.725		.901	.371					
	X1	.367	.125	.329	2.947	.004	.628	.330	.245	.554	1.805
	X2	.291	.114	.241	2.550	.013	.509	.290	.212	.772	1.295
	X3	.303	.108	.301	2.803	.007	.600	.316	.233	.597	1.676

a. Dependent Variable: Y

Based on Table 3, it can be seen that the tolerance values for each variable are greater than 0.1 and the VIF values for each variable are below 10. Therefore, it can be concluded that there is no multicollinearity between the independent variables: Financial Literacy (X1), Income (X2), and Lifestyle (X3).

Heteroscedasticity Test

Table 4. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.651	1.090		3.349	.001
	X1	-.061	.079	-.117	-.775	.441
	X2	.057	.072	.101	.791	.431
	X3	-.132	.068	-.280	-1.931	.057

Table 4 shows that the significance values for each variable are greater than 0.05. This indicates that there is no heteroscedasticity in the regression model, suggesting that the model is suitable for predicting (Y).

Multiple Linear Regression Analysis

This analysis determines the impact of Financial Literacy, Income, and Lifestyle on Financial Management. The general form of the multiple linear regression equation is expressed as:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e \dots\dots\dots (1)$$

Description:

- Y = Financial Management
- a = Constant
- X1 = Financial literacy
- X2 = Income
- X3 = Lifestyle

b_1, b_2, b_3 = Regression coefficients for X_1, X_2, X_3

Based on the data analysis results shown in Table 3, the multiple linear regression equation is:

$$Y = 0.329X_1 + 0.241X_2 + 0.301X_3 \dots \dots \dots (2)$$

This regression equation indicates that the Financial Management of millennial employees in Denpasar City is influenced by Financial Literacy with a coefficient of 0.329, Income with a coefficient of 0.241, and Lifestyle with a coefficient of 0.301. All these variables significantly impact Financial Management, as evidenced by the significance tests in Table 3.

DISCUSSION

Financial Literacy has a positive and significant effect on the Financial Management of millennial employees in Denpasar City

This is evident from the results presented in Table 3, which show a regression coefficient of 0.321 and significance. This means that as employees' understanding of financial literacy improves, their personal financial management also enhances. Conversely, a decrease in financial literacy will adversely affect financial management. This finding aligns with research by Siti Surhayani and Adiba Yahya (2022) and Aprilia Novitasari (2022), which indicates that financial literacy positively and significantly impacts financial management.

Income has a positive and significant effect on the Financial Management of millennial employees in Denpasar City

This is reflected in the results presented in Table 3, with a regression coefficient of 0.241 and significance. This indicates that as employees' income increases, their personal financial management also improves. Conversely, a decrease in income negatively affects financial management. This result is consistent with studies by Siti Muntahanah, Heu Cahyo, Heri Setiawan, and Sindi Rahmah (2021), which found that income positively and significantly affects financial management. The findings also support research by Siti Surhayani and Adiba Yahya (2022), which demonstrates that income influences financial management.

Lifestyle has a positive and significant effect on the Financial Management of millennial employees in Denpasar City

This is evident from the results in Table 3, showing a regression coefficient of 0.301 and significance. This suggests that as employees' lifestyle aligns more closely with their needs and situations, their personal financial management improves. Conversely, a misalignment in lifestyle can negatively impact financial management. This finding corresponds with research by Siti Muntahanah, Heu Cahyo, Heri Setiawan, and Sindi Rahmah (2021), which indicates that lifestyle

positively and significantly affects financial management. It also aligns with research by Miftahul Jannah, Gusnardi, and RM Riadi (2022), which finds a positive and significant relationship between lifestyle and financial management.

CONCLUSIONS AND RECOMMENDATIONS

In a study conducted on millennial employees in Denpasar, it was found that financial literacy had a positive and significant impact on financial management. Additionally, income levels also positively and significantly influenced the financial management of these employees. Furthermore, lifestyle was identified as another factor that positively and significantly affected their financial management practices.

Millennial employees should apply their knowledge of financial literacy to improve their financial management by prioritizing needs over wants. By integrating their financial literacy into their personal lives, such as by creating shopping lists that emphasize essential purchases, they can better control their finances. This approach helps them resist impulsive buying, even when faced with discounts or promotions. For the government and policymakers, organizing seminars, events, or training sessions in Denpasar focused on financial literacy is essential. These initiatives can teach individuals how to manage their daily finances, prepare for long-term financial stability, and explore financial products like investment opportunities. Such events could be conducted in collaboration with the Financial Services Authority (OJK), schools, universities, and other institutions in Denpasar to enhance financial literacy and encourage its practical application in daily life.

FURTHER STUDY

For future researchers, it is possible to explore other variables that influence financial management. Expanding the scope of research to include different factors could provide a more comprehensive understanding of what drives effective financial management. By investigating additional variables, researchers may uncover new insights and contribute to the development of more robust financial management strategies. This exploration could involve examining behavioral, psychological, or environmental factors that have not yet been fully considered in existing studies.

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