The Effect of Financial Knowledge and Financial Attitude on Financial Management Behavior Mediated with Locus of Control

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ABSTRACT

Financial management behavior becomes an issue that can't be avoided at this moment, especially about a consumptive phenomenon. The consumptive phenomenon became a bad habit now. Therefore, the purpose of this study is to determine the influence of financial knowledge and financial attitude on financial management behavior and determine a locus of control mediates the indirect effect of financial expertise and financial perspective on financial management behavior. This study's population comprises the Economics Faculty at Universitas Islam Negeri Maulana Malik Ibrahim Malang. The sample in this study was taken by purposive sampling technique, which amounted to 270 respondents. The data analysis method used descriptive analysis, and data analysis used Partial Least Square (SmartPLS) 3 with the Sobel test mediation analysis. The research results show that financial knowledge and financial attitude have a positive and significant influence on financial management behavior. Other than that, financial expertise and financial attitude positively affect financial management behavior if mediated by a locus of control.

Keywords: Financial Management Behavior, Financial Knowledge, Financial Attitude, Locus of Control

INTRODUCTION

Financial management behavior becomes an issue that can't be avoided at this moment, especially concerning private consumption behavior. Society tends to think short-term and less responsible financial decisions that may create some financial problems if it isn't followed by good financial planning (Kholilah and Iramani, 2013). Financial planning is required to determine the direction of a person's financial management, creating good financial management behavior in the community. Some of the causes of the financial stability of individuals are disturbed, leading to the endangerment of economic well-being, among others, can not distinguish between deposits, savings, investment, debt hobbies, and deviant lifestyles (Ghozie, 2016). The survey results in Indonesia in 2016, 67.82% of people who use financial services, only 29.66% who understand financial products with a margin of error of 3%. On that basis, the Financial Services Authority provides educational content and financial information via the official website of the

Financial Services Authority and book launches financial education for the college students (Otoritas Jasa Keuangan, 2016).

The first period of the individual experiencing the freedom to manage finances without full parental supervision is the lecture period. In the lecture period, college students must have financial intelligence through potential resource management into real wealth, then process again (Tanuwidjaja, 2009). Facts show that students in big cities like Malang still prioritize the up-to-date lifestyle caused by consumer behavior. State Islamic University of Maulana Malik Ibrahim Malang (UIN Maliki Malang) is one of the universities in Malang that pays attention to the lecture bench's learning. According to the vision of UIN Maliki Malang, that instills professional maturity and emphasizes the depth of the spiritual, moral grandeur, and breadth of knowledge. It is expected that students have more experience, for example, a ban on consumer behavior and behaved wisely through better self-control and responsibility.

This university has many programs study, one of which is management programs. These programs are courses that deepen knowledge management either through the planting of intellectual values and Islamic values. In learning this course also know financial management has integrated by Islamic concept. Students of the Department of Management should behave better in financial management than other majors, so it is expected to be able to implement the knowledge gained about the economy and finance.

THEORITICAL REVIEW

Financial planning is required to determine the direction of the person's financial management, thereby creating financial management behavior. Financial management behavior is a person's ability to regulate everyday monetary funds (Kholilah and Iramani, 2013). Many considerations must be made individually to create a responsible decision. The theory of financial management behavior disclosed Dew and Xiao (2011) in four main things: consumption, cash flow management, savings, and investment, as well as debt management.

Empirical evidence shows that several variables affect the behavior of financial management, one of which is financial knowledge. Mien et al. (2015) states that financial experience proved to significantly impact financial management and more consistent when various policies are used. Someone rational and more confident in terms of financial knowledge affects the economic behavior that is more profitable. Financial knowledge is mastery of different things about the world of finance (Kholilah and Iramani, 2013). Chen and Volpe (1998) disclose the financial expertise to the four issues: general financial knowledge, knowledge of savings and loans, insurance knowledge, and investment knowledge.

Other variables that affect the behavior of financial management is the financial attitude. Shefrin (2000) defined it as a state of mind of economic attitudes, opinions, and ratings about finances. Understanding the financial perspective will help a person understand what is believed related to her relationship with money. Yamauchi and

Templer (1982) state there are five sections in the attitude of finance, namely power-prestige (the source of power and status), retention time (money must be managed and cautious in spending), distrust (raised doubts), quality (symbol of success and quality), and anxiety (anxiety causes).

In addition to the above two variables, other variables that influence financial management behavior are locus of control. The concept of locus of control is defined by Ida and Dwinta (2010) as the cause of an event. Locus of control can direct the behavior toward goodness involves physical and psychological functioning to impact positively. According to the Behavioral Finance Theory that began to respond to their element in the conduct of the financial decision-making process, the psychological factors can influence a person's willingness in financial management. Locus of control is divided into two, namely 1) the internal locus of control, which considers that the ability and attempt to determine what is gained in life, 2) the external locus of control, consider that determined life environmental forces (Kholilah and Iramani, 2013). Individuals with high power will be paying attention to the proper ways to behave in various situations (Ida and Dwinta, 2010). Effective measures following the theory put forward Ajzen (2002) that the behavior is determined by the desire for someone to perform or not perform the behavior.
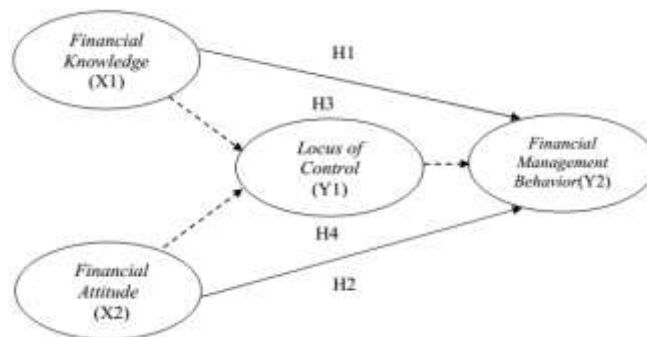

Figure 1. Model Hypothesis

Hypothesis

H1: The higher financial knowledge creates higher financial management behavior

H2: The higher financial attitude creates higher financial management behavior

H3: The higher financial knowledge, creates the higher the financial management behavior through the increased locus of control

H4: The higher financial attitude creates higher financial management behavior through the increased locus of control

METHODOLOGY

This research is explanatory research with a quantitative approach. The study population was a student majoring in management UIN Maliki Malang. Samples were taken through

purposive sampling with the following criteria: (1) Registered as a student of the management programs of UIN Maliki Malang; (2) Being in the semester 1 to a semester of 8 the academic year 2017/2018; (3) Don't live with his parents (manage the finance). The results of the sample through a Slovin formula calculation show that the total selection is 270 respondents. The data source is the primary research, specifically by distributing questionnaires collected through structured questions regarding the study variables of financial knowledge, financial attitude, locus of control, and financial management behavior.

Statistical analysis tools smartPLS research using software version 3.0. because this study uses multivariate statistical techniques by using three variables: the independent variables, mediating variables, and the dependent variable. PLS suitable to confirm the indicators of a concept/construct / factor. PLS is one of the multivariate analysis techniques with a series of analyzes of some latent variables simultaneously. PLS is a method that is not based on assumptions (Ghozali, 2014). Consistent with the hypothesis that has been formulated, so in this study starts from the evaluation of the measurement models(outer Model), assessment of the model structure(inner Model), hypotheses, and mediation test.

RESULTS AND DISCUSSION

Evaluation Measurement Model (Outer Model)

Evaluation measurement models are needed to assess the variables indicators that reflect a construct. The evaluation model can be done through the convergent test validity, discriminant validity, and reliability composite. Here is the result of the measurement model.

Convergent validity is one test that shows the relationship between reflective items with latent variables. An indicator is said to be sufficient when a value loading of 0,5 to 0,6; the indicators of each construct was great enough (Ghozali, 2014). Here can be seen the value of the loading factor in Table 1.

Table 1 shows the value of the loading factor resulting from each indicator variable of more than 0,5. Thus these indicators are considered valid as a measure of the latent variables.

Discriminant validity is done to ensure that every draft of every different latent variable with other variables. A model has good discriminant validity if the value of the root of AVE each latent variable is greater than the correlation with other variables. Recommended AVE root value greater than 0,5 (Ghozali, 2014). Here are the results of the calculation of the roots of each variable AVE.

Table 1. Result Convergent Validity

Variable	Indicator	Loading Factor	Description
Financial Knowledge	General Knowledge of Finance	0,799	Valid
	Knowledge of Savings and Loans	0,752	Valid
	Insurance Knowledge	0,695	Valid
	Investments Knowledge	0,778	Valid
Financial Attitude	Power Prestige	0,786	Valid
	Retention Time	0,780	Valid
	Distrust	0,712	Valid
	Quality	0,679	Valid
	Anxiety	0,714	Valid
Locus Of Control	Internal Locus of Control	0,943	Valid
	External Locus of Control	0,930	Valid
Behavior	Consumption	0,768	Valid
Financial Management nt	Management of Cash Flow	0,751	Valid
	Savings and Investments	0,815	Valid
	Debt Management	0,779	Valid

Table 2. Result AVE, √AVE, and the Correlation Between the Latent Variables

Variable	AVE	√AVE	Correlation of the latent variables			
			FA	FK	LoC	FMB
Financial Attitude	0,573	0,757	1,000			
Financial Knowledge	0,541	0,736	0,419	1,000		
Locus of Control	0,606	0,778	0,647	0,463	1,000	
Financial Management Behavior	0,878	0,937	0,392	0,436	0,503	1,000

Table 2 shows the value of the root of AVE; each latent variable is greater than the correlation with the other variables so that the entire instrument is declared valid.

Composite reliability is used to test the value reliability indicator of the constructs that make it up. A variable is said to be good if the value of composite reliability more than 0.7 and the value Cronbach's alpha suggested >0,6 (Ghozali, 2014). Here the significance of composite reliability and value of Cronbach's alpha in Table 3.

Table 3. Result Composite Reliability and Cronbach's Alpha

Variable	Composite Reliability	Cronbach's Alpha	Description
Financial Knowledge	0,854	0,793	Reliable
Financial Attitude	0,843	0,808	Reliable
Locus of Control	0,860	0,783	Reliable
Financial Management Behavior	0,935	0,861	Reliable

Table 3 shows that the score of composite reliability of the latent variables more than 0,7 while values Cronbach's alpha latent variables showed values greater than 0,6 so that all variables showed good reliability.

Evaluation Structural Model (Inner Model)

Tests structural model (inner model) was conducted to see the relationship between the constructs. Here is the evaluation of the results of the Structural model.
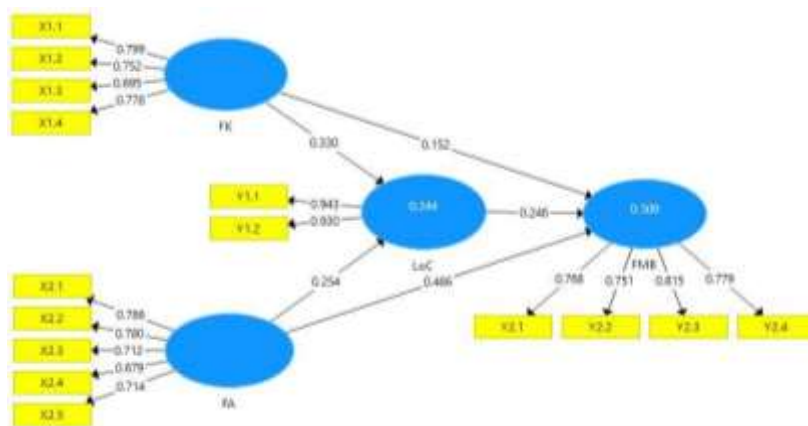

Figure 2. Structural Model

Evaluation PLS structural model begins by looking at the R-square of each latent dependent variables. Table 4 is the approximate R-square by using PLS.

Table 4. Results of Goodness of Fit

Variable	R-square
Locus of Control	0,244
Behavior Financial Management	0,509

Table 4 shows the value of R^2 for the variable locus of control is 0,244 or 24,4% and for the variables, financial management behavior amounted to 0,509, or 50,9%. Ghozali (2014) said that R-Square (R^2) is used to test the structural model for each dependent variable. Next to a model consisting of two or more independent variables, testing the goodness of fit total with Q-Square (Q^2). If the ≥ 0 means the model can be predicted

whereas if model ≤ 0 then the model can't be predicted (Ghozali, 2014). Here are the results of the calculation of the Q^2:

$$Q^2 = 1 - (1-R_1^{2)})(1-R_2^2)\dots\dots(1-R_p^2)$$
$$Q^2 = 1 - (1 - 0,509)\,(1 - 0,244)$$
$$Q^2 = 1 - (0,491)\,(0,756)$$
$$Q^2 = 1 \text{ to } 0,371$$
$$Q^2 = 0,639$$

Result Q^2 shows the value predictive relevance of 0,639 or 63,9%. This indicates that the model is feasible because the model can explain the model's diversity amounted to 63,9%. And the balance of 36,1% is explained by other variables that haven't been described in the research model and error. The PLS model is already well-formed, being able to explain 63,9% of the total information.

Results Hypothesis and Mediation Test

Structural models are evaluated through path coefficient value of each variable relationship. Structural model testing carried out after the model of the relationship is built. The purpose of the structural relationship model is to explain the relationship between the variables in the study. Structural model testing carried out by t-test. The bases used in testing the hypothesis directly are the image output and the value of the output path coefficients and indirect effect. A detailed explanation of testing a hypothesis is presented in Table 5.

Table 5. Direct and Indirect Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Describes
FA -> FMB	0,486	0,498	0,059	8,179	0,000	Significant
FA -> LoC	0,254	0,257	0,052	4,912	0,000	Significant
FK -> FMB	0,152	0,144	0,056	2,718	0,007	Significant
FK ->LoC	0,330	0,333	0,056	5,861	0,000	Significant
LoC -> FMB	0,246	0,243	0,062	3,976	0,000	Significant
FA-> LoC->FMB	0,063	0,062	0,021	3,052	0,002	Significant
FK-> LoC->FMB	0,081	0,081	0,024	3,336	0,001	Significant

Test mediation was conducted to detect the position of mediating variables in the Model. Mediation test measured by Sobel test with software Free Statistic Calculation for Sobel Test version 4.0 which developed by Sobel (Maharani et al., 2017). Here is the result of the mediation test in Table 6.

Table 6. Results Mediation Test

	Financial Knowledge	Financial Attitude
A	0,330	0,254
B	0,246	0,246
SEA	0,056	0,052
SEB	0,062	0,062
Sobel test statistic	3,07973110	3,29122894
One-tailed probability	0,00103594	0,00049875
Two-tailed probability	0,00207188	0,00099751

The results of test calculations mediation in Table 6 shows 3,29122894 for relations financial knowledge on financial management behavior, while for the effects of mediation relationship, financial attitude to financial management behavior is 3,07973110. The result of mediation is greater than the t-table so that there is an influence locus of control as a mediating variable. And then, to determine the nature of the relationship, used inspection method (Solimun, 2012). The inspection method is done by approaching the difference coefficient value and significance as follows:1) examine the direct influence of exogenous variables on the endogen in the model by involving the mediation variables; 2) examine the direct effect of exogenous variables on endogens without involving mediation variables; 3) examine the impact of exogenous variables on mediation variables; 4) test the role of mediation variables with endogenous variables. The results show all statements received. And the last step is the inspection difference coefficient value. The path coefficient indirect effect of financial knowledge and financial attitude (exogenous) to financial management behavior (endogenous) with a locus of control (mediation) is 0,152 and 0,486 are less than path coefficient of direct effect without mediation variable that is0,298 and 0,506. So, from the results, locus of control can be a mediating variable at the influence of financial knowledge and financial attitude to management economic behavior.

Influence of Financial Knowledge on Financial Management Behavior

The influence of financial knowledge on financial management behavior showed that coefficient value is positive0152, and the p-values 0,007> 0.05 and t-statistic value 2,718> t-table 1,96 so that H1 is accepted. The higher financial knowledge makes financial management behavior higher. To achieve good financial behavior, need financial knowledge. With the high financial knowledge, one can improve their own thinking patterns and considerations regarding financial management, which will create better financial management behavior. The results of this research are supported by several previous research. Amanah, Rahadian, and Iradianty (2016), and Mien and Thao (2015) found a positive influence of financial knowledge on financial management behavior.

Research almost the same is Gautama and Deyola (2014), who found influence financial knowledge on saving money. Consistent with the results of Arifin (2017), Rabb and Woodyard (2011), and Ida and Dwinta (2010). Also found a significant effect of financial knowledge on financial management behavior. Individuals who have financial ability

tend to behave in a financially responsible way; they are more alert of the future, so they choose to find out how best to manage their assets. As a necessary tool and a critical factor in making financial decisions, financial knowledge was instrumental in creating financial management (Ida and Dwinta, 2010). The better financial experience, so the chances of making better decisions are higher. Knowledge acquired during the education period can influence the mindset so that the higher level of education taken will help make the right decision.

Influence of Financial Attitude on Financial Management Behavior

Influence of financial attitude towards financial management behavior showed that coefficient value is positive 0,486, p-value 0,000<0,05, and t-statistic 8,179>t-table 1,96, so H2 is accepted. A better financial attitude, behavior tends to encourage better financial management. State of mind, financial opinions, and judgments about the perspectives represented in the economic dimension. Understanding the attitudes associated with financial help someone understand his relationship with money. The findings support previous research, Amanah, Rahadian, and Iradianty (2016) and Mien and Thao (2015), who found influence financial attitude to financial management behavior. Better financial management attitude tends to make people wiser in financial behavior than individuals who have a bad financial attitude. Financial perspectives are directing an individual to be able to have the mindset to regulate financial behavior through their role in the making decision of financial management.

Influence of Financial Knowledge on Financial Management Behavior Mediated by Locus of Control

Influence of financial knowledge on financial management behavior mediated by the locus of control shows that coefficient value is positive 0,081 p-values 0,001 and t-statistics 3,336 so H3 accepted. The higher financial knowledge makes financial management behavior be higher if mediated by the locus of control. In this model, the locus of control acts as a partial mediation. Research findings support Kholilah and Iramani (2013) that the locus of control is able to mediate the relationship of financial knowledge on financial management behavior. This indicates that a person who has good financial knowledge will form good self-control, so responsible financial behavior will be formed.

Shefrin (2000) states that the behavioral finance theory, psychology phenomenon, can affect a person's financial behavior. Understanding the patterns of reasons, including emotional aspects and the degree of its aspects, can influence the decision-making process. The research is consistent with the results of Aydemir and Aren (2017), who used the term financial literacy to represent financial knowledge. The results showed that financial literacy doesn't directly impact the behavioral finance risk, so other variables hinder the relationship between them, that is, locus of control. And as for those who fear the greatness of his God and desire to refrain from his lust (QS. An-Nazi'at: 40). Refrain from lust is the focal point of obedience since lust is a strong incentive to all violations and actions transgress. People should control themselves of impulses passions that can make a person forget God and felt fear for his greatness so as

not to fall into things that are negative (destruction) and bring astray (https://tafsirq.com).

Influence of Financial Attitude to Financial Management Behavior Mediated by Locus of Control

Influence of financial attitude to behavior financial management through the locus of control shows that coefficient value is positive 0,063, the p-values of 0,002 and t-statistical significance is 3,052 so the higher financial attitude, will make the higher financial management behavior, through the increased locus of control. The researchers' findings following the Planned Behavior Theory state that the attitude indirectly affects o behavior (Ajzen, 2002). These findings answer Gautama and Deyola (2014) research, which no directly influences the financial attitudes toward saving decision, even though the philosophy can lead to behavior. Smith, Brock, and Colgate (2007) stated that the decision-making behavior results from reasoning due to perspective.

Theory Behavioral Finance explains that the patterns of reasons, including emotional aspects and the degree of its characteristics, can influence a person's decision-making process. Theory Behavioral Finance explains that in financial decision making tends to incorporate emotions into decision making. If correlated with the Theory of Planned Behaviors the locus of control is needed to keep financial management behavior. "And persons when they spend (treasure), they aren't excessive, and nor miserly, and is (spending it) in the middle it (QS. Al-Furqan: 67). Allah and His Prophet suggest that the people keep the treasure, not scattering the prize, nor hold without issuing a slightest to sacrifice personal interests and the needy person. An attitude like that can create imbalance in society in the economy. Islam regulates this aspect of lives by starting from the individual soul that makes the balance as a single character of code faith (Shihab, 2006).

CONCLUSION

The study aims to determine the significant effect of financial knowledge and financial attitude on financial management behavior. So the higher the financial knowledge and financial attitudes, then the higher the financial management behavior. While the effect of financial knowledge and financial attitude on financial management behavior through the locus of control showed a significant impact. The higher financial knowledge and financial attitudes make financial management behavior high, through an increased locus of control. Suggestions for further research are the use of other variables that theoretically influenceto financial management behavior to perfect the existing Model and other respondents were able to apply financial planning is better to be able to train financial behavior more responsible through the locus of control better.

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