The Influence of Financial Literacy, Financial Behavior, Religiosity and Risk on Financial Distress : Case of Millennial Generation During the Covid-19

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A R T I C L E I N F O

A B S T R A C T

This study aims to determine the effect of financial literacy, financial behavior, religiosity and risk on financial distress in the millennial generation during the Covid-19 pandemic (Case Study in Bekasi City). In this study, quantitative and descriptive research methods are used where the Millennial Generation in the city of Bekasi is the object. In this study using purposive sampling technique and using a sample of 95 respondents. The design used in this study is hypothesis testing using a structural equitation model (SEM) – SmartPLS 4.0. The results of this study indicate that 2 X variables consisting of Financial Literacy and Financial Behavior have an influence on Financial Distress in the Millennial Generation during the Covid-19 pandemic (a case study in the city of Bekasi). As for the other 2 X variables, namely Religiosity and Risk, it has no influence on Financial Distress in the Millennial Generation during the Covid-19 pandemic (case study in the city of Bekasi). This study has a limited object of research that only uses 95 Millennial Generation in the city of Bekasi as research respondents. This is used as a suggestion for future researchers.

INTRODUCTION

At the beginning of 2020, the whole world was shocked by a pandemic caused by a virus called covid-19. The virus spread quickly which caused Indonesia to impose large-scale PSBB or social restrictions so that community activities were very limited. This has a major impact on several aspects of life, one of which is the Indonesian economy. Many of the Indonesian people have been badly affected by the economy due to the COVID-19 pandemic, especially the millennial generation. According to (Rianto et al., 2020) generation Y or better known as the millennial generation is a generation that uses information technology quickly such as sms, email, and social media. Researchers conducted a survey related to the groups most vulnerable to experiencing financial distress, where the millennial generation is ranked number one. This is because the lifestyle of the millennial generation is not in accordance with the income generated and does not have an emergency fund savings. In the second and third ranks are people with low education and families who have children.

Tabel 1. 1 Financial Distress pra-research result
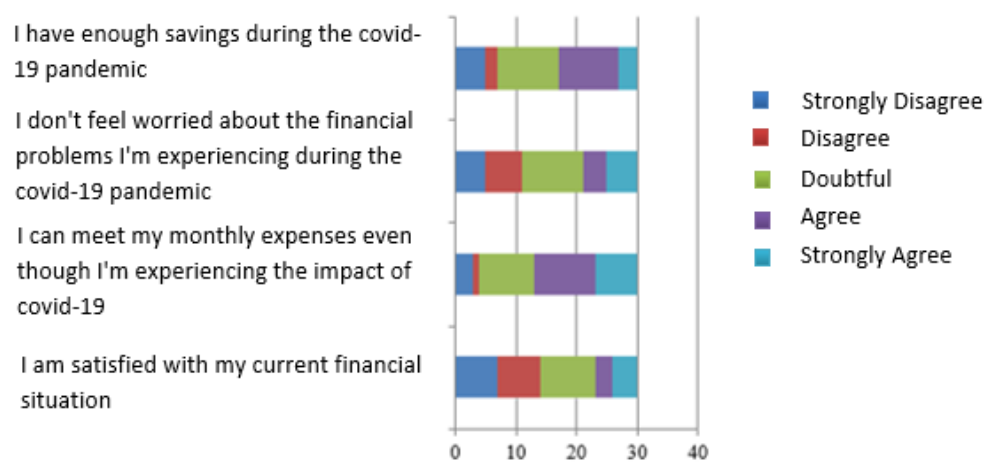
Pre-research results show that the level of financial distress in the millennial generation in the city of Bekasi during the COVID-19 pandemic is high. This is because some millennials have experienced the impact on the work they have. They feel dissatisfied with their current financial situation and are worried about financial problems during the COVID-19 pandemic. Therefore, researchers want to know what affects financial distress in the millennial generation in Bekasi City during the COVID-19 pandemic. Several factors have resulted in financial distress in the millennial generation of Bekasi city during the COVID-19 pandemic. Knowledge of his own finances is a fairly important factor because if someone understands well about the finances he has, he can control his financial expenses. Previous research stated that if someone who has high financial knowledge has a negative effect on financial difficulties (Lajuni et al., 2018). Therefore, the researcher included the financial knowledge variable to be studied in more depth.

Financial management often describes certain behaviors, such as paying bills on time, saving for future plans such as emergencies and retirement, and avoiding too much debt. Due to the lack of research related to financial behavior variables on financial difficulties, that is the reason why the authors include these variables in this study. One of the most universal and influential social institutions is religion. In fact, according to (Dissanayake & Shweder, 1993), religion has a substantial influence on the attitudes, values, and behavior of society both at the individual and community levels. Due to the lack of research related to the religiosity variable on financial difficulties, that is the reason why the authors include this variable in this study. Risk is a deviation from the expected profit. Risk is a variable in this study because risk arises due to uncertainty which causes a person to doubt about his ability to predict the possibility of future outcomes. This allows a person to experience financial distress.

Based on the phenomena that occur, the researcher examines what affects financial distress seen from financial literacy, financial behavior, religiosity and risk. This study uses the millennial generation who meet the criteria and live in the city of Bekasi. Therefore, this research is entitled "The Influence of Financial Literacy, Financial Behavior and Religiosity on Financial Distress in Millennial Generation During the Covid-19 Pandemic (Case Study in Bekasi City)

THEORETICAL REVIEW

Financial Distress

Financial distress is intense physical or mental stress, including financial worries, that can last for a short time or continue (O'Neill et al., 2006). (Idris et al., 2013) states that financial distress causes a person to stop paying bills, receive notifications of paid debts or receive calls from creditors.

Financial Literacy

Finance is a very important aspect in people's lives. The knowledge possessed can help individuals make decisions to determine financial products that can optimize their financial decisions. Financial literacy is very important for individuals so that they are not wrong in making financial decisions in the future (Said & Amiruddin, 2017).

Financial Behavior

Based on the opinion of experts, financial management behavior is a science that explains irrational decision making on finances and one's behavior in managing finances, both from the point of view of psychology and individual habits.

Religiosity

Religious teachings are the limits of whether or not it is permissible, good or bad ways to control all desires that are felt and become an important factor in creating one's personality. Religiosity is an expression or embodiment of a belief

system or religion that is adhered to by appreciating the values substantially so as to form choices of attitudes and behavior in making decisions (Hasanah, 2019) (Mumammad Richo Rianto & Tutiek Yoganingsih, 2020).

Risk

Risk can be interpreted as a form of uncertainty about a situation that will occur later (future) with decisions made based on various considerations at this time. Return and risk have a positive relationship, the greater the risk borne, the greater the return that will be compensated (Sulistyowati et al., 2022).

Financial literacy is very important in everyday life. It is related to individual well-being. The existence of financial literacy will help individuals in managing their personal financial plans, so that individuals can maximize the time value of money and personal benefits will be greater and will improve their standard of living. Financial behavior is one of the most important financial concepts. This relates to the individual's responsibility for the management of money and other assets. The main objective in financial management is to ensure that individuals are able to manage their finances and obligations properly.

Religion has a substantial influence on the attitudes, values, and behavior of the community, both at the individual and community levels. This includes people's behavior in managing finances. In religion, there is a rule that as a human being should not have extravagant behavior because that behavior is not liked by God. Risk is a deviation from the expected profit. Risk can be a factor in a person experiencing financial distress because the risk arises because of the uncertainty that results in a person's doubts about his ability to predict the possibility of the results that will occur in the future.

Based on the arguments above, several hypotheses are drawn as follows:

H1. Financial Literacy has effect on Financial Distress

H2. Financial Behavior has an effect on Financial Distress

H3. Religiosity has an effect on Financial Distress

H4. Risk has an effect on Financial Distress

The Framework of thought ia an important part in the thinking process to describe the relation of variable in research (Handayani & Rianto, 2021).
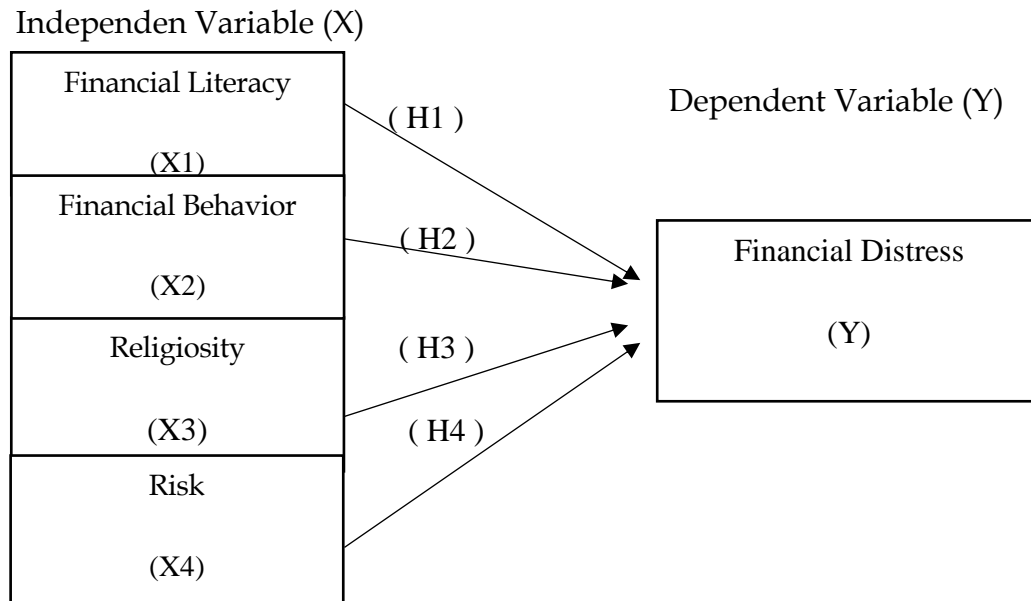
Independen Variable (X)

| Financial Literacy (X1) |
| Financial Behavior (X2) |
| Religiosity (X3) |
| Risk (X4) |

(H1)

(H2)

(H3)

(H4)

Dependent Variable (Y)

| Financial Distress (Y) |

Figure 1. Conceptual Framework

METHODOLOGY

The research method that the author uses in this study is a quantitative descriptive method and the author uses a purposive sampling method. According to Sugiyono (2016) purposive sampling is a sampling technique with certain considerations. The basis of the study used 95 respondents, where the respondents were used as samples based on indicators for each variable, which amounted to 19 indicators from all variables, which means 19x5 is 95 respondents. And in this study using primary data obtained by distributing questionnaires to the millennial generation in the city of Bekasi.

In this study, the author uses a Likert scale to determine the effect of financial literacy, financial behavior, religiosity and risk on financial distress in the millennial generation during the Covid-19 pandemic (Case Study in Bekasi City). According to (Rianto et al., 2022) the Likert scale is a question that shows the level of agreement or disagreement of the respondent. This study uses the SmartPls analysis tool to test the feasibility of the data and draw conclusions in the hypothesis. The outer model test and the inner model test are the analytical tools that will be used in this study.

RESULTS

Result of Outer Model Test

The outer model validity test is the extent to which the research results (1) accurately represent the data collected (internal validity) and (2) can be generalized or transferred to other contexts (external validity) (I. Ghozali & Latan, 2020). Validity testing is done by looking at content validity and construct validity. Content validity is the extent to which instrument

measurements can represent all the characteristics of the variable. Content validity is judgmental.
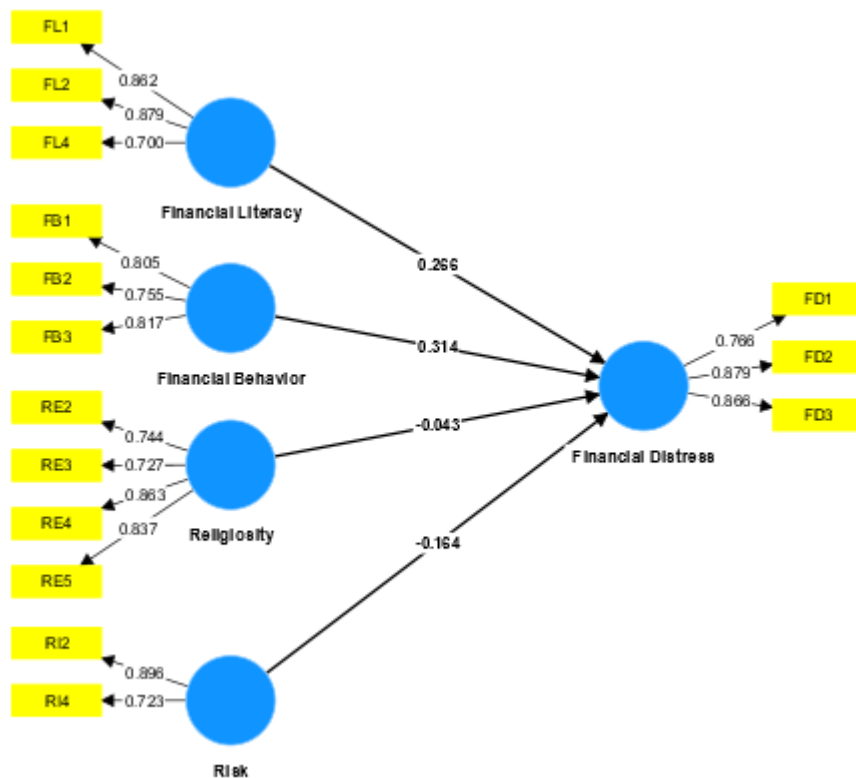

Figure 2. Content Validity is the Extent to which Instrument Measurements

Based on the validity test that has been carried out, it can be concluded that the entire value of the outer loading indicator statement is above 0.7 so that it can be interpreted that the data used in this study is valid and suitable for use in a study. The outer test of the reliability model is the size of the questionnaire/statement item that meets the consistent criteria, which means that this statement can have consistent results if it is used to measure in different places and times (I. Ghozali & Latan, 2020).

Table 1. The Results of the Reliability Test

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Financial Behavior	0.718	0.750	0.835	0.628
Financial Distress	0.798	0.853	0.876	0.702
Financial Literacy	0.747	0.770	0.857	0.668
Religiosity	0.815	0.850	0.872	0.632
Risk	0.701	0.719	0.788	0.556

Based on the results of the reliability test above, it can be concluded that the Cronbach's alpha value for each variable is 0.747 Financial Literacy, Financial Behavior 0718, Religiosity 0.815, Risk 0.701 and Financial Distress 0.798, which means the value is above 0.7 so it can be stated that the data used in the study This is feasible to use in the next stage.

Result of Inner Model Test

The inner test is a structural model to predict or estimate the relationship between latent variables in research that has been developed in the previous discussion (P. D. H. I. Ghozali & Latan, 2015).

Table 2. The Inner Model Test

	Original sampel (O)	Sample mean (M)	Standard deviation (STDEV)	T statistica ($\lvert$O/STDEV$\rvert$)	P values
Financial Behavior-> Financial Distress	0.314	0.294	0.133	2.366	0.018
Financial Literacy -> Financial Distress	0.266	0.295	0.119	2.233	0.026
Religiosity -> Financial Distress	-0.043	-0.015	0.103	0.414	0.679
Risk -> Financial Distress	-0.164	-0.156	0.100	1.630	0.103

Based on the inner model test that has been carried out, the results obtained state that the Financial Literacy variable (X1) has an influence on Financial Distress (Y) in the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi with a p-value of 0.026 which means it is smaller than 0.05 (0.026 <0.05) then it can be interpreted that there is an influence on the

Financial Literacy variable on Financial Distress in the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi. So it is stated that hypothesis one (H1) is accepted. For the Financial Behavior (X2) variable, there is a positive influence on Financial Distress (Y) in the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi with a p-value of 0.018 which means it is smaller than 0.05 (0.018 <0.05), it can be interpreted that there is an influence on the Financial Behavior variable on Financial Distress in the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi. So it is stated that the second hypothesis (H2) is accepted.

As for the religiosity variable (X3) there is no effect on Financial Distress (Y) in the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi with a p-value of 0.679 which means it is greater than 0.05 (0.679>0.05), it can be interpreted that The religiosity variable has no effect on Financial Distress in the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi. So it is stated that the third hypothesis (H3) is rejected. And the last variable, namely Risk (X4) has no effect on Financial Distress (Y) on the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi with a p-value of 0.103 which means greater than 0.05 (0.103> 0.05) which means Risk does not have an influence on Financial Distress in the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi. So the fourth hypothesis (H4) is rejected.

DISCUSSIONS

Based on the results of the analysis obtained in this study, there are several factors that can influence and do not affect the Financial Distress of the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi. The results of the first study show that the Financial Literacy variable has an influence on Financial Distress in the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi. This research is in line with research (Awallia & Dewi, 2019). The study states that there is a positive influence between financial literacy on financial distress, in other words, if the financial literacy variable increases, the financial distress variable increases as well. Millennials who have good financial literacy use wisely where they spend funds for investment, saving, and choosing insurance now to enjoy future benefits even though they risk experiencing financial distress during the COVID-19 pandemic.

The second finding states that Financial Behavior has an influence on Financial Distress in the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi. The results of this study are not in line with research (Lajuni et al., 2018). The study says that financial behavior has a negative effect on financial distress. The COVID-19 pandemic has made financial behavior important, due to many unexpected expenses such as buying masks, hand sanitizer and various vitamins for health. The millennial generation in the city of Bekasi can manage their behavior and finances wisely so that the risk of financial distress can be minimized.

The third finding states that religiosity has no effect on Financial Distress for the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi. This study is in line with research (Lajuni et al., 2018). The study stated that there was no influence between religiosity on financial distress. The millennial generation also has characteristics that sometimes change frequently. They are still easily influenced by other people. Including in the context of religion, some millennials do not yet have strong beliefs about these beliefs. So that individual behavior is still not in line with individual religious beliefs. The latest findings state that Risk has no influence on Financial Distress for the Millennial Generation during the Covid-19 Pandemic in the city of Bekasi. This study is in line with previous research (Isnanto, 2020) which states that the risk variable has no effect on financial distress. The average millennial generation in the city of Bekasi has managed their finances well and wisely so that the risk of financial distress that will be experienced during this COVID-19 pandemic can be minimized.

CONCLUSIONS AND RECOMMENDATIONS

This study aims to determine the effect of financial literacy, financial behavior, religiosity and risk on financial distress in the millennial generation during the Covid-19 pandemic (Case Study in Bekasi City). In this study, quantitative and descriptive research methods are used where the Millennial Generation in the city of Bekasi is the object. In this study using purposive sampling technique and using a sample of 95 respondents. The design used in this study is hypothesis testing using a structural equitation model (SEM) – SmartPLS 4.0. The results of this study indicate that 2 X variables consisting of Financial Literacy and Financial Behavior have an influence on Financial Distress in the Millennial Generation during the Covid-19 pandemic (a case study in the city of Bekasi). As for the other 2 X variables, namely Religiosity and Risk, it has no influence on Financial Distress in the Millennial Generation during the Covid-19 pandemic (case study in the city of Bekasi). This study has a limited object of research that only uses 95 Millennial Generation in the city of Bekasi as research respondents. This is used as a suggestion for future researchers.

FURTHER STUDY

The results of this study are expected to add updates related to the effect of financial literacy, financial behavior, religiosity and risk on financial distress in the millennial generation during the Covid-19 pandemic (Case Study in Bekasi City). It is hoped that further researchers can add other variables so that a better update can be created from this research.

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