The Influence of Financial Literacy and Financial Socialization on the Financial Management Behavior of Investors in Indonesia After the Covid 19 Pandemic

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A R T I C L E I N F O

A B S T R A C T

Financial intelligence is a term used to describe the capacity to organize and manage money that is determined as one of the indicators of a person's success in managing their finances. Maximizing the value of money that a person has is being able to manage their finances well. In addition, good money management will protect a person from possible difficulties that occur. The purpose of this study is to determine the effect of financial literacy and financial socialization on the financial management behavior of investors in the Greater Bekasi area after the Covid-19 pandemic. This study uses a quantitative approach and data sources from distributing questionnaires to all investors in the Greater Bekasi area as many as 100 respondents to determine the impact of financial literacy and financial socialization on the financial management behavior of investors in the Greater Bekasi area after the Covid-19 pandemic. With the help of the SmartPLS software program and testing the outer model and inner model, data analysis was carried out using the SEM method. The results of this study indicate that financial literacy and financial socialization have an influence on financial management behavior, with P-values of 0.000 and 0.093, respectively

INTRODUCTION

The COVID-19 pandemic has burdened many health systems around the world, so strategic management is crucial in the midst of a pandemic at the organizational/corporate, corporate, business unit, or operational level, the strategies chosen must be flexible enough to react very quickly. Infection control measures have caused an economic crisis by unexpectedly suspending a large number of economic activities, The majority of central actors influencing the economy would recognize that the current epidemic is a "metaphorical black swan event", or a shocking occurrence with unexpected catastrophic effects that fundamentally changes the political and economic landscape (Siregar et al., 2020).The COVID-19 problem has resulted in an unprecedented lockdown of a large part of society, which makes the current situation an acute crisis even though such a situation can be seen as an opportunity.

The COVID-19 pandemic that has hit Indonesia since 2020 has had a significant impact on the national economy (Masrizal, 2022). The health and economic crisis caused by this pandemic has affected the financial behavior of the Indonesian people, including investors in the capital market (Jaya & Gunadi, 2022). Financial literacy and financial socialization are important factors that are thought to affect investors' financial management behavior after the COVID-19 pandemic.

Financial literacy is the level of consumer understanding of basic financial concepts and financial products and services to make informed financial decisions (Putri, 2023). Meanwhile, financial socialization is a process of transforming financial knowledge, values, and norms that shape a person's attitudes and behavior in managing their finances (Pramesti & Suryanto, 2023).

The results of the 2021 National Survey on Financial Literacy and Inclusion show that the financial literacy of Indonesian people still needs to be improved, with a national percentage of 38.03% (OJK, 2022). Several researchers have also found that the level of financial literacy in Indonesia during the COVID-19 pandemic tends to be low (Rachmawati et al., 2022). This indicates that financial literacy is very important for the financial management behavior of investors in Indonesia after the COVID-19 pandemic.

Financial intelligence is a term used to describe the capacity to organize and manage funds set as one of the indicators of one's success in managing their finances. Will maximize the value of money owned if someone can manage their finances well. Indriana & Tasman (2019). In addition, good money management will protect a person from possible financial difficulties and problems that occur. Describing the amount of awareness and knowledge of ideas and dangers, as well as the ability, motivation, and confidence when applying them to make decisions in a financial environment, is said to be one of the variables in increasing knowledge through financial literacy.

The current phenomenon is that decision making in the capital market is not always rational. this is due to the emotional involvement of investors which is described through financial behavior. Investor decision making based on financial behavior is assumed to be loss aversion to prospects. According to prospect theory, risk aversion behavior occurs when the market is in a favorable situation, but investors because of this behavior actually face obstacles to obtaining higher profits.

Good financial planning will be influenced by one's level of literacy. Consumer empowerment through financial literacy can help initiatives to improve welfare and create a more inclusive society. Someone who gets effective and efficient teaching will be better able to understand, evaluate, and act properly for their own financial interests. Financial literacy is a set of awareness, information, skills, attitudes, and behaviors that a person must have to make good financial decisions, maintain a healthy financial situation, and ultimately achieve their own financial well-being. One of the components of society that is large enough to contribute to the economy in Indonesia is from investors. Financial literacy in Indonesia, which was still low before the COVID-19 outbreak, caused many investors to make poor and detrimental investment decisions.

However, the importance of good financial management has been widely recognized since the COVID-19 pandemic.

Indonesian President Jokowi, according to a study by Nyoman & Upadana (2020). Compared to neighboring countries, Indonesians still show relatively poor financial literacy and behavior. She also revealed that the financial literacy index of Indonesian people is currently only around 38.03%, still quite low compared to neighboring countries which often exceed 70%. In contrast, Indonesia now has a financial inclusion or access rate of 76.19%. From this, it can be seen that there is still a significant difference in the comparison of financial literacy and access to finance. From here it can be seen that there is still a significant difference in the comparison of financial literacy and access to finance. This is very dangerous because people have a lot of financial access but not much financial expertise, making them vulnerable to financial fraud, especially investment fraud. Technological advancements make this situation even worse, so consumers are more likely to fall victim to fraud if they do not have adequate financial literacy.

Zakhariah et al. (2022) argue that with the rise of fraudulent investment in Indonesia, people do not need to stay away from all capital markets just to avoid the implications of being a victim of fraudulent investment. Zakhariah et al. (2022) also added that financial literacy enhanced by having the ability to manage personal finances can significantly reduce the level of public perception in tackling investment fraud or fraudulent investment. People who want to invest as a way to manage their money feel very worried about the rampant investment fraud that is now happening in Indonesia. It can be concluded that there are several techniques or strategies that can be done for financial planning and overcoming the emergence of fraudulent investments based on the findings of data analysis and discussion that has been done by (Zakhariah et al., 2022). The strategies that can be used here include obtaining knowledge about the type of investment to be made, followed by asking for a marketing and sales plan on a particular business, preferably in the field of investment,

understand the concept of "high risk, high return." In addition, one must be cautious of promotions. In addition, one should be wary of promoters who cannot explain the future plans of the business, and finally understand the concept of demand and supply. After successfully using these strategies, an investor can advance in his financial career by making prudent investments in the future.

The process by which a person acquires the skills, information, and attitudes from the internal and external environment necessary to optimize the role of consumers in financial markets is the definition of financial socialization according to Albeerdy and Gharleghi in [5]. In this study what is meant by financial socialization is the socialization process to gain knowledge, skills, and attitudes about finance from people who interact in the immediate environment to improve financial literacy. The phenomenon of this study is related to the familiarity of financial ideas. Investors are recognized as understanding most financial principles, but they cannot decipher them. Women often appear to know more about finance than men, depending on their gender. According to Margaretha & Pambudhi (2015), investors should learn more about personal finance, especially in the field of investment.

Psychological elements affect financial behavior and decisions seen in the context of financial management behavior. As such, there is a lack of rational investor behavior and poor self-control. Traditional finance theory says that investors act rationally, which means they will usually do what other market participants do. But history shows that this is not always true, many people in the market act speculatively, which can cause them to lose a lot of money, and some end up committing suicide. This shows that humans are often irrational, which means their decisions are influenced by factors other than rationality. In other words, every decision an investor makes is not based on complete rationality.

Studies have shown that financial socialization and financial literacy can improve investors' knowledge, attitude, and behavior towards Indonesia's financial management. Research previous shows that financial literacy and financial

socialization programs conducted in Indonesia can increase awareness and attitudes about financial management and reduce excessive consumptive behavior. Financial literacy and financial socialization have a major impact on making better investment decisions in Indonesia, according to research. They found that investors who are more financially literate and financially socialized prefer more profitable investments.

However, there are several factors that may affect the effectiveness of financial literacy and financial socialization programs in Indonesia after the COVID-19 pandemic, such as education level, socio-economic status, and access to technology. Therefore, further research is needed to evaluate and improve the effectiveness of financial literacy and financial socialization programs in Indonesia after the COVID-19 pandemic, so that they can help investors better manage their finances.

METHODS

This research uses a quantitative approach. The research sample is 100 investors who live in the Greater Bekasi area. The sampling technique used convenience sampling. Research data were collected through questionnaires distributed online to respondents. The research variables consist of financial literacy and financial socialization as independent variables, and financial management behavior as the dependent variable. All question items were measured using a Likert scale. The data analysis technique used variant-based Structural Equation Modeling (SEM) operated through the SmartPLS program.

The analysis steps include outer model test, inner model test, and hypothesis testing. The outer model test was conducted to assess the validity and reliability of the measurement model. The inner model test aims to ensure that the structural model built is correct or not. Hypothesis testing to see the effect between variables is based on the path coefficient value and its significance level, with a significance level of 5%. With this methodology, it is hoped that accurate results can be obtained regarding the effect of financial literacy and financial socialization on the financial management behavior of investors after the COVID-19 pandemic in the Greater Bekasi area.

RESULTS AND DISCUSSION

The results of this study are divided into 2 stages. The stages consist of data feasibility testing and hypothesis summarization.

First Stage: Outer Model

The following are the results of the outer model test which are calculated using the SmartPLS 3.0 statistical tool:
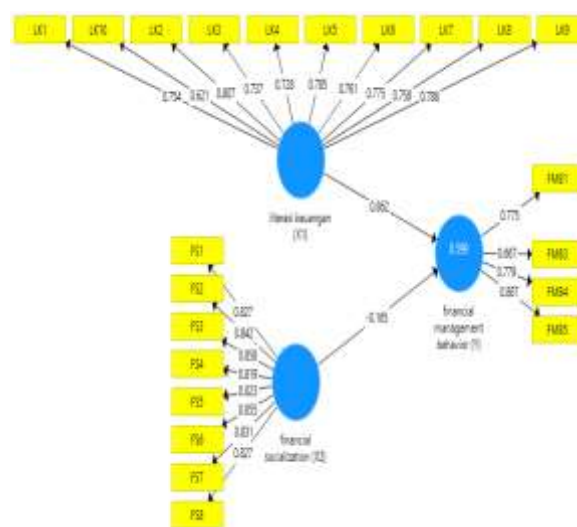

Figure 1. Outer Model Results
Source: Data Processed SmartPLS 3.0, 2023

Average Variance Extracted (AVE)

Table 1. Average Extracted Variance (AVE)

	Cronbach's Alpha	rho_A	Reliabilitas Komposit	Rata-rata Varians Diekstrak (AVE)
financial management behavior (Y)	0.777	0.796	0.856	0.601
financial socialization (X2)	0.939	0.962	0.949	0.698
literasi keuangan (X1)	0.915	0.921	0.929	0.567

Extracted Variation Average (AVE), also known as the average value of the variance extracted, can be used to demonstrate discriminant validity in addition to the cross loading value. According to Ghozali & Latan (2015), the Extracted Average Variance or AVE of more than 0.5 meets the criteria for discriminant validity. Based on the information in the table above, it can be concluded that all variables meet the criteria for discriminant validity because they all have an Average Extracted Variance (AVE) value above 0.5.

Composite Reliability

Table 2. Composite Reliability

	Cronbach's Alpha	rho_A	Reliabilitas Komposit	Rata-rata Varians Diekstrak (AVE)
financial management behavior (Y)	0.777	0.796	0.856	0.601
financial socialization (X2)	0.939	0.962	0.949	0.698
literasi keuangan (X1)	0.915	0.921	0.929	0.567

Data Processed SmartPLS 3.0, 2023

In this study, the consistency of the instrument was evaluated using composite reliability. If the composite reliability value is more than 0.7, it is considered to meet the composite reliability requirements (Ghozali & Latan, 2015). The information in the table above shows that all variables have a composite reliability value greater than 0.7, which means that all variables meet the composite reliability criteria.

Cronbach Alpha

Table 3. Cronbach Alpha

	Cronbach's Alpha	rho_A	Reliabilitas Komposit	Rata-rata Varians Diekstrak (AVE)
financial management behavior (Y)	0.777	0.796	0.856	0.601
financial socialization (X2)	0.939	0.962	0.949	0.698
literasi keuangan (X1)	0.915	0.921	0.929	0.567

Data Processed SmartPLS 3.0, 2023

The reliability test is strengthened by the use of Cronbach's alpha. If it is greater than 0.7, it is considered to have met the Cronbach's alpha criteria (Ghozali & Latan, 2015). Because all variables have a Cronbach alpha value greater than 0.7 based on the information in the table above, it can be said that all variables meet the Cronbach's alpha standard.

Second Stage: Inner Model

The following are the results of the outer model test which are calculated using the SmartPLS 3.0 statistical tool:
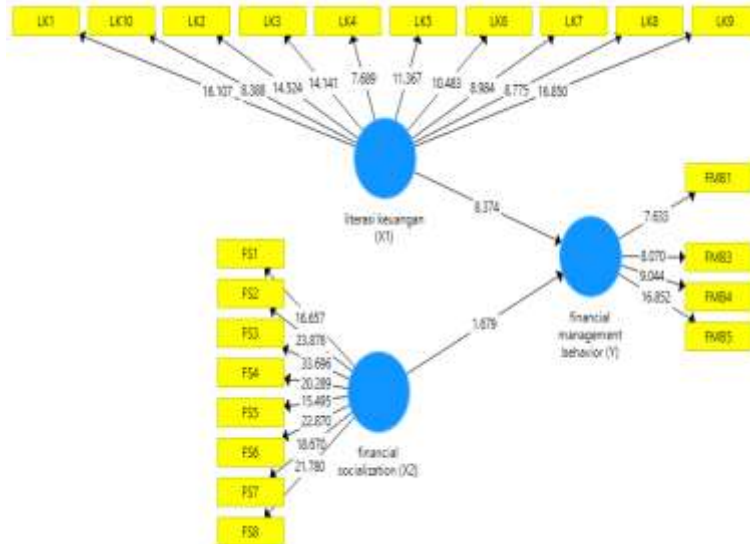

Figure 2. Inner Model Results
Source: Data Processed SmartPls 3.0, 2023

R-Square

Table 4. R-Square

	R Square	Adjusted R Square
financial management behavior (Y)	0.599	0.590

R-Square is used to describe how independent latent factors affect dependent latent variables. The R-Square measurement baseline according to Ghozali & Latan (2015) is 0.75 which is characterized as strong, 0.50 as generally moderate, and 0.25 as weak. The R-Square value of the financial management behavior variable (Y) which is included in the measurement standard used is quite moderate, namely 0.599 (59.9%) which supports the conclusion. There is a moderate relationship between financial literacy and financial socialization on financial management behavior.

Q-Square

Table 5. Q-Square

	SSO	SSE	Q^2 (=1-SSE/SSO)
financial management behavior (Y)	396.000	274.718	0.306
financial socialization (X2)	792.000	792.000	
literasi keuangan (X1)	990.000	990.000	

Q-Square is used to measure how accurately the estimated model parameters and observed values match. According to Ghozali & Latan (2015), the model has stronger predictive significance if the Q-Square value is greater than 0 (zero), and has less predictive importance if the Q-Square value is smaller than 0 (zero). Based on the above calculations, the Q-Square value is greater than zero, which indicates that this research model has predictive relevance or the percentage value of this study is equivalent to 30.6%. While the remaining result of 69.4% is not included in the findings of this study. It can be said that the research model is quite good.

Hypothesis Test

Using SmartPLS 3.0, the bootstrap approach is used to conduct the hypothesis testing stage, which involves checking the P Values. Provided that if the P Values are less than 0.05, the hypothesis is accepted (Ghozali & Latan, 2015).

Table 6. Hypothesis Test Results

	Sampel Asli (O)	Rata-rata Sampel (M)	Standar Deviasi (STDEV)	T Statistik (| O/STDEV...	P Values
financial socialization (X2) -> financial management behavior (Y)	-0.165	-0.131	0.098	1.679	0.093
literasi keuangan (X1) -> financial management behavior (Y)	0.862	0.836	0.103	8.374	0.000

It is known that the results of the hypothesis test output, the p values of H1 and H2 are less than 0.10, so the first hypothesis is confirmed, indicating that financial management behavior is influenced by financial literacy. H1 is accepted because the p-values are less than 0.1 based on the description of the research data above. Consequently, it is clear that the financial literacy variable has a big impact on how people handle their money. H2 shows that financial socialization has an impact on financial management practices. H2 is accepted if the p-values are less than 0.1 based on the description of the research data above. As a result, that financial socialization variable has a big impact on how people handle their money.

CONCLUSION

Based on the results of data analysis carried out using SmartPLS and the results of the analysis in the previous chapters that have been discussed related to financial literacy and financial socialization on financial management behavior, conclusions are formed, including that financial literacy affects the financial management behavior of investors in Greater Bekasi after the Covid-19 pandemic, this is in line with the hypothesis in this study and in line with research conducted by (Sugiharti & Maula, 2019) and (Indriana & Tasman, 2019).Financial socialization affects the financial management behavior of investors in Bekasi Raya after the Covid-19 pandemic, this is also in line with the hypothesis in this study and in line with research conducted by (Safitri & Kartawinata, 2020) and (Viani et al., 2022). Some suggestions need to be given related to the research and results that have been achieved, namely that an investor needs to get information or socialization related to his finances and must have good financial literacy because financial literacy and financial socialization have an influence on financial management behavior. Further research can include other variables or moderating variables that theoretically affect financial management behavior such as financial attitude and financial knowledge.

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