

The Relation of Financial Literacy, Locus of Control, Hedonic Lifestyle, and Financial Behavior

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Abstarct :

This research aims to analyze the influence of financial literacy and locus of control on financial behavior through the role of hedonic lifestyle as an intervening variable. The research was conducted on ASN Elementary School Teachers in Bondowoso Regency, East Java. The sampling method used two stage cluster sampling which was obtained from 3 sub-districts, and 151 samples were taken using random sampling technique. The data analysis method uses path analysis with SPSS. The results of path analysis show that partially, financial literacy and locus of control have no effect on hedonic lifestyle. Financial literacy and hedonic lifestyle partially influence financial behavior, while locus of control has no influence on financial behavior. Hedonic lifestyle does not have an intervening role between the influence of financial literacy and locus of control on financial behavior.

Keywords: *Financial Literacy, Locus Of Control, Hedonic Lifestyle, Financial Behavior*

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I. Introduction

People are very close to financial problems, and wise people will certainly be aware of how important it is to prioritize their financial behavior. Financial behavior is all human actions related to financial management (Xiao, 2008: 70). It is important to pay attention to financial behavior, namely by studying financial literacy or knowledge.

OJK (2022) states that in 2022, the financial literacy index of Indonesian society will reach 49,68%, which is an increase compared to 38,03% in 2019. Financial inclusion will be 85,10% in 2022, whereas in 2019 it was 76,19 %. This shows the problem between index comparison and financial inclusion, namely from 38,16% to 35,42% in 2022. The financial literacy index for women was higher for the first time than the previous year at 50,33%, and for men, namely 49,05% (OJK, 2022).

The people of Bondowoso district have a low level of financial literacy, because many people fall to debt (kontan.co.id, 2022). TPAKD (Regional Financial Access Acceleration Team) was formed to encourage the availability of financial access and accelerate the increase in regional financial literacy and inclusion. OJK collaborates with the Ministry of Education and Culture to compile financial literacy educational books from elementary to high school levels (ojk, go.id, 2023). This program indirectly influences the financial behavior of ASN elementary school teachers, due to the provision of financial literacy education by the government.

Locus of control is a benchmark in financial behavior. Locus of control refers to the extent to which an individual believes that he can control every event that influences his behavior, or believes more in external factors such as luck regarding matters relating to his finances. Financial behavior cannot be separated from lifestyles that continue to develop. The negative impact that often occurs is a lifestyle that leads to hedonism. The founder of hedonism was the philosopher Epicurus (341-270 BC), who argued that pleasure and material enjoyment were the main goals in life. This is intended to fulfill inner peace, and without realizing it will become a bad habit so that finances will swell. Based on this explanation, an understanding of financial literacy and a locus of control behaviour in dealing with lifestyle changes that lead to hedonism are needed to create effective financial behavior.

II. Literature Review

According to Manurung (2009: 14) financial literacy is an individual's skills and knowledge, to make effective decisions with all his financial resources. Financial literacy can be defined as financial knowledge and individual abilities, applying them to achieve prosperity (Lusardi and Mitchell, 2007). No matter how high an individual's income level is, without proper financial management, they will experience financial difficulties. Financial literacy must really be studied and implemented in reducing excessive use of assets so that it does not lead to a hedonic behavior.

Financial literacy describes financial education programs that learn specific skills, so that individuals

are able to take control of their financial future. Huston (2010) argues that financial literacy refers to the management of personal financial knowledge. A high level of individual financial literacy will result in wise financial behavior and effective financial management (Huston, 2007). The role of financial literacy enables people to make better use of financial products and services according to their needs. This will avoid investment activities in unclear financial instruments, thereby creating better financial behavior.

The meaning of Locus of control is an individual's belief regarding the source of the causes of the events they experience. According to Gibson et al (1995: 161), locus of control refers to the personality of individuals who believe that control of life comes from within themselves, referred to as internalizers, while individuals who believe that life is controlled by external factors are called externalizers. Locus of control can be influenced by the hedonic lifestyle of each individual (Euis, 2016).

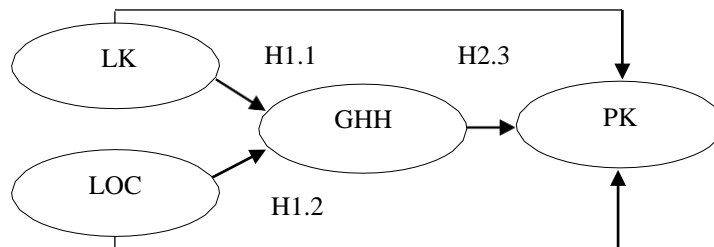
Locus of control connects every event experienced by an individual based on factors within themselves, due to beliefs regarding the results that will occur. External factors are also the cause of success or failure, so that self-confidence and external encouragement cannot be denied. Locus of control plays a part in determining an individual's financial behavior, whether they believe in controlling their own finances, or whether they are independent of the external environment. This is in line with the opinion of Perry and Morris (2005), that locus of control is considered an important factor in determining financial behavior.

Financial behavior is influenced by the level of individual consumption which is only to fulfill the pleasures of life (Pulungan et al, 2018). The statement about "fulfilling the pleasures of life" refers to a hedonic lifestyle. According to Kotler and Armstrong (2010), a hedonic lifestyle is a lifestyle whose activities seek pleasure, such as spending a lot of time outside the home, playing more, liking to buy expensive things, liking the hustle and bustle of the city, and always wanting to be the center of attention (Desita et al. al, 2022). A hedonic lifestyle makes individuals spend their money to fulfill their desires, not their needs, thus having a negative impact on their financial management.

III. Concept framework

The role of government has a big impact on economic growth, as does the role of individuals related to financial behavior (PK). What needs to be done to realize wise financial behavior is to have financial literacy (LK) and be able to control oneself in the form of locus of control (LOC). Financial behavior is also related to changes in globalization, which makes individuals lead a hedonic lifestyle (GHH). Based on this explanation, the influence between variables is explained through the conceptual framework in Figure 1 below:

H2.1



H2.2

Figure 1. Conceptual Framework

IV. Hypothesis

The partial influence of financial literacy and locus of control on hedonic lifestyle.

A low level of financial literacy has an impact on a person's habit of spending excessively, thus leading to a hedonic behaviour. It has been proven that financial literacy has an influence on hedonic lifestyles, according to research by Yuni and Muhammad (2019), namely that financial literacy has a negative and significant effect on hedonism.

Locus of control makes a person control his or her own life, or depend on fate. Someone who is unable to control their desires by shopping excessively will have an impact on activities that are hedonic. Research by Euis (2016), Raden and Dewi (2019), shows that there is an influence between locus of control and a hedonistic lifestyle. Based on theory and previous research, a hypothesis is proposed:

H1: financial literacy and locus of control partially influence hedonic lifestyle

The partial influence of financial literacy, locus of control, and hedonic lifestyle on financial behavior.

Financial literacy has focused on the study of financial behavior for a long time (Mutlu and Ozer,

2021). Financial literacy plays an important role in financial decision making. Research results by Brigitta et al (2020); Chrisella (2020); Sri et al (2020); Fajar and Ari (2021); Mutlu and Ozer (2021); and Nuraeni and Ari (2021) show that financial literacy has a significant effect on financial behavior.

According to Perry and Morris (2005) locus of control is an important factor in determining financial behavior. Individuals believe that they are the determinants of their own destiny. Research by Safira (2018); Multu and Ozer (2021); Purnamawati et al (2021); and She et al (2021); Arifin (2017); Nuraeni and Ari (2021); and Radianto et al (2021) state that locus of control has a significant effect on financial behavior.

A hedonic lifestyle makes a person pursue pleasure to achieve satisfaction. A hedonic behaviour will have an impact on financial behavior. This is in line with research by Delyana et al (2018); Rusdi et al (2020); Fajar and Ari (2021); and Novia (2022), namely that hedonic lifestyle has a significant influence on financial behavior. The hypothesis in this research refers to theory and previous research:

H2: financial literacy, locus of control, and hedonic lifestyle partially have a significant effect on financial behavior

V. Research Method

Scales

According to Mitchell and Lusardi (2022), indicators of financial literacy are interest rate calculations, inflation, risk diversification, bond interest rates, mortgages and compound interest rates in the context of debt. Financial literacy is measured using the Guttman scale, and converted to an interval scale. Chen and Volpe (1998) there are three categories of financial literacy, namely, < 60% = low, 60% – 80% = medium, and if > 80% = high.

The locus of control indicator consists of an internal locus of control, which includes liking to work hard, high initiative, efforts to solve problems, thinking effectively, and efforts that must be made if you want to succeed. External locus of control includes lack of initiative, giving up easily, less like trying, less seeking information, having the expectation that there is little correlation between effort and success, and depending on others Crider (1983). Locus of control is measured using the Guttman scale.

According to Kotler and Armstrong (Priansa, 2016: 185) indicators of a hedonic lifestyle are activities, namely pursuing physical modernity and spending a lot of money. Interest is fulfilling desires, liking branded goods, liking easy things, and choosing expensive goods. Opinion is the opinion that money is everything, and life must be instantaneous. Hedonic lifestyle was measured using the Guttman scale. Indicators of financial behavior are setting aside emergency funds, knowledge about saving, contracts or agreements, comparison of financial knowledge with other people (Kadoya and Khan, 2017). Financial behavior is measured using the Guttman scale and converted into an interval scale.

Population and Sample

The population used was 2186 ASN Elementary School Teachers in Bondowoso Regency (Bondowoso Regency Education Office, 2023). The sample size refers to the opinion of Hair et al (2014: 100), which is calculated based on the number of indicators multiplied by between 5 and 10. This resulted in 150 respondents. The sampling method uses two stage cluster sampling, which is carried out in two stages. The first stage was to collect data, and 3 sub-districts were selected with the highest, medium or average, and lowest number of ASN Elementary School Teachers. The second stage will be taken randomly or using a simple random sampling technique.

Data Analysis Techniques

This research uses data analysis techniques with path analysis. Path analysis is part of multiple regression analysis, to analyze the relationship between independent variables influencing the dependent variable through intermediary variables.

VI. Results

Bondowoso Regency consists of 23 sub-districts, and using the two-stage cluster sampling method, 3 sub-districts were obtained. Determining the number of samples will go through a calculation process based on the following:

Table 1. Samples

Sub-district	Teacher	Sample (Indicator x 5)	Sampel (Indicator x 10)
Bondowoso	165	(165 : 291) x 75 = 43	(165 : 291) x 150 = 85
Tenggarang	90	(90 : 291) x 75 = 23	(90 : 291) x 150 = 46
Ijen	36	(36 : 291) x 75 = 9	(36 : 291) x 150 = 19
Total	291	75	150

Source : Primary Data

Table 1. The number of samples with indicators multiplied by 5 is 75 respondents. The 75 respondents consisted of 43 respondents from Bondowoso District, 23 respondents from Tenggarang District, and 9 respondents from Ijen District. The number of samples with the indicator multiplied by 10 is 150 respondents, consisting of 85 respondents from Bondowoso District, 46 respondents from Tenggarang District, and 19 respondents from Ijen District.

Table 2. Questionnaires

Description	Total
Questionnaires distributed	160
Questionnaires that were not returned	9
Questionnaires that were Filled and returned	151
Response Rate (151/155 x 100%)	94,4%

Source : Primary Data

Description

Table 3. Respondents Assessment of Variable

	LK	LOC	GHH	PK
Index	36,73	-	-	67,72
Modus	-	1	1	-

Source : Primary Data

Table 3 shows that the financial literacy index (LK) is below 60%, so it is said to be low. The financial behavior index (PK) was 67,72%, meaning that of the 4 questions asked, each respondent could answer 2 to 3 questions. This is because if all 4 questions are answered, the financial behavior index for each respondent is 100%. The mode result for locus of control (LOC) is 1, meaning that ASN elementary school teachers are directed towards an internal locus of control, while the mode value for hedonic lifestyle (GHH) is 1, meaning that the respondent's behaviour does not lead to a hedonic lifestyle.

Path Analysis

Table 4. Result of Path coefficient LK, LOC, GHH, dan PK

Path	Coefficient
LK → GHH	0,026
LOC → GHH	0,005
LK → PK	0,355
LOC → PK	-0,027
GHH → PK	-0,146

Source : Primary Data

$\rho_{LK.PK} = 0,355$
 $\rho_{LOC.PK} = -0,027$

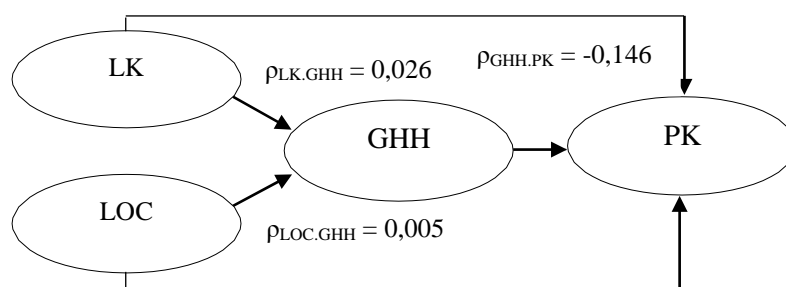


Figure 2. Result of path coefficients LK, LOC, GHH, and PK

Variabel	Beta	Sig	α	Sig <0,05	Description
LK GHH	-0,108	0,191	0,05	H0 accepted	Insignificant
LOC GHH	-0,037	0,652	0,05	H0 accepted	Insignificant
LK PK	0,337	0,000	0,05	H0 denied	significant
LOC PK	0,105	0,172	0,05	H0 accepted	Insignificant
GHH PK	-0,102	0,185	0,05	H0 denied	significant

Source : Primary Data

Table 5 shows that financial literacy and locus of control have no effect on hedonic lifestyle. Financial literacy and hedonic lifestyle have an influence on financial behavior, while hedonic lifestyle has no effect on financial behavior

Trimming

Based on the hypothesis test carried out, table 5 shows that there are several variables whose paths are not significant, so trimming is necessary. Trimming is carried out by removing the exogenous variable model whose path coefficient is not significant, with the following details:

Table 6. SPSS after trimming output

	Path	Coefficient
→	LK → PK	0,360
→	GHH → PK	-0,146

Source : Primary Data

$$PK = 0,360 LK - 0,146 GHH \dots\dots\dots(3)$$

$$\rho_{LK.PK} = 0,360$$

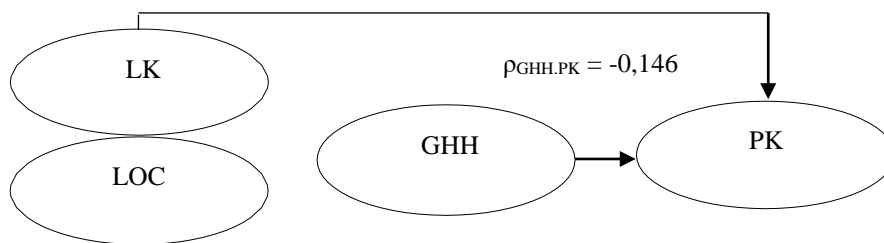


Figure 3. Path analysis test result with trimming model

Figure 3 shows that all path coefficients leading to a hedonic lifestyle are not significant. The path coefficients that lead to financial behavior are significant, except for locus of control. This means that financial literacy and locus of control have no effect on hedonic lifestyle. Financial literacy and hedonic lifestyle influence financial behavior, while locus of control has no influence on financial behavior.

Direct and Indirect Influence

Calculating the magnitude of the direct effect (Direct Effect or DE)

1. The influence of financial literacy on hedonic lifestyle: $\rho_{LK.GHH} = 0$ or 0%
2. Influence of locus of control on hedonic lifestyle: $\rho_{LOC.GHH} = 0$ or 0%
3. The influence of financial literacy on financial behavior: $\rho_{LK.PK} = 0,360$ or 36%.
4. Influence of locus of control on financial behavior: $\rho_{LOC.PK} = 0$ or 0%
5. Influence of hedonic lifestyle on financial behavior: $\rho_{GHH.PK} = -0,146$ or -14,6% Calculating the magnitude of the indirect effect (Indirect Effect or IE)
 1. The influence of financial literacy on financial behavior through hedonic lifestyle: $(\rho_{LK.GHH})(\rho_{GHH.PK}) = (0)(-0,146) = 0$ or 0%
 2. The influence of locus of control on financial behavior through hedonic lifestyle: $(\rho_{LOC.GHH})(\rho_{GHH.PK}) = (0)(-0,146) = 0$ or 0%

Compare direct and indirect effects

This stage was carried out to test the role of hedonic lifestyle, whether it can be said to be an intervening variable or not, namely by comparing the direct effect and indirect effect as follows:

6. GHH's intervening role in the influence of LK on PK: $DE (0,360) > IE (0)$ □ GHH is not intervening
7. The intervening role of GHH on the influence of LOC on PK: $DE (0) = IE (0)$ □ GHH is not intervening

VII. Discussion

The results of path analysis show that financial literacy has no effect on hedonic lifestyle. Whether your financial literacy is high or low will not have an influence on your hedonic lifestyle. The locus of control variable, which is associated with a hedonic lifestyle, is stated to have no influence. This is because the locus of control is internal, while the behavior of ASN elementary school teachers in Bondowoso Regency does not lead

to a hedonistic lifestyle. The test results between financial literacy and financial behavior are indicated to have an influence. The influence between variables shows a positive direction, namely a high level of financial literacy will improve the financial behavior of ASN Elementary School Teachers in Bondowoso Regency, to achieve economic prosperity. The path coefficient shows that locus of control has no effect on financial behavior. This is different from the hedonic lifestyle which is stated to have an influence on financial behavior.

Comparison of direct and indirect effects shows that hedonic lifestyle does not act as an intervening variable between the influence of financial literacy on financial behavior. The high or low role of hedonic lifestyle will not have an effect on the influence of financial literacy on financial behavior. The results of trimming theory state that hedonic lifestyle does not have a role as an intervening variable between the influence of locus of control on financial behavior. This means that the level of hedonic lifestyle will not have an effect on the influence of locus of control on financial behavior.

VIII. Conclusion

Financial literacy and locus of control partially have no effect on hedonic lifestyle. Financial literacy and hedonic lifestyle partially have an effect on financial behavior. Locus of control has no effect on financial behavior. Hedonic lifestyle does not play an intervening role between the influence of financial literacy and locus of control on financial behavior

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