

INFLUENCE OF FINANCIAL KNOWLEDGE AND SOCIO-DEMOGRAPHY ON FINANCIAL MANAGEMENT BEHAVIOR WITH LEVEL OF EDUCATION AS A MODERATION VARIABLE

Achmad Murdiono
Fadia Zen,
Lulu Nurul Istanti

ABSTRACT

Economic empowerment in Indonesia today cannot be separated from the existence of cooperatives. Cooperatives play an important role in transaction and investment motives for society. The role of cooperatives in economic empowerment is inversely proportional to the condition of Human Resources (HR) management. This study has urgency in terms of increasing the competitiveness of cooperative management's human resources. This study aims to examine the influence of financial knowledge and socio-demographics on financial management behavior with education level as a moderating variable. This research uses a quantitative approach with the Confirmatory Factor Analysis (CFA) test with the Structural Equation Modeling (SEM) method. This research involved Kopwan administrators in Blitar Regency as respondents. The research results show that financial knowledge and socio-demographic influences, financial management behavior, and education level can moderate the relationship between financial influences on the financial management behavior of Kopwan administrators. Based on the research results, it is known that institutional strengthening can be done by improving the quality of management so that it has an effective impact on Kopwan's performance.

Keywords: Financial knowledge, Socio-Demography, Financial Management Behavior, Level of education, Kopwan

INTRODUCTION

The Pancasila democratic economic system places cooperatives as one of the ideal locomotives driving the national economy. For this reason, community economic development through the empowerment of cooperatives and SMEs is one of the main priorities for long-term national economic development. One type of cooperative that is currently mushrooming in East Java is Kopwan (Kopwan). It is recorded that in East Java 4,250 Kopwan have been formed with a capitalization of Rp. 45 Billion (Siswoyo, 2014). Even though it has contributed to economic empowerment driven by women, the development of Kopwan in East Java has experienced quite serious obstacles. Based on health assessments, it is known that 40% of Kopwan's performance in East Java is unhealthy. Siswoyo (2014) in his research stated that the majority of Kopwan problems in East Java are low human resources (HR), especially knowledge regarding financial management. Bapat (2020) describes financial knowledge as the possession and understanding of information regarding financial problems as a basis for making financial decisions. Therefore, for Kopwan management, financial knowledge is becoming increasingly important in making financial decisions, thereby having a positive impact on financial performance (Cossa et al., 2022).

Chong et al. (2021) in their research explain that financial management behavior will be greatly influenced by financial knowledge. Individual capacity to apply information and understanding to make good financial decisions is usually called financial knowledge (Banthia & Dey, 2022). Objective and subjective financial knowledge is an important stimulus to produce responsible financial behavior (Kim et al., 2019). According to (Ali et al., 2016), financial knowledge has a positive effect on financial behavior. In this context, individuals who are financially literate and knowledgeable are better able to make financial decisions rationally (Banthia & Dey, 2022). Another factor that influences financial management behavior is the demographic aspect.

According to research conducted (Humaidi et al., 2020) demographic aspects consisting of gender, income, and age influence financial management behavior. Humaidi et al. (2020) also explained that it turns out that the demographic aspect, namely income, does not affect financial management behavior. Inconsistencies were also found in several studies regarding the influence of demographic aspects. Rahmawati's research (2021) shows that there is a relationship between age and financial management in business. However, research by Humaidi et al. (2020) shows that there is no relationship between age and financial management in business. Inconsistent research results led researchers to add education level as a moderating variable.

Mansour & Jlassi (2014) stated that apart from culture and economics, individual factors are also important determinants of financial management behavior related to investment choices. This is in line with research conducted by Schlechter & Milevsky (2010) which states that the level of education will correlate with work which influences the improvement of cognitive and psychosocial aspects. Apart from that, Marheni, DK (2020) shows that the higher the level of education, the better the behavior in managing finances. Based on the theoretical and empirical description above, increasing the human resource capacity of Kopwan management is closely related to increasing financial knowledge which leads to the quality of financial management behavior.

This is reinforced by the level of financial knowledge of the Indonesian people which is still low (49.68%) compared to Thailand which reaches 78%, Malaysia at 81%, and Singapore 96% of the total population (Gultom et al., 2022). Apart from that, it is interesting to test the aspect of education level as a moderating variable in looking at the relationship between the financial knowledge of Kopwan administrators and their financial behavior.

METHOD

The approach taken in This research is quantitative. Sugiyono (2019:25) quantitative research aims to show relationships between variables, test existing theories, and look for generalizations that have a predictive value which is carried out through structured questionnaires, observations, and interviews. Quantitative research is prepared systematically, planned, structured, clear, and not influenced by existing conditions in the field (Hardani et al., 2020: 238). This research examines the aspect of education level as a moderating variable in looking at the relationship between the financial knowledge of Kopwan administrators and their financial behavior. Based on objective research following the research model and research framework of this research:

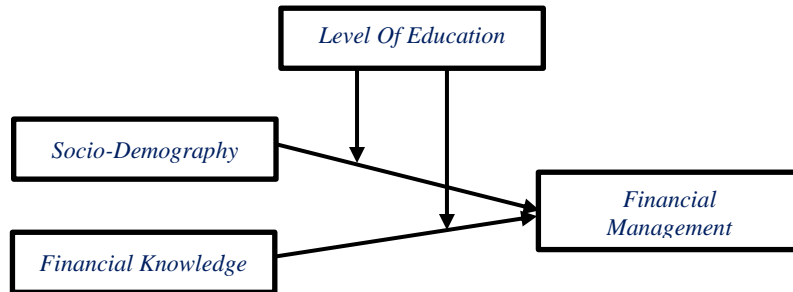


Figure 1 Design Study

The research aims to test *financial knowledge* and *socio-demography* on *financial management behavior* with the *level of education* as a moderating variable in Kopwan administrators in Blitar Regency. Therefore _ Therefore, this research uses the *Confirmatory Factor Analysis* (CFA) test with the *Structural Equation Modeling* (SEM) method. Sugiyono (2019) mentions that SEM is a statistical model that provides estimation calculation from the strength connection hypothesis between variables in a theoretical model, fine directly or through variables between. Through SEM, it is possible writer to do testing A more circuit/network models complicated Testing hypothesis used for testing influence variable exogenous in a way direct and indirect to endogenous variables. Criteria testing state that if the coefficient track worth positive and the p-value < 0.05 (significant level = 5%), then stated exists influence of positive and significant variable exogenous to endogenous variables. Software that will used for SEM analysis is Smart PLS

RESULTS AND DISCUSSION

1. Research Results

a. Loading Factor

Chin (1998) suggests a minimum *outer loading value* of 0.60, which means this value is feasible and valid to be used as data in the overall model.

Table 1. *Outer loading values*

	Financial Behavior (Y)	Financial Knowledge (X1)	Level of Education (Z)	Socio-Demography (X2)
FB2	0.938			
FB3	0.936			
FK2		0.897		
FK3		0.927		
LoE			1.000	
SD				1.000

Based on the results of testing *the loading factor* or validity of the *financial behavior variable*, it was found that out of a total of 7 items, only 2 items had a *loading factor value* above 0.60 and were declared valid. 5 items coded FB1, FB4, FB5, FB6, FB7 were declared invalid because they had a *loading factor value* <0.60 so these items were removed from the construct. *loading factor* testing or the validity of the *financial knowledge variable*, it was found that out of a total of 7 items, only 2 items had a *loading factor value* above 0.60 and were declared valid. 5 items coded FK1, FK4, FK5, FK6, FK7 were declared invalid because they had a *loading factor value* <0.60 so these items were removed from the construct.

b. Validity and Reliability Test

Validity and reliability test results are described in the table following.

Table 2. Outer loading values

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Financial Behavior (Y)	0.860	0.881	0.935	0.877
Financial Knowledge (X1)	0.799	0.814	0.908	0.831

Cronbach's alpha from the two constructs shows results between 0.799 to 0.860, while the composite reliability of the four constructs shows results between 0.908 to 0.935, so it can be concluded that the variables used are reliable because they are greater than 0.70. The AVE values for the two constructs were 88% and 83%, which means the AVE value for each variable is above the recommendation, namely 50%.

c. Structural Model Analysis

Bootstrapping calculations in this research, the following are the results of the path coefficient value for bootstrapping

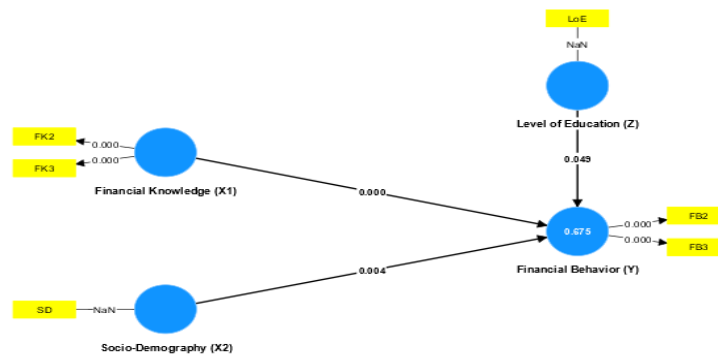


Figure 2. Structural model

1) R-Square Test

Sarstedt et al., (2020) state the classification of R-square values namely 0.25 (weak), 0.50 (moderate), and 0.75 (strong).

Table 3 R-Square Value

	R-square	R-square adjusted
Financial Behavior (Y)	0.675	0.658

These results show that the financial behavior variable of 0.658 or 65.8% is considered strong. Thus, the variable ability of financial knowledge, socio-demography, and level of education in explaining financial behavior is classified as strong at 65.8%, while the influence of other independent variables not measured in this study was 34.2%.

2) Significance Test

This research uses two-tailed research or a two-tailed significant level of 5%, so the critical value determined is 1.96. The following is a table of hypothesis testing

Table 4 significant level test results

	Original sample (C)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Financial Knowledge (X1) -> Financial Behavior (Y)	0.843	0.833	0.088	7.316	0.000
Level of Education (Z) -> Financial Behavior (Y)	-0.193	-0.193	0.101	1.972	0.049
Socio-Demography (X2) -> Financial Behavior (Y)	0.275	0.284	0.098	2.878	0.004

Based on the results of statistical tests that have been carried out, it can be seen that

- a). Financial knowledge has a positive and significant effect on the financial management behavior of the Blitar Regency Kopwan Management. This is based on the results of statistical analysis using the SEM PLS method which shows a T-statistical value of 7.316 from P-values as big as 0,000.
- b). Social demography has a positive and significant effect on the financial management behavior of the Blitar Regency Kopwan Management. This is based on the results of statistical analysis using the SEM PLS method which shows a T-statistic value of 1,972 from P-values as big as 0.049
- c). Level of Education moderate connection between financial knowledge and social demography on the financial management behavior of the Blitar Regency Kopwan Management. This is based on the results of statistical analysis using the SEM PLS method which shows a T-statistic value of 2,878 from P-values as big as 0.004

2. Discussion

The better financial knowledge a person has, the better his financial behavior will be. On the other hand, the less financial knowledge one has, the worse the financial behavior of the Blitar Regency Kopwan Management will be. The positive influence of financial knowledge on financial management behavior is supported by the theory of planned behavior which is based on the fact that each person obtains different information which can be influenced by various factors and have an impact on the way they view things, thereby influencing behavior, beliefs and intentions to act. The theory of planned behavior states that financial knowledge is financial knowledge that can be a factor behind a person's behavior in making financial decisions (Ajzen, 2005). The financial knowledge a person has will have an impact on their financial behavior.

The research results show that financial knowledge influences the financial behavior of Kopwan administrators. This shows that respondents already understand the benefits of managing finances, and broaden their financial horizons by looking for information about financial products or services before deciding to use them. So the higher the financial knowledge that the Kopwan management has, the higher the financial management behavior they have.

The research results also show that on average respondents who have the answer first compare financial products or services by looking for information before deciding to use them. So that the knowledge or information possessed is useful in making better decisions in the future. Individuals who can use their knowledge to make informed decisions regarding financial resources are more likely to be financially literate.

Financial knowledge is used as a determining basis for knowing and managing everything related to theory, financial concepts and financial problems. In line with the statement by Kim, KT, Anderson, SG, & Seay, MC (2019), financial knowledge can be a strong asset for students in overcoming finance-related problems, such as when managing finances or making financial-related decisions. To create a secure financial future, a foundation is needed, namely financial knowledge that can create good financial management behavior.

Blitar Regency Kopwan administrators have good financial knowledge, reflected in financial management indicators and financial products or services. The Blitar Regency Kopwan management knows the benefits of financial management and always looks for information about financial products or services that will be used, so that knowledge and information will increase, and have an impact on better financial behavior. The results of this research data processing show that the level of education can moderate the influence of financial knowledge on the financial management behavior of Blitar Regency Kopwan administrators. Education level can strengthen the influence of financial knowledge on financial management behavior. So the hypothesis which states that the level of education can strengthen the influence of financial knowledge on the financial behavior of Blitar Regency Kopwan administrators is accepted.

So the level of education can significantly moderate the influence of financial knowledge on financial management behavior. This research finds that the level of education can influence financial knowledge in shaping financial behavior. This is shown by the average results of respondents filling in based on education level having different values, namely the higher the education a person has, the higher the influence of financial knowledge. in shaping individual financial behavior. Respondents with junior high school or equivalent education have a higher level of financial knowledge than those with high school or equivalent education in their behavior towards finances.

Financial literacy theory states that financial knowledge is the ability to read, manage, analyze and communicate about financial conditions which will later influence financial well-being. In the theory of planned behavior it is also explained that in shaping individual behavior, one of the factors that needs to be considered is self-control. This research contributes to the development of personal financial behavior theory. This research is also in line with behavioral finance theory, which is defined as a theory that studies human behavior in making decisions related to finance, as a response to the information obtained. Science that studies how individuals respond and react to the knowledge or information they have to make decisions that can optimize existing risks. Individuals who have good financial knowledge will have aspects.

CLOSING

Based on the results and discussion above, the conclusion from This research includes, among others following.

1. *Financial knowledge* has a positive and significant effect on *the financial management behavior* of Blitar Regency Kopwan administrators.
2. *Social demography* has a positive and significant effect on *the financial management behavior* of Blitar Regency Kopwan administrators.
3. *Level of Education* moderate connection between *financial knowledge and social demography* on *financial management behavior* of Blitar Regency Kopwan administrators.

The results of this research found that *Financial knowledge and social society* have a positive and significant effect on *financial management behavior*. Therefore that's reinforcement can done in a way to improve in quality of the administrator, so impacts in a way effective to performance Kopwan.

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Achmad Murdiono*
Department of Management, Faculty of Economics
Malang State University, Malang, Indonesia
Email: achmad.murdiono.fe@um.ac.id

Fadia Zen,
Department of Management, Faculty of Economics
Malang State University, Malang, Indonesia
Email: fadia.zen.fe@um.ac.id

Lulu Nurul Istanti
Department of Management, Faculty of Economics
Malang State University, Malang, Indonesia
Email: lulu.nurul.fe@um.ac.id