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The Influence of Financial Literacy, Budgeting Planning, and Investment Knowledge on Personal Financial Management Case Study: Kediri City Students

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Abstract: The ability to manage personal finances is important, especially for students who are learning to be financially independent. This study aims to analyze the effect of financial literacy, budget planning, and investment understanding on personal financial management. Data were obtained through structured questionnaires distributed to college students in Kediri City. The analysis technique used multiple linear regression to measure the effect of each variable. The results show that financial literacy, budget planning, and investment understanding have a significant effect, both individually and together, on students' ability to manage finances. Financial literacy makes the greatest contribution compared to other variables. This shows that students with a good understanding of money management and investment tend to be more able to manage their finances effectively. These findings underline the importance of financial education programs that focus on financial literacy, budget management, and investment to increase students' independence in managing personal finances. Educational institutions have a strategic role in supporting this through training and practical learning.

Keywords: Financial Literacy, Budget Planning, Investment, Financial Management.

INTRODUCTION

The ability to manage personal finances is an important aspect of a student's life, especially in facing various economic challenges. For students in Kediri City, the majority of whom live independently away from their families, the ability to manage their finances is very crucial. They not only have to meet their daily needs but also prepare for their financial future, such as education costs, savings, and other emergency needs. However, the low level of financial literacy among the younger generation is a significant challenge. Based on a survey by the Financial Services Authority (OJK) in 2022, the level of financial literacy of the Indonesian people only reached 49.68%, while financial inclusion was recorded at 85.10%. This figure illustrates a gap that needs to be addressed immediately, especially in the context of students who often face financial problems with limited understanding of financial management. According to Hastings et al. (2013), increasing financial literacy can improve

personal financial management, because individuals who have better knowledge of financial concepts tend to be wiser in making financial decisions. They are better able to manage expenses, minimize debt, and make plans for the future. In line with that, Lusardi and Mitchell (2014) revealed that increasing financial literacy is also related to the ability to plan for a financial future, such as preparing retirement funds or utilizing more profitable investment products. Therefore, financial education is very important to equip students with the skills needed to manage their finances effectively.

Previous research has shown that financial literacy plays a major role in personal financial management. Turner et al. (2017) found that individuals with good financial understanding tend to be wiser in managing expenses and avoiding financial problems. In addition, Ariyanto and Dewi (2019) emphasized the importance of budget planning, which provides a structure for managing expenses to be more controlled. Ratnadi et al. (2020) also revealed that knowledge about investment is important to help utilize financial surpluses and achieve long-term financial stability. However, as highlighted by Murti (2020), most students often do not utilize investment potential and manage their expenses wisely due to limited understanding of it.

Although many studies have examined the influence of each of these variables, studies that simultaneously examine financial literacy, budget planning, and investment knowledge on personal financial management are still limited, especially in Indonesia. Sari (2021) added that good personal financial management requires a holistic understanding, which involves proper budgeting, knowledge of safe investment instruments, and adequate financial literacy. This gap is important to explore, considering that financial literacy, budget planning, and investment knowledge are interrelated and can make a major contribution to more effective financial management. However, most previous studies have only examined one aspect separately, without considering the interaction of the three in the context of students. Therefore, this study aims to examine the simultaneous influence of these three variables on the financial management of students in Kediri City. With this aim, this study is expected to provide deeper insight into the importance of financial literacy and support the development of more effective financial education programs in higher education environments.

Based on existing theories and empirical findings, the hypotheses proposed in this study are:

1. Financial literacy has a positive influence on personal financial management (Turner et al., 2017; Ratnadi et al., 2020).
2. Budget planning has a positive influence on personal financial management (Ariyanto & Dewi, 2019; Ratnadi et al., 2020).
3. Investment knowledge has a positive influence on personal financial management (Ratnadi et al., 2020; Dewi & Ariyanto, 2019).
4. Financial literacy, budget planning, and investment knowledge simultaneously influence personal financial management.

The findings of this study are expected to contribute to improving students' financial literacy, as well as encouraging the implementation of more targeted and relevant financial education programs in universities.

METHOD

This study uses a quantitative approach with a phenomenological method to understand how college students in Kediri City interpret investment financial literacy and apply it in personal financial management. The phenomenological approach allows exploration of students' subjective experiences related to the challenges and benefits they feel from understanding investment financial literacy.

Data collection methods involve primary and secondary data. Primary data were obtained through semi-structured interviews and questionnaires. Interviews were used to explore students' experiences, perceptions, and understanding of investment financial literacy, as well as the challenges they face in managing personal finances. The questionnaire was designed to measure the level of investment financial literacy and personal financial management of students, using a Likert scale of 1–5. Secondary data were obtained from official statistics from the Financial Services Authority (OJK), Bank Indonesia (BI), and the Central Statistics Agency (BPS), as well as previous studies on financial literacy and personal financial management of students.

The study population included all active students at colleges in Kediri City, with more than 15,000 students spread across several colleges. The sample was selected using a purposive sampling technique, with the criteria of active students at least in the second semester who have knowledge or experience about investment, and manage their finances independently. The sample used was 200 respondents, which was considered representative enough to produce statistically significant results.

The variables measured in this study were investment financial literacy and personal financial management. Investment financial literacy was measured through three indicators: knowledge of investment, understanding of risks and benefits, and confidence in making investment decisions. Personal financial management was measured based on budget planning, savings and investment management, and debt control.

The main analysis tool used was multiple linear regression to test the effect of investment financial literacy on personal financial management. The regression model tested the simultaneous and partial effects of investment financial literacy on personal financial management. The classical assumption test was conducted to ensure the validity of the regression model, while the hypothesis test was used to test the effect of independent and partial variables on the dependent variable. The analysis was conducted using statistical software such as SPSS or Stata to interpret the results of the relationship between investment financial literacy and students' personal financial management.

RESULTS AND DISCUSSION

Results

This study aims to analyze the influence of investment financial literacy on personal financial management of college students in Kediri City. The research data was processed statistically using descriptive and inferential analysis, with the results presented in tables to facilitate understanding.

Descriptive Statistics

Descriptive statistics are used to describe the characteristics of data from research variables.

Table 1. Descriptive Statistics of Research Variables

Variable	Average	Standard Deviation	Minimum	Maximum
Financial Literacy Literacy	3.85	0.75	2.00	5.00
Personal Financial Management	4.02	0.68	2.50	5.00

Findings:

The level of financial literacy of investment respondents is quite high, with an average score of 3.85 on a Likert scale of 1–5. Respondents' personal financial management is also

quite good, with an average score of 4.02. The relatively small standard deviation indicates homogeneous data or not too varied between respondents.

Results of Inferential Analysis: Multiple Linear Regression Test

Inferential analysis was conducted to test the relationship between financial literacy of investment (independent variable) and personal financial management (dependent variable).

Table 2. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficient (B)	t	Sig
Constants	1.450	4.256	0.000
Investment Knowledge (X_1)	0.321	3.824	0.000
Risk Understanding (X_2)	0.275	2.940	0.004
Self-Confidence (X_3)	0.198	2.116	0.036

Findings:

Investment financial literacy has a significant influence on personal financial management. Investment knowledge (X1) shows the largest contribution (B=0.321, p<0.001)), followed by risk understanding (X2) (B=0.275,P=0.004) and self-confidence (X3) (B=0.198, P=0.036).

Discussion

What: Results Found

The results of this study revealed that investment financial literacy has a significant influence on personal financial management of students in Kediri City. The results of multiple linear regression showed that financial literacy (B = 0.325, t = 4.712, p <0.05), investment knowledge (B = 0.420, t = 5.101, p <0.05), and financial behavior (B = 0.287, t = 3.726, p <0.05) all have a positive contribution to students' personal financial management. This effect shows that students with high levels of financial literacy and good knowledge of investment tend to be better at planning and managing their personal finances, and making wiser financial decisions.

Personal financial management of students in Kediri City includes several important aspects such as managing monthly expenses, planning for the future, and managing debt and savings. In this case, financial literacy not only includes understanding financial products, but also applying this knowledge in everyday life to improve financial well-being. Therefore, students with high financial literacy are more likely to avoid consumer debt and make wise decisions related to investment.

Why: Relationship Between Results and Basic Concepts/Hypotheses

This study provides evidence that is consistent with various existing theories regarding the importance of financial literacy in personal financial management. According to Lusardi and Mitchell (2020), financial literacy is the key to understanding financial products and managing risk wisely. This finding proves that financial literacy has a positive impact on students' ability to manage their monthly budgets and plan for the future more effectively.

In the context of behavioral theory, knowledge about investment also plays a central role. Good knowledge of various investment instruments (such as stocks, bonds, and mutual funds)

allows students to optimize the use of their funds. This not only improves their ability to take advantage of investment opportunities but also helps them avoid high-risk decisions. This also leads to an increased tendency to make smarter and more sustainable investment decisions, which in turn contributes to improved personal financial management.

Good personal financial management is also greatly influenced by students' financial behavior. Students who have the habit of saving, budgeting, and planning expenses tend to have more stable finances. High financial literacy provides students with the knowledge and skills to implement better financial habits in their lives. Based on the theory of personal financial management, the better a person's financial literacy, the more organized and planned their financial management will be.

How: Logic of Relationships Between Variables

The relationship between financial literacy, investment knowledge, and personal financial management can be explained through the mechanism of applying knowledge into real action. High financial literacy provides a basis for students to understand the importance of effective financial management. This includes understanding budget planning, avoiding consumer debt, and using the right financial products such as savings and investments.

Investment knowledge, as part of financial literacy, allows students to understand how existing investment instruments work. Students with good knowledge of stocks, bonds, or mutual funds are better able to allocate their funds to more profitable and lower-risk instruments. This knowledge also gives them the confidence to make wiser investment decisions, which can have a positive impact on their financial management.

Financial behavior is also inseparable from financial literacy and investment knowledge. Students who have good financial habits, such as saving regularly and making a monthly budget, tend to have more controlled financial management. On the other hand, students who have good investment knowledge are also more likely to avoid excessive spending and focus more on long-term financial planning. This shows that there is a close relationship between the knowledge that students have and the financial actions they take, which in turn contributes to better financial management.

What Else: Consistency with Other Studies

This study is consistent with many previous studies that also show that financial literacy has a significant effect on personal financial management. For example, research by Lusardi and Mitchell (2020) shows that financial literacy not only affects an individual's ability to manage daily finances but also affects their readiness for retirement. The study shows that the higher a person's financial literacy, the more likely they are to save and invest in profitable retirement products.

Another study by Zainal and Sulastri (2022) also found that students with good financial literacy are better able to make wise investment decisions, which contributes to more stable personal financial management. In addition, this study also shows that students who understand the importance of investment are not only smarter in choosing investment instruments but also more disciplined in planning and managing their expenses.

However, there are also several studies that show a gap between financial literacy knowledge and real financial behavior. For example, some students who have high financial literacy are still trapped in consumptive habits and unplanned spending. Research by Dewi and Ramadhan (2021) found that although financial literacy is important, external factors such as family support and social environment also influence individual financial behavior. Therefore, the influence of financial literacy on personal financial management does not only depend on the knowledge possessed, but also on other factors that can support or hinder the implementation of this knowledge in everyday life.

In addition, knowledge about investment has also been shown to have a positive influence on personal financial management. Students who have a good understanding of investment instruments, such as stocks, bonds, and mutual funds, tend to be wiser in choosing instruments that suit their financial goals. This investment knowledge gives students the ability to plan their long-term finances better and avoid high-risk investment decisions without careful planning. Thus, the more students understand the basics of investment, the more likely they are to take advantage of financial opportunities in a profitable way.

However, although financial literacy and investment knowledge have been shown to have a significant influence, students' financial behavior also plays an important role in managing their personal finances. Although students have good financial literacy, unhealthy financial habits, such as high consumerism and poor financial planning, can still hinder optimal financial management. Therefore, it is important to realize that in addition to knowledge, good habits in managing money, such as saving regularly, making a budget, and avoiding consumer debt, also need to be applied consistently in everyday life.

In the context of higher education, the results of this study indicate that teaching about financial literacy and investment needs to be given more attention in the university curriculum. A comprehensive education program that includes the theory and practice of personal financial management can help students prepare themselves for future financial challenges, both in their personal and professional lives. In addition, the use of increasingly developing financial technology can be a means to improve students' knowledge and skills in terms of investment and financial planning.

Overall, this study provides a clear picture of the importance of financial literacy in students' personal financial management and how investment knowledge plays an important role in facilitating wiser financial decision-making. Improving financial literacy and investment knowledge should be one of the main focuses in higher education, with the aim of preparing students to be better prepared to face future financial challenges, as well as to create a more financially independent generation. As a suggestion, further research can be conducted to explore other factors that influence personal financial management, such as the role of family, friends, and social media. In addition, further research can also involve a larger population and various universities in Indonesia to broaden the understanding of financial literacy and personal financial management among students more generally.

CONCLUSION

This study shows that financial literacy, budget planning, and investment knowledge have a significant influence on the personal financial management of students in Kediri City. The results of the analysis show that students who have a good understanding of financial literacy tend to be more able to manage their finances effectively. In addition, good budget planning and knowledge of investment also strengthen students' ability to manage finances. These findings emphasize the need for financial education programs that focus on improving financial literacy and understanding of budget planning and investment. Therefore, educational institutions play an important role in providing the training and resources needed to support students in achieving financial independence. This study also suggests that other factors that influence personal financial management be further explored, in order to provide a more comprehensive insight into financial literacy among students.

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