International Journal on Economics, Finance and Sustainable Development (IJEFSD)

e-ISSN: 2620 – 6269
p-ISSN: 2615 - 4021

Volume: 6 Issue: 7 | July 2024

https://journals.researchparks.org/index.php/IJEFSD

Article

Parental Influence on Financial Literacy and Behavior of Generation Z Students at UPN Yogyakarta

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Abstract: This study aims to determine the role of parents in providing financial education to Generation Z students at UPN Yogyakarta and how this education impacts their financial behavior. Utilizing a phenomenological research approach, the study involved in-depth interviews with ten respondents from UPN Yogyakarta. The research explores the factors that lead these students to recognize the importance of financial education imparted by their parents, along with other psychological and economic factors that underscore the necessity of financial literacy for wise money management. The findings reveal several key insights. Firstly, parents significantly shape their children's financial behaviors, with those who receive early financial education from their parents demonstrating better money management skills. Secondly, students who did not receive financial education from their parents often turn to digital platforms like YouTube and Instagram to gain financial knowledge. Thirdly, students from economically disadvantaged backgrounds are more likely to seek financial literacy independently to avoid financial pitfalls. Additionally, psychological factors, such as self-awareness and resilience, play a crucial role in shaping financial behavior. Lastly, there is a notable variation in financial literacy among the respondents, influenced by their family backgrounds and the financial education they received. These results underscore the importance of parental involvement in financial education and the need for targeted strategies to enhance financial literacy among students, particularly those from less privileged backgrounds. The study highlights the potential benefits of incorporating financial education into early childhood development to foster prudent financial behaviors.

Keywords: Financial Behavior, Generation Z, Financial Education, Students, Parental Influence

Citation: Muhammad Irfan Mu'afi, Satrio Tegar Gunung Koorag, Virginia Ayu Sagita. Parental Influence on Financial Literacy and Behavior of Generation Z Students at UPN Yogyakarta International Journal on Economics, Finance and Sustainable Development (IJEFSD) 2024, 6(7), 54-61.

Received: 08th July 2024
Revised: 10th July 2024
Accepted: 15th July 2024
Published: 19th July 2024

1. Introduction

The Generation Z group, which includes people born in the middle of the 1990s and the beginning of the 2000s, grew up during a time of rapid technological advancement and unpredictability in the economy[1]. As children grow older, it is more important than ever to provide them with the knowledge and skills they need to manage the complex and dynamic financial world. Financial education is commonly seen as a distinct category of intervention; yet, the range of financial education programs available is extensive (1). Despite the importance of formal education in this process, parents substantially influence their children's financial behavior. Financial literacy plays a significant role in the lives of individuals across many social strata, extending beyond just business professionals. Individuals possessing a considerable degree of financial literacy are likely to experience limited repercussions in the case of a financial crisis (2). Financial literacy is one of the most important skills a tech-savvy Generation Z kid can learn right now. Recognizing the most effective way of financial education for Generation Z (3). This paper looks at how parents shape financial behavior in Indonesia's Generation Z in Yogyakarta[15].

However, in Indonesia, basic financial knowledge and skills are still infrequently exercised in classrooms or at home, so financial education knowledge remains poor. According to the OJK study results, Indonesians' financial literacy remains at 13,3% (4). This shows that financial understanding is still lacking. Before examining the role of parents, it is necessary to understand the relevance of financial education in shaping people's financial behavior. Individuals who acquire financial education are better able to manage their money sensibly, make informed financial decisions, and create long-term strategies. They get a strong foundation in financial literacy, which is necessary for developing excellent financial habits[16].

Particularly prevalent among student populations are elevated consumption patterns, inadequate financial management abilities, and limited financial literacy (5). Parents are their children's main role models and have a significant influence on how they behave and view money[17]. Children, whether intentionally or unintentionally, watch and mimic their parents' financial behaviors. Children are more likely to develop similar habits if their parents exhibit responsible financial conduct, such as budgeting, saving, and investing. On the other side, children could form bad financial habits if their parents engage in reckless financial activity, such as overspending or living beyond their means. By including their kids in household money choices, Yogyakarta parents may actively model good financial conduct. As an illustration, parents might emphasize the value of budgeting and work with their kids to develop a monthly spending plan for the household[18].

I. Literature Review

Financial Behavior

Many policies, particularly those involving financial education programs, have been offered to help people improve their financial literacy. Positive financial behavior, however, calls for more than just financial literacy; it also calls for self-confidence or self-belief in one's capacity to handle one's finances (6). Individuals' activities and financial decisions are referred to as their financial behavior. It includes a broad variety of actions, including planning, spending, investing, and borrowing. Understanding financial behavior is important for everyone, including consumers, businesses, and governments, since it affects society's advancement, economic stability, and individual financial well-being[19].

Similar to educational interventions in other fields, treatment effects are economically significant in size and are unaffected by publication bias in the literature. We also talk about the effectiveness of financial education programs in terms of cost (7). In this article, we shall examine the many facets of financial conduct, including its causes, consequences, and determinants. In addition to discussing the value of financial education and literacy in influencing financial decisions, we will examine the psychological, social, and economic elements that affect financial behavior. We'll also talk about how technology and digitalization are changing how people behave financially and emphasize the importance of encouraging responsible financial behavior[20].

The fact that financial literacy has additional application dimensions implies that people should be able and confident in using their financial knowledge to make decisions. Financial management and financial literacy are intimately associated[21]; thus, the larger a person's level of financial literacy, the better their financial management, and vice versa (6).

Several factors influence financial behavior:

1. Psychological Factors

Financial behavior is significantly influenced by psychological variables. According to behavioral economics, people are not always logical decision-makers when it comes to their finances. Behavioral biases, including overconfidence, status quo bias, and loss aversion, can result in poor financial decisions. For instance, the tendency of people to strongly favor avoiding losses over earning benefits is referred to as loss aversion[22]. This bias can cause a reluctance to take risks, which can lead to the loss of financial possibilities or an insufficient diversification of one's portfolio. Research from (8) states that there is a positive and insignificant influence of personality on financial management behavior among small business actors in the fashion sector. The results of this study support research on the influence of psychology on financial behavior. Similar to the overconfidence bias, excessive risk-taking or bad investment choices can result when people overestimate their financial knowledge and skills. Individuals must be aware of these psychological biases to make wise financial decisions and stay out of trouble[24].

2. Socioeconomic Factors

The findings of the study conducted by (9) indicate that there exists a mediating effect of financial literacy on the association between the socioeconomic position of students' parents and their individual financial behavior. Social class and materialistic views are additional variables that exert an influence on individuals' financial literacy and personal financial conduct. Socioeconomic characteristics, such as income, education, and social standing, have a big impact on how people behave financially[25]. Higher earners typically have more money available for investing and saving, which enables them to make better financial decisions. Education is very important in shaping one's financial behavior. People with financial literacy and understanding are better able to manage their debt and make wise decisions about their savings and investments. Poor financial judgment, greater debt, and restricted access to financial services can result from a lack of financial literacy. Additionally, social standing and peer pressure might affect financial behavior. People frequently copy the financial habits of those in their social networks, which results in the adoption of particular spending patterns, investment approaches, or debt-related mindsets[26].

3. Economic Factors

Financial behavior is highly influenced by economic factors, including job levels, interest rates, and inflation rates. For instance, people could be more likely to spend than conserve during times of high inflation since money loses value over time. On the other hand, people may adopt more prudent financial habits during economic downturns, such as cutting back on spending and boosting savings. Rates of interest affect money management. As the cost of borrowing declines, lower interest rates tend to increase borrowing and expenditure. Higher interest rates, on the other hand, discourage borrowing because it becomes more expensive, encouraging saving instead. Policymakers must understand the connection between economic conditions and financial behavior to develop effective monetary policies to control inflation, interest rates, and economic growth[27].

The Importance of Financial Literacy and Education

According to (10)children exhibit a limited level of financial literacy, perceiving money solely as a medium for acquiring desired items. Furthermore, they do not engage in proactive savings practices. It is noteworthy that children often report that their parents do not guide saving, and the pocket money they receive is primarily allocated towards snacks or purchasing toys. All participants showed high levels of enthusiasm towards engaging in the entirety of the series of activities, actively posed several inquiries, and diligently adhered to all instructions provided by the service staff[28].

(5)The prevailing trend of excessive consumption observed among students and other young individuals has posed challenges to effectively managing personal finances.

In addition to this perspective, some studies also indicate a lack of financial literacy among a significant portion of the youth population. (5) Numerous financial challenges manifest within society, particularly among students, encompassing the inability to fulfill personal necessities, difficulties in meeting boarding expenses, and the impact of online shopping, among others. This phenomenon can be attributed to the fact that students possess a more receptive attitude and heightened level of understanding, enabling them to possess a broader and more diverse perspective on financial management. Individuals with a broader and more diverse range of affiliations exhibit a heightened awareness of the prestige factor, leading them to allocate substantial financial resources in order to meet their requirements. They allocate a significant amount of financial resources to fulfill their requirements[29].

Numerous studies offer insights into the correlation between an individual's financial management attitude and their consumption patterns, spending habits, and propensity to invest in non-essential or unproductive goods and assets. Such behaviors, characterized by impulsive purchases, disregard for long-term benefits, hedonistic tendencies, prioritization of lifestyle, and pursuit of social status, pose a significant risk to the well-being and future security of individuals and their families. Moreover, these behaviors have broader implications for the economic welfare of a nation or country (10)

Through financial education given to children as early as possible, it is hoped that it will enable them to understand the concept and value of money. Children will understand where they get money and how they use it; besides that, they will understand what things they can buy and what they need. By understanding the concept of money and the value of money, it is hoped that children can save money by saving the extra money their parents give them. When children can manage finances, it is hoped that they will be able to manage their finances according to their stage of development. Without being extravagant and wanting to spend money excessively in the future (11).

2. Materials and Methods

This study employs a qualitative methodology, Investigating the typical and/or extraordinary lives of people, groups, societies, and organizations is done through intensive and/or sustained contact with participants in a naturalistic setting [15]. This study uses in-depth interview techniques with Generation Z of UPN Yogyakarta Students. To gather informants for this study, random sampling was used. In this study, 10 UPNVY students were used as informants from various 5 faculties. Financial Behavior of Generation Z of UPN Yogyakarta Students.

The Role of Parents in Building The way to select UPN Yogyakarta students to serve as research informants is by selecting randomly when the researcher meets the students in class and asks about the financial literacy education taught to them by their parents without the students knowing they are being used as informants in this research. The students chosen by the researchers became research subjects, namely, UPNVY students. This is because the students' activities are closer to the researchers, so the researchers can carry out more in-depth research.

By paying close attention, comprehending others' perspectives from a sympathetic standpoint, and suspending or bracketing prior assumptions about the subjects being discussed, the researcher tries to gather information about local participants' perceptions from the inside. The majority of the analysis is verbal. The words can be put together, divided up into parts, or subclustered. They can be rearranged to enable comparison, contrast, analysis, and the creation of patterns by the researcher [16]

3. Results and Discussion

For people to make wise financial decisions and behave responsibly with their money, financial literacy, and education are crucial. Unfortunately, many people lack the knowledge and abilities needed to successfully navigate complicated financial institutions. This knowledge gap can result from poor financial decisions, debt buildup, and restricted access to financial services. Promoting financial education and literacy is essential for enabling people to take charge of their finances. It gives them the information and abilities needed to create efficient budgets, set aside money for the future, choose wise investments, and appropriately handle debt. Programs for financial literacy can be implemented in a variety of settings, including companies, community organizations, and schools and colleges.

According to the research conducted by [17], financial literacy education for early childhood in Indonesia is implemented by both the government and the private sector, addressing two key aspects: 1) the provision of educational media services, and 2) the facilitation of socialization efforts. Nevertheless, there has been a lack of monitoring and evaluation of the implementation of financial literacy education in early childhood education, hence hindering the assessment of its effectiveness. Several recommendations can be proposed to enhance financial literacy investment in early childhood education in Indonesia. Firstly, it is advisable to establish a financially literate school ecosystem. This can be achieved by initiating initiatives such as conducting an open house event at a selected school, which can serve as a pilot project. Additionally, organizing forums and learning activities for educational practitioners can contribute to the development of financial literacy. Furthermore, mentoring programs can be implemented to evaluate the effectiveness of these initiatives. Secondly, collaboration with relevant stakeholders involved in human resource development is crucial. By partnering with these entities, efforts can be made to enhance financial literacy among early childhood educators. This collaboration can facilitate the exchange of knowledge and resources, ultimately contributing to the overall improvement of financial literacy in the early childhood education sector. One advantage that the private sector enjoys is the potential tax deduction it can receive for its involvement in human resources (HR) development.

In this particular instance, it has been observed that certain individuals acquire financial literacy or education through preexisting digital platforms, such as YouTube and Instagram, where celebrities engage in discussions about finance.

> "I have been provided with financial education by my parents since my early years of primary schooling, albeit limited to concepts such as saving, avoiding wastefulness, and developing the ability to manage personal finances. I initiated my foray into investment upon exposure to investment-related videos on YouTube, wherein a prominent YouTuber expounded upon the rudiments of initial investment for novices. Through this medium, my interest in financial education was sparked." (Informant 1 and Informant 4, 1 August 2023)

> "I did not receive any form of financial education from my parents. I only encountered it through social media platforms. My parents may lack an appreciation for the significance of imparting financial education to youngsters. The prevalence of social media usage among youngsters in contemporary society has been shown to potentially hinder their ability to effectively manage their finances, owing to the adoption of a consumerist lifestyle. I am fortunate in that I possess a resilient disposition that is not readily swayed by the allure of materialistic lifestyles propagated through social media platforms. However, I do acknowledge that I have gained valuable insights into financial matters from my engagement with social media." (Informant 2 and Informant 6, 4 August 2023)

Moreover, it should be noted that certain informants may be subject to various external factors, such as social, economic, and psychological circumstances, which can potentially influence their behavior and actions. The aforementioned elements elucidate the varying roles that parents assume in imparting financial education to their children within a familial context.

> "I originated from an economic circumstance that could be characterized as deficient, necessitating my acquisition of financial literacy from several sources, including individuals and various forms of media, such as my parents. My parents consistently emphasize the need to avoid debt due to its potential to impede future

financial prospects. I consistently prioritize the recollection of this principle, ultimately striving to effectively manage my financial resources to avoid relying on external borrowing for discretionary expenditures. In addition, I must exercise discernment in distinguishing between my needs and wants, as this has a substantial impact on my financial situation.” (Informant 3, Informant 5, Informant 8, Informant 9, 20 August 2023)

“I continue to lack comprehension regarding financial education, and regrettably, my parents have neglected to emphasize the significance of saving or investing. This may be attributed to my propensity for excessive consumption and the fact that my parents own substantial material wealth. Currently, I continue to receive an excessive amount of financial assistance and have not yet considered the prudent actions of saving or investing. It appears that the responsibility of saving and investing lies with my parents.” (Informant 7 and Informant 10, 2 September 2023)

The findings of this study, based on interviews conducted with several informants, reveal a range of factors that can influence the financial behavior of students at UPNVY. The variation in financial literacy among these participants accounts for this phenomenon. The significance of parental involvement in facilitating early financial education for their children is noteworthy. To ensure that the youngster develops the ability to effectively and judiciously handle their funds as they mature.

4. Conclusion

The research findings indicate that a significant majority of UPNVY student informants, comprising 80% of the participants from diverse majors and faculties, had a comprehensive understanding of financial literacy. This understanding enables them to effectively manage their finances by making prudent decisions on saving and investing. Nevertheless, other aspects contribute to the development of prudent financial conduct among these students. These causes stem from unfavorable family economic circumstances, necessitating individuals to be cognizant of their financial behavior to avoid succumbing to the allure of a consumptive lifestyle. Furthermore, an important psychological aspect to consider is the development of self-awareness in individuals seeking financial education, particularly when such knowledge is not imparted by their parents. This achievement is commendable, as the individual demonstrates a strong understanding of financial management. Nevertheless, it is worth noting that two individuals have not acquired financial literacy either through their parents or any other external sources. This can be attributed to the prevalence of economic issues within the parents' circumstances.

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