SELF-CONTROL, FINANCIAL LITERACY, AND SAVING BEHAVIOR IN THE COMMUNITY

Nadira Sukma Amiini, Yunastiti Purwaningsih and Mintasih Indriayu
Universitas Sebelas Maret, Surakarta, Indonesia

ABSTRACT

The saving behavior in the community is relatively low due to lack of self-control attitude and understanding of financial literacy. This research aims to find out the effect of self-control through financial literacy on community saving behavior in Karanganyar. The current research employed a quantitative method with Structural Equation Modeling Partial Least Square (SEM-PLS) analysis. The samples in this research were 150 respondents in Karanganyar Regency, Central Java, Indonesia. The results of the study show that 1) financial literacy has a positive and significant effect on saving behavior 0,553 and statistical t-value 9,937; 2) self-control has a positive and significant influence on financial literacy 0,653 and a statistical t value of 13,180; 3) self-control has a positive and significant influence on saving behavior 0,298 and the t-value of statistics 4,996. Therefore, it can be concluded that increasing saving behavior in the community must be supported by self-control attitude and understanding of financial literacy.

KEYWORDS: Financial Literacy, Self-Control, Saving Behavior

INTRODUCTION

Saving is a decision to invest some money in meeting future needs. The Financial Services Authority (OJK) reports that the Indonesian people that save are around 40% of the population (OJK, 2018). Increasing saving behavior in the community is supported by an understanding of financial literacy.

The understanding of financial literacy among the community is still very low, as it is proven due to high consumptive behavior in the community (Rizkallah and Truong, 2010). Based on the observations, the average community in Karanganyar Regency lacks self-control in making financial decisions. Allocation of daily expenses is incurred by the community for their needs such as buying food, internet vouchers, clothing, and so on (Arofah, 2018). High consumptive behavior in the community shows that saving behavior is still relatively low.

The community is still relatively low in managing their finances. Financial literacy has a significant influence on saving behavior (Sabri, 2014; Schug and Suiter, 2012; Te'eni-Harari, 2016). Community literacy is closely related to financial management so that the higher the financial literacy the better financial management and vice versa. Therefore, it is predicted that financial literacy influences saving behavior among the people of Karanganyar Regency.

Financial literacy has an important role in attaining the expected goals. Financial literacy can increase the responsibility in arranging financial management. The independence in arranging financial management in the community is very much needed in making financial decisions. The

arrangement of financial management can increase saving behavior and prevent consumtive behavior (Habshick, 2007; Sabri, 2014).

Financial literacy can be influenced by self-control attitude possessed by the individual. Self-control is a preventive attitude to consumptive behavior (Yim, 2017). Priorities of individuals have a self-control attitude to control themselves to be consumptive, so it generates the mindset of making financial management to invest in providing future needs. Therefore, it is estimated that the self-control attitude possessed by individuals can influence saving behavior among the community of Karanganyar Regency.

This study was conducted to find out the effect of self-control attitudes and financial literacy on the saving behavior of the Karanganyar Regency community. This research was different from the previous researches because it combined two variables, namely influencing financial literacy and self-control attitude towards community saving behavior.

MATERIALS AND METHODS

This research was a quantitative study consisting of four variables. The variables contained in the study consisted of self-control (X1), saving behavior (Y), and financial literacy (Z). Each variable is described as an operational definition to arrange the research instruments. Control indicators encompass control behavior, cognitive control, and decision control. Educational indicators for family financial management encompass exemplary, habituation, discussion and participation. Financial literacy indicators encompass basic personal finance, money management, and saving investment. Indicators of saving behavior encompass interest rates, frugality, and available future funds.

Data analysis techniques make use of in this research were Structural Equation Modeling (SEM) using the Partial Least Square (PLS) method. The research instrument was used to compile the questionnaire. The questionnaire that was used in this research was Likert scale. The sampling technique obtained 150 people. The samples chosen were the sub-districts that has the most female population in Karanganyar Regency. The research sample consisted of the people of Matesih District, Jumantono District, and Karanganyar District.

RESULT

The research data were on self-control, financial literacy, and saving behavior in the community of Karanganyar Regency. Before the data analysis, the stages that must be done were outer model and inner model to test the hypothesis.

1. The results of assessment model evaluation (outer model)

The evaluation of measurement model was used to test the validation and reliability of the research questionnaire. The results of the constructive validity test show a loading value above 0.70 which means that all indicators are valid. Evaluation of construct reliability was measured by reliable

composite, cronbach's alpa, average variance extracted (AVE) value and comparing the value of AVE with interconnected construct correlations. Reliability evaluation was measured using reliable composite consisting of Cronbach's alpha, reliable composite, and comparing root values of AVE with interconnected construct correlation values.

Table 1. Results of Constructor Reliability Based on Convergent Validity

Construction	Cronbach's Alpha	Composite Reliabilitas	AVE
Self-Control	0,818	0,858	0,643
Financial Literacy	0,776	0,832	0,598
Saving Behavior	0,827	0,872	0,669

The data show that all indicators of the research constructor have a Cronbach's Alpha value that is higher than 0, 70 and the AVE value that is higher than 0, 50 which means that all constructs meet the requirements for the research.

Table 2. Root Value of AVE with Constructor Correlation

	KD	LK	PM
KD	0,598		
LK	0,673	0,642	
PM	0,745	0,698	0,669

Based on the above-mentioned data, all construction indicators that are in accordance with the research and the value of the results of AVE that is compared with the interconnected construct correlations indicate that each construct exceeds the correlation between one construct and the other. The evaluation results show that the PLS model has met the discriminant validity requirements.

2. The results of assessment model evaluation (inner model)

The evaluation model with PLS begins by considering R-Square for each endogenous latent variable as the power to predict the structural models. The determinant coefficient can be seen in the following table.

Table 3. R-Square Value

	R-Square
Self-Control	
Financial Literacy	0,453
Saving Behavior	0,626

The latent variable of self-control that influences the financial literacy variable in the structural model has a value of R2 0,453 which indicates that the model is "moderate". The latent variables of self-control and financial literacy that affect the saving behavior variable in the structural model have a value of R2 0,626 which indicates that the model is "moderate".

3. Hypothesis Test

The research hypothesis test can be seen through t-statistics as follows.

Table 4. Between Constructs

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Financial Literacy -> Saving Behavior	0,553	0,558	0,056	9,937	0,000
Self-Control -> Financial Literacy	0,653	0,669	0,050	13,180	0,000
Self-Control -> Saving Behavior	0,298	0,298	0,060	4,996	0,000

Based on the aforementioned table, it can be explained as follows:

a. Financial literacy has a significant effect on saving behavior. Based on the test results, the original sample value is 0,553 and the value of t-statistics is 9,937 which means that it is higher than 1,96. The hypothesis stating that financial literacy has a positive and significant effect on saving behavior can be accepted.

b. Self-control has a significant effect on financial literacy. Based on the test results, the original sample value is 0,653 and the value of t-statistics is 13,180 which means that it is higher than 1,96. The hypothesis stating that self-control has a positive and significant influence on financial literacy is accepted.

c. Self-control has a significance effect on saving behavior. Based on the test results, the original sample value is 0,298 and the value of t-statistics is 4,996 which means that it is higher than 1,96. The hypothesis stating that self-control has a positive and significant influence on saving behavior is accepted.

DISCUSSIONS

1. The Effect of Financial Literacy on Saving Behavior

Based on the results of statistical calculations, the original sample value is 0,553 and the value of t-statistics is 9,937 which means that it is higher than 1,96. The original sample value and the value of t-statistics show that financial literacy has a direct positive and significant value on saving behavior. The better the understanding of financial literacy, the better the community saving beshavior. On the other hand, the worse the understanding of financial literacy, the worse the community saving

behavior. The results of this study are in line with the research conducted by Arofah (2018) in which increasing the understanding of financial literacy is done by evaluating and improving the quality of the teaching and learning process itself with the quality of material regarding the saving behavior. This will affect the increase in community saving behavior.

The results of the study show that the increase in financial literacy towards community saving behavior is correct. The community is getting better in understanding financial literacy that will generate a positive effect on saving behavior. The results of the research are supported by Wildayati's research (2018) stating that saving behavior in the community is influenced by the level of financial literacy. Saving behavior is expected to reduce the level of consumption in the community. As any future needs are unpredictable, the community must increase their saving behavior in order to meet their future needs.

2. The Effect of Self-Control on Financial Literacy

Based on the results of statistical calculations, the original sample value is 0,653 and the t-statistic value is 13,180 which means that it is higher than 1,96. The original sample value and t-statistic value indicate that the self-control variable has a direct significant effect on the financial literacy variable. It means that the better the self control of the community in managing finances, the better the understanding of financial literacy. Conversely, the low self-control attitude leads to the low understanding of financial literacy. The research results of Gathergood and Weber (2014) state that self-control to consumptive attitudes is a success of financial literacy understanding.

Self control in managing finances is very difficult if it is not supported by an understanding of financial literacy. The results of the study conducted by Gathergood (2012) report that people in managing finances have their own techniques based on their understanding of financial literacy. High financial liteacy understanding will control the community from consumptive and wasteful attitudes. Due to unpredictable provision of funds for the future, the community must control themselves in financial matters by increasing their understanding of financial literacy.

3. The Effect of Self-Control on Saving Behavior

Based on the results of statistical calculations, the original sample value is 0,298 and the t-statistic value is 4,996, which means that it is higher than 1,96. The original sample and statistical values show that the self-control variable has a significant effect on saving behavior in the community. It means that the higher the attitude of community self-control, the higher the community saving behavior. Conversely, the low self-control attitude leads to the low saving behavior attude in the community. The results of Ardiana's research (2016) state that the increase in community saving behavior is influenced by self-control factor in managing the finances.

Savings behavior is very difficult if it is not supported by self-control, because the average community has a high consumptive attitude. The results of Pompian's research (2012) state that the

better the self-control, the better financial management. Therefore, it leads to the saving behavior. Saving behavior is an action in the future, so it is supported by self-control attitude in managing the finances.

CONCLUSIONS

Based on the aforementioned analysis and discussion, it can be concluded that, first financial literacy is positive and significant towards community saving behavior with the original sample value of 0,553 and the t value of statistics 9,937 that the better understanding of financial literacy leads to the better community saving behavior. Second self-control is positive and significant towards the financial literacy of the community with the original sample value of 0,653 and the statistical t value of 13,180 until shows that the better attitude of community self-control leads to the better understanding of financial literacy in the community. Last self-control is positive and significant towards the community saving behavior with the original sample value of 0.298 and the t-value of statistics 4.996 become shows that the better self-control attitude leads to the better community saving behavior.

Than people who have a good understanding of financial literacy will routinely conduct saving behavior. Supported by the attitude of good self-control towards the process of understanding financial literacy, because of the attitude of self-control of good finance, it has a positive effect on saving behavior.

REFERENCES

Ardiana, M. (2016). Kontrol Diri, Pendidikan Pengelolaan Keuangan Keluarga, Pengetahuan Inklusi Keuangan Siswa Pengaruhnya terhadap Perilaku Menabung Siswa. Vol 4(1), Pp 59-75.

Arofah, A. (2018). Financial Literacy, Materialism, and Financial Bahvior. International Journal of Multicultural and Multireligious Understanding, Vol 5(4), Pp 370-378.

Gathergood, J. Self-control, Financial Literacy, and Consumer Over Indebtedness. Journal of Economic Psychology, Vol 33, Pp 590-602.

Gathergood, J & Weber, J. (2014). Self-control, Financial Literacy, & The Co-Holding Puzzle. Journal of Economic Behavior & Organization, Vol 107, Pp 445-465.

Habshick. (2007) Survey of Financial Literacy Schemes in the EU27 Hamburg. Financial Services EVERS JUNG Research and Consulting.

Ni'mah, F.U., Siswandari., & Indrawati, D.S. (2018). The Effects Of Teacherpreneurship, Multicultural Personality, Continuing Professional Development, and The 21st Century Professionalism Towards Vocational High School Teachers. Internasional Journal of Education and Social Science Research, Vol 1(5), Pp 44-56.

Pompian, M.M. (2012). Behavior Finance and Wealth Management. https://doi.org/10.1002/9781119202400.

Rizkallah, E & Tuong, A. (2010). Consumptive Behavior, Promotional Preferences, and Shopping Patterns of Hospanic Americans: An Empirical Perspective. Journal of Busoniness & Economics Research, Vol 8(4), Pp 111.

Sabri, M.F & Tze Juen, T. (2014). The Influence of Financial Literacy, Saving Behavior, and Financial Management on Retirement Confidence among Women Working in the Malaysia Public Sector. Asian Social Science, Vol 10(4), Pp 40-51.

Te'eni-Harari, T. (2016). Financial Literacy among Children: The Role of Involvement in Saving Money. Young Consumers, Vol 17(2), Pp 197-208.

Wildayati. (2018). Pengaruh Financial Behavior dan Literacy Keuangan terhadap Saving Behavior. Rekaman, Vol 2(1), Pp 2598-8107.

Yim, M.Y. (2017). When Shoppers Don't Have Enough Self Control Resources: Applying The Strength Model of Self Control. Journal of Consumer Marketing, Vol 34(4), Pp 328-337.