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The Effect of Financial Literacy and Income Which Is Moderate by Lifestyle on Financial Behavior (Study of Karawang Regency Civil Servants)

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Abstract: This study aims to examine the influence of financial literacy and income moderated by lifestyle on financial behavior in Karawang district civil servants. The sampling method in this research is probability sampling using the Slovin formula. The sample in this study was 100 Karawang district civil servants. This research tests correlation and regression with the help of the SMARTPLS 4.0 program, used to test validity and reliability, goodness of fit and hypotheses. Based on the results of this research, it can be concluded that: 1). The financial literacy variable partially has a significant effect on the financial behavior of civil servants in Karawang district. 2). The income variable partially has a significant effect on the financial behavior of civil servants in Karawang district. 3). The financial literacy variable which is partially moderated by lifestyle has no effect and is not significant on the financial behavior of civil servants in Karawang district. 4). The income variable which is moderated by lifestyle partially has a significant effect on the financial behavior of civil servants in Karawang district.

Keyword: Financial Literacy, Income, Lifestyle, Financial Behavior.

INTRODUCTION

The current era of globalization provides a big impetus for the increasingly rapid development of digitalization, and is increasing drastically as time goes by. These two things are related to each other. These two factors result in people interacting less and less directly, with more and more activities taking place in the virtual world. Along with the rapid development of digitalization, there has been a significant increase in the digital economy, which includes various sectors such as e-commerce, e-banking, e-wallet, and digital marketing. All of this is faster and more practical because it can be accessed via smartphone devices, this has resulted in people's lifestyles experiencing quite significant changes (Larasati, 2022). As a result of the existence of e-commerce which offers convenience for shopping, people's financial behavior becomes more consumptive, especially in using e-commerce for shopping.

Based on data from the Central Statistics Agency (BPS), public consumption was recorded as growing 4.34% in the first quarter of 2022 compared to the first quarter of the previous year (year on year/yoy). This achievement is better than the first quarter of 2021 which still experienced a contraction of 2.21% (yoy), at the same time higher than the first quarter of 2020 which only grew 2.83% (yoy). The transportation and communication sub-component recorded the highest growth, namely 7.04% (yoy), followed by the clothing and footwear sub-components. feet, and maintenance services which grew 6.46% (yoy), and the restaurant and hotel sub-component grew 4.2% (yoy), then the food and beverage sub-component other than restaurants grew 3.58% (yoy), sub -the housing and household equipment component grew 3.21% (yoy), other sub-components grew 2.64% (yoy), and the health and education sub-components grew 2.15% (yoy) (Kusnandar, 2022). This shows that Indonesian people prioritize secondary needs to support their lifestyle rather than thinking about primary needs, this indicates that Indonesian people have bad financial behavior. Consumer behavior patterns are currently shared by all groups, from the lower middle class to the upper middle class, but usually it is the upper middle class who often behave consumptively because they usually have a relatively stable and quite high level of income, higher income. can lead to greater consumption expenditure (Supiani et al., 2022).

The consumptive behavior that occurs in society, especially those with fairly high and stable incomes, shows that not everyone has the awareness and knowledge to manage their personal finances well. One of the reasons is because talking about money is still often considered taboo. Lack of understanding of financial literacy often results in people making wrong financial decisions. Financial literacy is often misunderstood as knowledge that is only relevant for individuals who are already financially stable and does not apply to the middle class, let alone the mediocre. In fact, financial literacy is the knowledge and skills to understand risks in order to make effective decisions in a financial context.

The results of previous research conducted by (Dasman et al., 2021) explain that financial literacy has a significant effect on financial behavior, this is in accordance with the results of research by (Simatupang, 2022) which states that financial literacy has a significant effect on financial behavior, whereas according to (Devi et al., 2021) financial literacy has no effect on financial behavior in accordance with the results of research (Nirmala, Siti Muntahanah, 2022) which states that financial literacy has no effect on financial behavior. According to research conducted by (Nafitri & Wikartika, 2023) shows that income has a significant effect on financial behavior, this is in accordance with the results of research (Wahyudi et al., 2020) which states that income has a significant effect on financial behavior, whereas according to the results of research conducted by (Robin & Ary, 2019) income does not have a significant effect on financial behavior, in accordance with the results of research (W. D. Putri et al., 2023) which states that income has a negative effect on financial behavior.

Likewise, lifestyle must be paid attention to because (Nurul Safura Azizah, 2020) states that lifestyle can influence financial behavior, but there are also those who argue that lifestyle does not influence financial behavior (W. D. Putri et al., 2023).

This research has the following objectives:

1. Test and explain the influence of financial literacy on the financial behavior of civil servants in Karawang district
2. Test and explain the influence of income on the financial behavior of civil servants in Karawang district
3. Test and explain the influence of financial literacy moderated by lifestyle on the financial behavior of civil servants in Karawang district
4. Test and explain the influence of income moderated by lifestyle on the financial behavior of civil servants in Karawang district

It is hoped that this research can develop financial management knowledge, especially regarding the influence of financial literacy and income which is moderated by lifestyle on

financial behavior. and also the results of this research can help and provide benefits to readers of scientific works in the field of finance related to the influence of financial literacy and income moderated by lifestyle on financial behavior.

METHOD

This scientific work examines the financial behavior of civil servants in Karawang Regency. This research method uses quantitative methods. Quantitative methods are methods that use data in the form of numbers and analyze the collected data using statistical formulas. This is based on the theme to be researched, namely "The Influence of Financial Literacy and Income Moderated by Lifestyle on the Financial Behavior of Civil Servants in Karawang Regency". The population in this study are civil servants in Karawang district. Based on the central statistics agency, Karawang Regency has a total of 9,391 civil servants so the nature of the population is non-probability sampling. To obtain samples from this research, researchers used a sampling technique with the Slovin formula with an error rate of 10%. Based on this formula, the number of samples from the population can be calculated as 9,391, resulting in a sample of 98.94 rounded up to 99 research samples. Data collection methods in research use questionnaires and also literature studies. The data analysis method in this research uses descriptive statistical analysis and inferential statistical analysis. This research tests correlation and regression with the help of the SMARTPLS 4.0 program, used to test validity and reliability, goodness of fit and hypotheses.

RESULTS AND DISCUSSION

Data processing for this research uses SEM (regression) analysis with partial least squares (PLS) software requiring goodness of fit analysis of the research being constructed and analysis of the relationships between research variables.

Outer models

Convergent validity with the outer model with reflective indicators can be seen from the correlation between the indicator values and the construct values. Individual indicators are considered reliable if they show a correlation value greater than 0.70. However, at the research stage of the scale development stage, loadings of 0.50 to 0.60 are still acceptable (Ghozali, 2021). To get convergent validity results on the SmartPLS analysis tool, it can be seen from the outer loading results, which are presented below in the form of table 1.

Table 1 outer loading

	X1	X2	Y	Z	Z x X1	Z x X2
GH1				0.807		
GH2				0.789		
GH3				0.785		
GH4				0.772		
LK1	0.745					
LK2	0.814					
	X1	X2	Y	Z	Z x X1	Z x X2
LK3	0.881					
LK4	0.903					
P1		0.749				
P2		0.792				
P4		0.894				
PK1			0.813			
PK3			0.817			
PK4			0.816			
Z x X1					1.000	
Z x X2						1.000

Source: Primary Data Processing Results, 2024

Based on the outer loading of table 1 above, it can be concluded that there are 16 indicator correlation values with constructs of more than 0.70, which means that the respective values for each variable of financial literacy, income, lifestyle and financial behavior are reliable.

Discriminant Validity

The discriminant validity of reflexive indicators can be seen from the correlation between constructs or seen from the cross loading on the PLS Algorithm. Based on table 2 cross loading all indicators are highly correlated with each contract as follows:

Table 2 Cross Loading

	X1	X2	Y	Z	Z x X1	Z x X2
GH1	0.363	0.383	0.450	0.807	-0.356	-0.300
GH2	0.194	0.242	0.298	0.789	-0.217	-0.300
GH3	0.249	0.461	0.339	0.785	-0.106	-0.124
GH4	0.187	0.478	0.362	0.772	-0.076	-0.089
LK1	0.745	0.222	0.341	0.367	-0.462	-0.174
LK2	0.814	0.223	0.410	0.185	-0.486	-0.235
LK3	0.881	0.425	0.499	0.199	-0.425	-0.203
LK4	0.903	0.426	0.611	0.351	-0.489	-0.311
P1	0.235	0.749	0.343	0.388	-0.267	-0.283
P2	0.319	0.792	0.390	0.386	-0.143	-0.137
P4	0.406	0.894	0.540	0.449	-0.162	-0.122
PK1	0.533	0.458	0.813	0.390	-0.343	-0.402
PK3	0.282	0.402	0.817	0.446	-0.374	-0.401
PK4	0.546	0.441	0.816	0.327	-0.329	-0.315
Z x X1	-0.550	-0.224	-0.425	-0.252	1.000	0.686
Z x X2	-0.283	-0.206	-0.454	-0.261	0.686	1.000

Source: Primary Data Processing Results, 2024

Based on table 2 above, it shows that the cross loading value of each item on its construct is greater than the loading value with other construct values. So from these results, it can be concluded that there is no problem with discriminant validity. All indicators have a greater correlation coefficient with each construct compared to the correlation coefficient value of the indicators in the construct block in the other columns.

Apart from looking at the cross loading value, discriminant validity can also be determined using other methods, namely by considering the average variant extracted (AVE) value for each indicator, the value required is of course > 0.5 for a good model.

Table 3 Average Variant Extracted (AVE)

	Average variance extracted (AVE)
X1	0.702
X2	0.663
Y	0.665
Z	0.622

Source: Primary Data Processing Results, 2024

From table 3, assessing construct validity by looking at the AVE value, a good model is required where the AVE for each construct has a value greater than 0.5. It can be seen in table 4.7, the AVE output results show that it has an AVE value greater than 0.50, meaning that all constructs in the research have good discriminant validity(Ghozali, 2021).

Composite Reability

Reliability tests were carried out on the following measurement tests. Reliability tests are carried out to test the accuracy, consistency and suitability of instruments to measure a

construct. In PLS Sem, SmartPLS can be used to measure the reliability of a construct. In two cases, using Cronbach's alpha and composite reliability, using Cronbach's alpha to test a construct gives a lower value (underestimate), so it is recommended to use more than composite reliability.

Table 4 Construct Reliability dan Validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)
X1	0.860	0.903	0.904
X2	0.748	0.799	0.854
Y	0.750	0.757	0.856
Z	0.799	0.813	0.868

Source: Primary Data Processing Results, 2024

In Table 4 (test results attached) it can be seen that all variable values in the reliability test use Cronbach's alpha or composite reliability. This value is > 0.7, so it can be concluded that the variables tested are valid, so we can continue testing the structural model.

Inner Model

Inner model analysis or what is usually called a structural model is used to predict causal relationships between the variables tested in the model.

R-Square

Testing of the Structural or inner model can be measured by looking at the R-square value which is a model goodness-fit test which can be seen in table 5 below:

Table 5 R-Square

	R-square	R-square adjusted
Y	0.535	0.510

Source: Primary Data Processing Results, 2024

In the table above, you can see that the R-Square value for the financial behavior variable is 0.535. These results show that 53.5% of financial behavior variables are influenced by financial literacy, income and lifestyle variables. Meanwhile, the remaining 46.5% is influenced by other variables outside those studied.

Hypothesis test

Hypothesis testing is carried out based on the results of internal model testing (structural model), which includes r-square results, parameter coefficients, and t-statistics. To see whether a hypothesis can be accepted or rejected, pay attention to the significance value between the construct, t-statistics and t table. This research hypothesis test was carried out using SmartPLS (Partial Least Square) 4 software.

Table 6 Path coefficient hypothesis test results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
X1 -> Y	0.386	0.388	0.117	3.296	0.001
X2 -> Y	0.258	0.251	0.080	3.222	0.001
Z -> Y	0.157	0.166	0.100	1.579	0.114
Z x X1 -> Y	0.065	0.051	0.092	0.703	0.482
Z x X2 -> Y	-0.248	-0.226	0.100	2.468	0.014

Source: Primary Data Processing Results, 2024

Based on the results of the data processing findings above, the suitability of the data can be tested as follows:

1. The t-statistic value of financial literacy on financial behavior is 3.296 while the t-table is 1.96 ($3.296 > 1.96$). The P value is $0.001 < 0.05$, this indicates that the hypothesis which states that financial literacy has a significant effect on financial behavior, is declared accepted.
2. The t-statistic value of income on financial behavior is 3.222 while the t-table is 1.96 ($3.222 > 1.96$). The P value is $0.001 < 0.05$, this indicates that the hypothesis which states that income has a significant effect on financial behavior, is declared accepted.
3. The t-statistic value of financial literacy which is moderated by lifestyle on financial behavior is 0.703 while the t-table is 1.96 ($0.703 < 1.96$). The P value is $0.482 > 0.05$, this indicates that the hypothesis which states that financial literacy moderated by lifestyle has a significant effect on financial behavior, is rejected.
4. The t-statistic value of income which is moderated by lifestyle on financial behavior is 2.468 while the t-table is 1.96 ($2.468 > 1.96$). The P value is $0.014 < 0.05$, this shows that the hypothesis which states that income moderated by lifestyle has a significant effect on financial behavior, is declared accepted.

CONCLUSION

This research has the title "The Influence of Financial Literacy and Income Moderated by Lifestyle on the Financial Behavior of Civil Servants in Karawang Regency". The number of samples used in this research was 100 respondents. After testing the hypothesis, it can be concluded that:

1. The Financial Literacy variable partially has a significant effect on the financial behavior of civil servants in Karawang district. Where when financial literacy increases financial behavior also increases, from this it can be concluded that financial literacy as measured by understanding the objectives and benefits of investment can improve the financial behavior of civil servants in Karawang district.
2. The income variable partially has a significant effect on the financial behavior of civil servants in Karawang district. Where when income increases, financial behavior also increases. From this it can be concluded that the increased income resulting from investment profits through dividend payments, interest and capital gains can improve the financial behavior of civil servants in Karawang district, because with this increase in income civil servants become more freedom in managing finances.
3. The Financial Literacy variable which is partially moderated by Lifestyle has no effect and is not significant on the Financial Behavior of civil servants in Karawang district. The emergence of lifestyle actually damages the influence of financial literacy on financial behavior. From this it can be concluded that lifestyle variables do not moderate financial literacy on financial behavior.
4. The income variable which is moderated by lifestyle partially has a significant effect on the financial behavior of civil servants in Karawang district. From this it can be concluded that the increase in lifestyle as measured by shopping activities, traveling or just looking at products in malls or online shops If this is accompanied by an increase in income, it can improve the financial behavior of civil servants in Karawang Regency.

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