

Financial Knowledge and Financial Behavior to Financial Satisfaction To The Millennial Generation In The City Of Bandung

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Abstract

Millennials are considered capable of working and earning. Millennial Generation has the burden to bear the progress or failure of an economy in the area because Millennial Generation plays an important role which will later become the next generation from the previous generation. Mistakes in managing finances often occur in Millennial Generation, such as not making payments, running out of income for a lifestyle, not having an emergency fund, and others. This causes the Millennial Generation to experience financial problems that have an impact on financial satisfaction.

The purpose of this study is to determine the financial level of the Millennial generation. The research sample was 400 respondents. The independent variable consists of financial knowledge and financial behavior, while the dependent variable in this study is financial satisfaction. The research method used is a quantitative method with a Likert scale as a measurement. The sampling technique used in this study was purposive sampling. The data analysis method used in this research is Structural Equation Modeling (SEM) and is processed using SmartPLS. Based on the results of the hypothetical variables financial knowledge and financial behavior on financial satisfaction has a value of $32,707 > \alpha$ value of 1,649 means that the variables of financial knowledge and financial behavior have a positive and significant effect on financial satisfaction.

Keywords: Financial Knowledge, Financial Behavior, Financial Satisfaction, Millennial Generation

1. INTRODUCTION

Finance is an aspect that cannot be separated from every human activity. Meeting needs and wants also costs money. Needs and desires that are achieved will create happiness and satisfaction in the life of every individual, including in financial matters. A person's life satisfaction can be determined by various factors, but there are 3 main factors, namely health, wealth or finance and education (Hasibuan et al, 2017). This statement is also supported by Xiao et al (2009) who in their research revealed that individual financial satisfaction is an important factor for life as a whole. Currently, increasing access to the internet has changed human lifestyle in various aspects. The development of increasingly rapid use of information technology in society is an opportunity for business people to innovate to meet increasingly complex consumer needs. One of them is innovation in financial services. One of the innovations in the financial services sector is fintech. Electronic payment for financial technology products (fintech) is a service that combines financial services and modern technology.

With this, the ability of individuals to manage their finances becomes very important. This is related to the financial knowledge (financial knowledge) of individuals in making financial decisions. The city of Bandung, which has an important role in the economy of West Java, still experiences low social welfare. This is not in line with the relatively high economic growth rate of the city of Bandung, even above the average economic growth of West Java, nationally and internationally (Amin, 2017). As explained by the member of Commission B DPRD Bandung City, Aan Andi Purnama, the economic growth rate of the city of Bandung has reached 7.6%. This figure is higher than the national economic growth rate of only 5% and West Java at 6% (Viani, 2018). The position of gopay as an e-wallet with the most active users and the highest brand awareness does not guarantee the satisfaction of gopay users. Many complaints arise from customers about technical problems and beliefs. In the Playstore review, there are complaints from GoPay users such as unsuccessful top-ups and sudden cut-off balance, which makes consumers less satisfied with the services provided by GoPay and has an impact on decreasing GoPay user loyalty.

Another factor that can affect financial satisfaction is financial behavior. In a survey conducted by the OJK in 2017, it was found that 42.5% of the people had experienced financial problems where their income could not fulfill their daily needs in the past year. Of these conditions, 26.5% of Indonesians took various attitudes to face the conditions referred to, including 33.6% withdrawing savings and 20.9% borrowing from family or friends. Meanwhile, the attitude that is carried out and related to financial service institutions is still low, namely 5.5% of loans at formal financial service institutions and 3.8% of loans with pawns (Financial Services Authority, 2017). According to (Kartawinata, et.al. 2020) SMEs in Bandung have used this technology, because it is greatly helped by online transaction services. Ease of perception is the ability of a person or individual to know something that can facilitate their business through their senses, and risk is a subjective judgment by a person of the possibility of an event and is worried about the impact after feeling the limit for the services that have been used

Based on the data above, the writer states that there is a need for research on the influence of financial knowledge and financial behavior on financial satisfaction on the Millennial Generation in Indonesia, especially in the city of Bandung as one of the urban areas in West Java as the object of research. This is because there are many Millennial Generation who get high financial knowledge but it is not balanced with financial behavior and financial satisfaction. For this reason, researchers in this case will conduct a study entitled "The Effect of Financial Knowledge and Financial Behavior on Financial Satisfaction on Millennial Generation in Bandung City"

2. LITERATURE REVIEW

2.1 Financial Knowledge

Financial knowledge, in this sense, refers to a basic understanding of financial concepts and procedures as well as the use of this knowledge to solve financial problems (Darmawan & Pamungkas, 2019). According to (Halim & Astuti, 2015) Financial knowledge is the ability to understand, analyze and manage the finances to make the right financial decisions in order to avoid financial problems, the dimensions of financial knowledge are 1) general knowledge and financial problem solving.

2.2 Financial Behavior

According to Xiao in (Herma Wiharno, 2018) financial behavior is a human behavior that is directly related to financial management and every human being needs knowledge about finance to make decisions that will improve the quality of life now and in the future. An individual behavior will reflect her financial knowledge, the dimensions of financial behavior are 1) consumption and 2) Saving and Investment.

2.3 Financial Satisfaction

According to (Hira & Mugenda, 1998) defines financial satisfaction as an individual's subjective perspective on the adequacy of financial resources owned. Therefore, financial satisfaction is one component of life that is characterized by the adequacy of financial assets. Based on this definition, it appears that achieving or not achieving financial satisfaction is determined by how a person manages his finances, the dimensions of financial satisfaction are 1) amount of money, 2) debt, 3) financial condition, 4) Ability to meet long-term goals, 5) Readiness to meet emergency funds.

2.4 Framework of Thinking

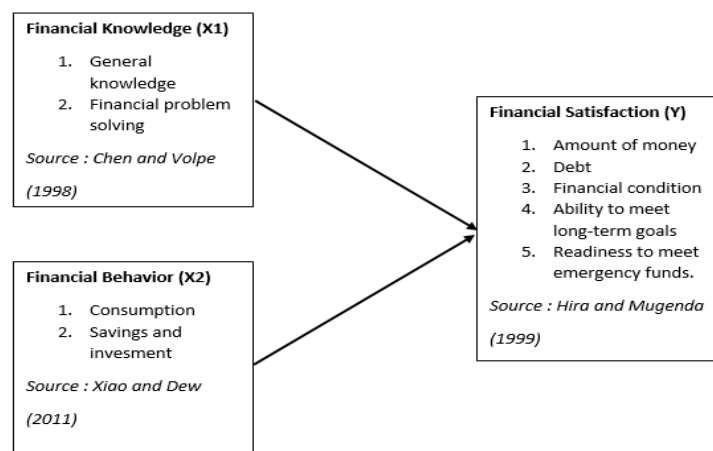


Figure 1. Framework of Thinking
Source : Results of data processed by researchers in 2020

The hypothesis in this study are:

H1: There is an effect of financial knowledge on financial satisfaction

H2: There is an effect of financial behavior on financial satisfactio

3. RESEARCH METHODS

3.1 Research Type

The research method is a scientific method that aims to obtain data with certain benefits and uses, according to Sugiyono (2016: 2). Based on the type of method used, there are quantitative methods and qualitative methods. In this study, the author uses quantitative methods, according to Sugiyono (2016: 7) this method is a scientific / specific method because it meets scientific principles, namely concrete / empirical, objective, measurable, rational, and systematic. This method is also called quantitative method because the research data is in the form of numbers and the analysis uses statistics. So it can be argued that this type of quantitative method can be in the form of experiments and survey activities. Quantitative research is generally carried out on samples taken randomly, so that the conclusions of the research results can be generalized to the population where the sample is drawn.

4. RESEARCH RESULTS AND DISCUSSION

4.1 Descriptive Analysis

Respondents' Responses Regarding Financial Knowledge Based on the results of the tests carried out, it can be seen that the financial knowledge variable is included in the good category with a percentage value of 76.34%. then Respondents' Responses Regarding Financial Behavior Based on the results of the tests carried out, it can be seen that the financial behavior variable is included in the good category with a percentage value of 73.45% and finally Respondents' Responses Regarding Financial Satisfaction Based on the results of the tests conducted it can be seen that the financial satisfaction variable is included in good category with a percentage value of 71.56%

4.2 Evaluation Results of the Measurement Model (Outer Model)

The outer model is a model that connects latent variables with the manifest variable. In this study, there are 3 latent variables measured by 13 indicators. Based on the Partial Least Square (PLS) estimation method, the full model path diagram can be seen in the following

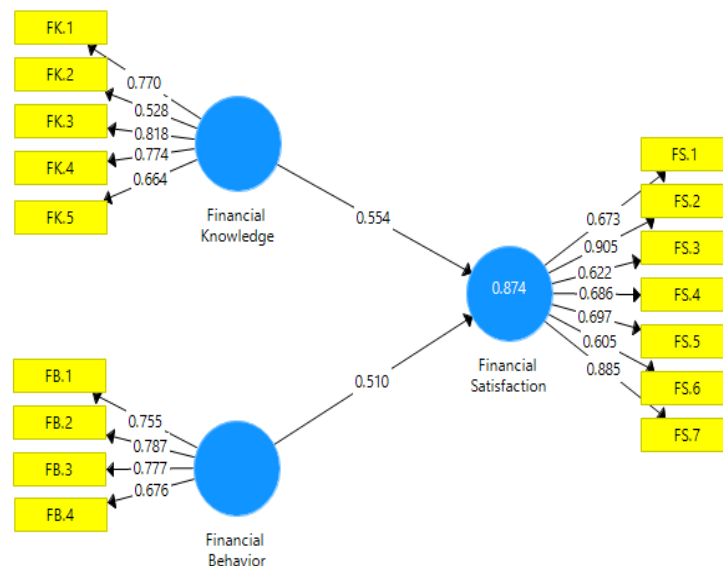


Figure 2. Outer Model Structural Equation Modeling

Source : Results of Research Data Processing (2020)

Table 1. Results of Convergent Validity Test

Variabel	AVE	Critical value	Model evaluation
Financial Knowledge	0,768	> 0,5	Valid
Financial Behavior	0,756		Valid
Financial Satisfaction	0,850		Valid

Source : Results of Research Data Processing (2020)

The table above shows that 13 statement items from a total of 13 statement items are declared valid because they have an outer loading value > 0.7 and an AVE value > 0.5. Thus it can be said that all indicators used in this study are valid in measuring each latent variable.

Table 2. Results of Discriminant Validity Test (Fornell lacker criterion)

Variabel	Financial Knowledge	Financial Behavior	Financial Satisfaction
Financial Knowledge	0,877		
Financial Behavior	0,848	0,861	
Financial Satisfaction	0,916	0,877	0,886

Source: Results of Research Data Processing (2020)

The table above shows that the AVE root value of each latent variable is higher than the highest correlation value between this variable and other variables, so it can be concluded that the model has good discriminatory validity.

Table 3. Results of Discriminant Validity Test (cross loading)

Indikator	Financial Knowledge	Financial Behavior	Financial Satisfaction	conclusion
FK.1	0,935	0,581	0,581	Valid
FK.2	0,716	0,978	0,978	Valid
FK.3	0,949	0,647	0,647	Valid
FK.4	0,930	0,894	0,894	Valid
FB.1	0,729	0,914	0,711	Valid
FB.2	0,581	0,925	0,929	Valid
FB.3	0,778	0,865	0,873	Valid
FB.4	0,847	0,753	0,581	Valid
FS.1	0,663	0,929	0,929	Valid
FS.2	0,726	0,873	0,873	Valid

FS.3	0,815	0,581	0,581	Valid
FS.4	0,774	0,894	0,948	Valid
FS.5	0,777	0,722	0,930	Valid

Source : Results of Research Data Processing (2020)

Based on the data in the table above, it can be seen that the value of the cross loading factor for each indicator is higher than the other constructs. So, the indicators used in this study can be said to have met the requirements. Based on the results of the two validity tests that have been done previously, namely convergent validity and discriminant validity, it can be concluded that 13 statement items can be used as research instruments.

Reliability Test

Reliability test was conducted using two methods, namely composite reliability and Cronbach's Alpha. In order for each variable to be said to be reliable, the value that must be met is > 0.7 for the composite reliability value and > 0.6 for the Cronbach alpha value. (Ghozali, 2014: 40). The following are the results of the reliability test using the SmartPLS version 3.0 software:

Table 4. Reliability Test

Variabel	Composite Realibility	Critical Value	Cronbach Alpha	Critical Value	Model evaluation
Financial Knowledge	0,829	$>0,7$	0,844	$>0,6$	Reliabel
Financial Behavior	0,847		0,876		Reliabel
Financial Satisfaction	0,888		0,911		Reliabel

Source : Results of Research Data Processing (2020)

Based on the table above, it shows the variables Financial Knowledge, Financial Behavior and Financial Satisfaction have good reliability.

4.2 Structural Model (Inner Model)

The structural model is a model that associates the relationship between exogenous latent variables and endogenous latent variables or endogenous variables and other endogenous variables. Based on the bootstrapping test, a complete structural model was obtained, as shown in the figure below.

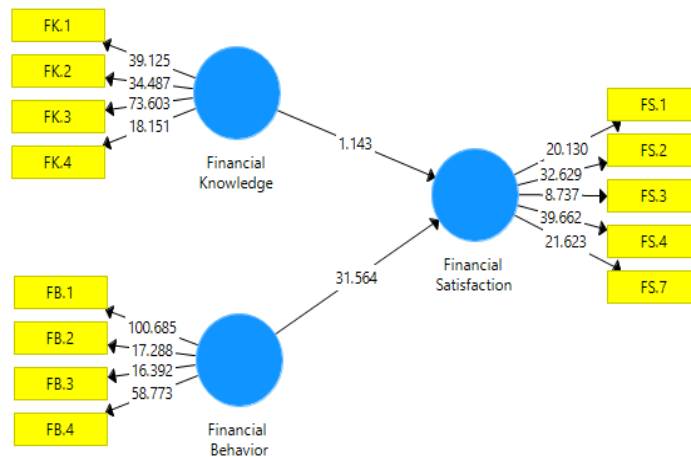


Figure 3. The path diagram of the Full Structural Model

Source: Results of Research Data Processing (2020)

R square Value

R square value in this study, namely:

Table 5. Results of R square Value

Variabel	R-square
Financial Knowledge (X_1)	0,822
Financial Behavior (X_2)	0,865

Source : Results of Research Data Processing (2020)

R square. In the variable of Financial Knowledge of 0.822, which means the variable of financial knowledge has an effect on financial satisfaction by 0.822 and the remaining 0.178 is the reality by other aspects. And the Financial Behavior variable produces an R-Square value of 0.865, meaning that the variable financial knowledge that affects financial satisfaction is 0.865 and the remaining 0.135 is influenced by other variables outside of the study.

Hypothesis Testing

To test the hypothesis, the t-statistic value (t_o) and the t-table value (t_α) must be compared. The significant value used (two-tailed) with a significant level of 5%, namely 1.649, then there is a significant influence between the exogenous variables on the endogenous.

Direct Effect

The direct effect testing in this study was carried out to explain H1 and H2 with the results can be seen in the following table:

Table 6. Results of Direct Effect Hypotesis Testing

Variabel	Original Sampel (O)	Sample Mean (M)	Stadard Deviation (STDEV)	T-Statistic (O/STDEV)	P Values
Financial Knowledge - > Financial Satisfaction	0,936	0,936	0,008	5,028	0,000
Financial Behavior -> Financial Satisfaction	0,438	0,446	0,102	143,783	0,000
Financial Knowledge - > Financial Behavior	0,471	0,462	0,102	5,495	0,000
Financial Knowledge dan Financial Behavior terhadap Financial Satisfaction	0,410	0,413	0,096	4,246	0,000

Source : Results of Research Data Processing (2020)

The first number shows that the parameter coefficient of 0.936 means that there is a positive influence on Financial Sa, then to evaluate the to value of 5.038 > the ta value of 1.649 thus H0 is rejected and H1 is accepted. This means that the Financial Knowledge variable has a positive and significant effect on Financial Satisfaction. Furthermore, it shows the parameter coefficient of 0.438 which means that there is a positive influence on Financial Satisfaction, then to evaluate the value of to is 143,783 < ta value of 1.649 then H0 is rejected and H1 is accepted. This means that the Financial Behavior variable has a positive and significant effect on Financial Satisfaction. and the last one shows the magnitude of the parameter coefficient of 0.471 which means that there is a positive influence on Financial Behavior, then for the evaluation of the to value of 5.495 > the ta value of 1.649 thus H0 is rejected and H1 is accepted. This means that the Financial Knowledge variable has a positive and significant effect on Financial Behavior and vice versa.

Conclusion

Based on the R-Square on the Financial Knowledge variable 0.822 and 0.865 for the Financial Behavior variable. The R-Square value for the Financial Knowledge variable has an effect on Financial satisfaction by 0.822. Meanwhile, the financial behavior variable resulted in a RSquare value of 0.865. This means that the

financial behavior variable has an influence of 0.865. And the rest of these variables can be interpreted as explained by other variables outside this study. For the results of the SEM (Structural Equation Modeling) analysis that has been carried out in this study, from the results of hypothesis testing using the PLS method, the financial knowledge variable -> financial satisfaction has a positive effect and significant towards financial satisfaction with a value of to 5.028> t_{α} value of 1,649 and the results of the analysis of financial behavior variables -> financial satisfaction have a positive and significant effect on financial satisfaction with a value of to of 143,783> a value of t_{α} of 1,649 based on the results of SmartPLS management with Bootstrapping procedures.

And for the results of SEM analysis using the PLS method, that the financial knowledge variable affects financial behavior in the Millennial Generation. This is because it has a significant value of 5,495> t_{α} value of 1,649 according to the results of SmartPLS processing with the Bootstrapping procedure. This proves that most respondents have good basic financial knowledge in their finances, which can be in line with their financial behavior in facing problems if they also have a good financial readiness attitude or that matter.

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