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UNDERSTANDING INVESTORS' FINANCIAL MANAGEMENT BEHAVIOR: THE ROLES OF FINANCIAL LITERACY AND FINANCIAL SOCIALIZATION IN GREATER BEKASI, INDONESIA

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Abstract

Financial intelligence refers to an individual's ability to effectively manage financial resources and is considered an important indicator of financial success. Effective financial management enables individuals to maximize the value of their financial resources and reduce the risk of future financial difficulties. This study aims to examine the effects of financial literacy and financial socialization on the financial management behavior of investors in the Greater Bekasi area. A quantitative research approach was employed, using primary data collected through questionnaires distributed to 100 investors in the Greater Bekasi area. The data were analyzed using the Structural Equation Modeling (SEM) approach with SmartPLS software, including the assessment of both the measurement model (outer model) and the structural model (inner model). The findings reveal that financial literacy has a significant positive effect on financial management behavior (p = 0.000). Financial socialization also demonstrates a positive influence on financial management behavior, although the level of significance is lower (p = 0.093). These findings highlight the importance of financial literacy and financial socialization in shaping investors' financial management behavior.

Keywords: Literacy, Socialization, Finance, Investors, Behavior

INTRODUCTION

The global economic environment has undergone significant changes, requiring organizations and individuals to adopt flexible and adaptive strategies in managing financial resources. Economic uncertainty, rapid technological developments, and changes in market dynamics have increased the importance of sound financial management practices. These conditions have also heightened the need for individuals to possess adequate financial knowledge and skills to make informed financial decisions and maintain financial stability.

Financial intelligence refers to an individual's ability to effectively manage financial resources and is considered an important indicator of success in personal financial management. Individuals who are capable of managing their finances efficiently can maximize the value of their financial resources and minimize the risk of future financial difficulties (Indriana, 2019). Effective financial management not only enhances financial well-being but also contributes to long-term financial security.

Financial literacy has been recognized as one of the key factors influencing financial management behavior. It reflects the level of awareness, knowledge, skills, attitudes, and behaviors necessary for making sound financial decisions and achieving financial well-being (Gerg & Singh, 2018). According to the Organisation for Economic Co-operation and Development (OECD), financial literacy encompasses the awareness, knowledge, skills, attitudes, and behaviors required to make informed financial decisions and maintain financial health. Individuals with higher levels of financial literacy are generally better equipped to evaluate financial products, manage risks, and plan for future financial needs.

One of the important contributors to Indonesia's economy is the growing number of investors participating in financial markets. However, inadequate financial literacy may lead investors to make poor investment decisions, increasing their vulnerability to financial losses and investment fraud. Consequently, improving financial literacy has become essential for enhancing investors' ability to manage their financial resources and make rational investment decisions.

Knüpfer and Vokata (2021) argue that the increasing prevalence of fraudulent investment schemes should not discourage individuals from participating in financial markets. Instead, investors should improve their financial knowledge and decision-making capabilities to identify and avoid fraudulent investments. Similarly, Andreou and Philip (2018) suggest that higher levels of financial literacy significantly reduce investors' susceptibility to investment fraud by improving their ability to assess investment opportunities critically. Several strategies have been proposed to help investors avoid fraudulent investments, including acquiring adequate knowledge about investment products, understanding business models and marketing plans, recognizing the principle of "high risk, high return," evaluating the credibility of promoters, and understanding market demand and supply mechanisms. These strategies can support investors in making more informed and prudent investment decisions.

In addition to financial literacy, financial socialization plays an important role in shaping financial management behavior. Financial socialization refers to the process through which individuals acquire financial knowledge, skills, attitudes, and values from social agents such as parents, peers, educators, and other members of their social environment (Albeerdy & Gharleghi). Through this process, individuals develop financial competencies that influence their financial attitudes and behaviors throughout their lives.

Financial management behavior is also influenced by psychological factors that affect financial decision-making. Traditional financial theories assume that investors behave rationally when making investment decisions. However, behavioral finance literature suggests that investors often exhibit irrational behavior due to cognitive biases, emotional influences, and limitations in self-control. Consequently, investment decisions are not always based solely on rational analysis but are also shaped by various psychological and social factors.

Previous studies have demonstrated that both financial literacy and financial socialization positively influence financial management behavior among investors. Research has shown that financial literacy programs and financial education initiatives can improve financial awareness, financial attitudes, and responsible financial behavior while reducing excessive consumption patterns. Furthermore, financially literate individuals who receive effective financial socialization tend to make better investment decisions and select investment alternatives that offer greater long-term benefits.

Despite the growing importance of financial literacy and financial socialization, several factors may influence their effectiveness, including educational background, socioeconomic conditions, and access to information technology. Therefore, further research is needed to examine the influence of financial literacy and financial socialization on investors' financial management behavior. Understanding these relationships can provide valuable insights for policymakers, financial institutions, and educational organizations in developing programs that enhance financial capability and promote responsible financial behavior among investors.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Financial Management Behavior

Financial management behavior refers to an individual's ability to plan, budget, manage, control, and store financial resources in daily life (Pradiningtyas & Lukiastuti, 2019). Effective financial planning, management, and control activities reflect sound financial behavior and contribute to an individual's financial well-being.

According to Al-Kholilah and Iramani (2013), cited in Busyro (2019), financial management behavior is formed through an individual's efforts to fulfill personal needs in accordance with the income earned. Financial management behavior can be evaluated through four dimensions: consumption management, cash flow management, saving behavior, and debt management.

In today's increasingly complex financial environment, sound financial management skills and access to financial services have become essential. Financial management behavior plays a significant role in helping individuals make informed financial decisions regarding savings, investments, credit utilization, and retirement planning. As consumers face a growing variety of financial products and services, responsible financial behavior becomes increasingly important for achieving long-term financial stability and well-being (Birkenmaier & Fu, 2019).

Furthermore, increasing income uncertainty, financial risks, and economic fluctuations have heightened the importance of effective financial management. Consequently, researchers, policymakers, and financial practitioners continue to emphasize the need to understand factors that influence individual financial management behavior.

Financial Literacy

Financial literacy refers to an individual's knowledge, understanding, and ability to effectively plan, allocate, and manage financial resources (Safura Azizah, 2020). Financial literacy is considered an essential life skill that enables individuals to make informed financial decisions and improve their quality of life. Laily (2016) defines financial literacy as the ability to manage personal finances responsibly. According to Ajzen's Theory of Planned Behavior (1991), an individual's attitude toward a behavior reflects the extent to which they positively or negatively evaluate that behavior, influencing their intentions and actions (Nurbaeti et al., 2019).

Financial literacy is closely related to financial responsibility and financial management behavior. Ida and Dwinta, cited in Rahmayanti et al. (2019), describe financial responsibility as the process of effectively managing personal finances. Nofsinger, cited in Rahmayanti et al. (2019), defines financial behavior as the study of how individuals actually behave when making financial decisions. Individuals with higher levels of financial literacy are more likely to engage in prudent financial practices, including budgeting, saving, investing, managing expenditures, and fulfilling financial obligations on time.

Financial Socialization

Financial socialization is the process through which individuals acquire financial knowledge, skills, attitudes, and values from social agents such as parents, peers, educators, and other influential individuals in their environment. Through this process, individuals develop financial competencies that shape their financial decision-making and behavior throughout their lives (Safitri & Kartawinata, 2020).

According to Danes (1994) and Ullah et al. (2020), financial socialization is a developmental process through which individuals learn and internalize financial concepts, social norms, standards, attitudes, and behaviors that promote financial sustainability and personal well-being. Financial socialization extends beyond money management by shaping values, norms, and attitudes that either facilitate or hinder the development of financial capabilities.

The financial socialization process plays a critical role in improving financial literacy, encouraging responsible financial behavior, and enhancing individuals' ability to manage financial resources effectively.

Conceptual Framework

The conceptual framework of this study is developed based on theoretical arguments and empirical findings from previous studies. According to Handayani and Rianto (2021), a conceptual framework illustrates the relationships among variables examined in a study.

This study employs one dependent variable, namely Financial Management Behavior, and two independent variables, namely Financial Literacy and Financial Socialization. The framework proposes that Financial Literacy and Financial Socialization influence Financial Management Behavior among investors.

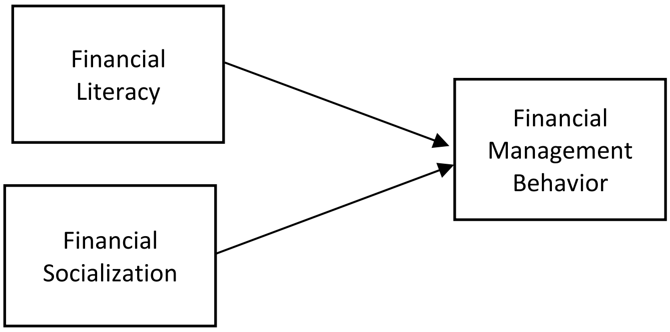

Figure 1. Conceptual Framework

Hypothesis Development

H1: Financial Literacy and Financial Management Behavior

Financial literacy is widely recognized as an important determinant of financial management behavior. Individuals with higher financial literacy possess greater financial knowledge and are better equipped to make informed financial decisions, manage risks, and achieve financial goals.

Previous research conducted by Sugiharti and Maula (2019), entitled *"The Influence of Financial Literacy on Student Financial Management Behavior"*, found that financial literacy significantly influences financial management behavior. The study concluded that individuals with greater financial knowledge tend to exhibit more responsible financial behaviors.

Based on the theoretical and empirical evidence, the following hypothesis is proposed:

H1: Financial Literacy has a positive and significant influence on the Financial Management Behavior of investors in Indonesia.

H2: Financial Socialization and Financial Management Behavior

Financial socialization contributes to the development of financial knowledge, attitudes, and behaviors through interactions with family members, peers, educators, and other social agents. Effective financial socialization can encourage individuals to adopt responsible financial practices and improve their financial decision-making abilities.

Previous research conducted by Safitri and Kartawinata (2020), entitled *"The Influence of Financial Socialization and Financial Experience on Financial Management Behavior"*, found that financial socialization significantly influences financial management behavior among working women in Bandung. The findings indicate that financial socialization contributes to shaping responsible financial behavior and effective financial management practices.

Based on these findings, the following hypothesis is proposed:

H2: Financial Socialization has a positive and significant influence on the Financial Management Behavior of investors in Indonesia.

RESEARCH METHODS

This study employed a quantitative research approach to examine the influence of financial literacy and financial socialization on investors' financial management behavior. Quantitative research is a systematic method that utilizes numerical data and statistical techniques to analyze relationships among variables and test research hypotheses.

The study collected primary data through a structured questionnaire distributed to investors located in the Greater Bekasi area. The target population consisted of individuals who actively engaged in investment activities.

The sampling process utilized a non-probability sampling technique, specifically accidental sampling. According to this approach, respondents are selected based on their accessibility and willingness to participate in the study at the time of data collection. The selection criteria required respondents to be investors residing in or conducting investment activities within the Greater Bekasi area.

A total of 100 respondents participated in this study and were considered adequate for analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM). Data analysis was conducted using SmartPLS 3.0 software. The analysis consisted of two stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model). The outer model assessment was performed to examine the validity and reliability of the measurement indicators, while the inner model assessment was conducted to test the proposed hypotheses and evaluate the relationships among the study variables.

RESULTS AND DISCUSSION

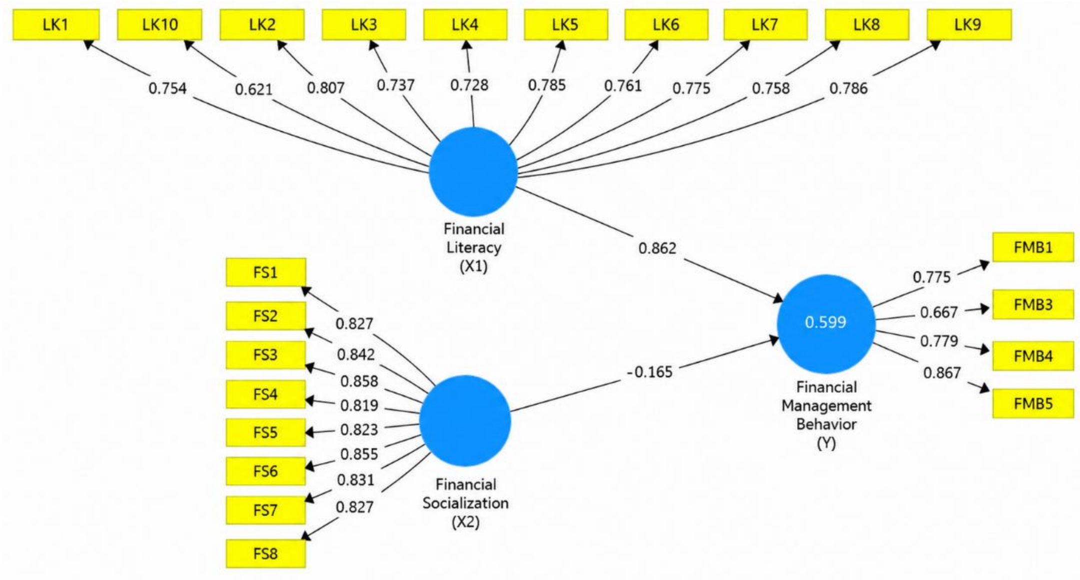

Figure 2. Measurement Model (Outer Model) Results

Measurement Model Assessment (Outer Model)

Convergent Validity

Convergent validity was assessed using outer loading values. According to Ghozali and Latan (2015), indicators with outer loading values greater than 0.60 are considered valid. The results indicate that most indicators met the required threshold. One indicator of the Financial Management Behavior construct (FMB2) had an outer loading value below the recommended level and was therefore removed from further analysis. All indicators of Financial Literacy and Financial Socialization satisfied the convergent validity criteria and were retained in the model.

Discriminant Validity

Discriminant validity was evaluated using cross-loading values. The results show that each indicator had a higher loading on its respective construct than on other constructs. Therefore, all constructs met the discriminant validity requirements.

Average Variance Extracted (AVE)

The AVE values for all constructs exceeded the recommended threshold of 0.50, indicating adequate convergent and discriminant validity. Thus, all variables were considered valid measures of their respective constructs.

Composite Reliability

Composite Reliability was used to assess internal consistency reliability. The results show that all constructs achieved Composite Reliability values above 0.70, indicating satisfactory reliability. Cronbach's Alpha. Cronbach's Alpha values for all constructs exceeded 0.70, demonstrating good internal consistency and confirming the reliability of the measurement instruments.

Structural Model Assessment (Inner Model)

R-Square (R^2)

The R-Square value for Financial Management Behavior was 0.599, indicating that Financial Literacy and Financial Socialization jointly explained 59.9% of the variance in Financial Management Behavior. Based on the criteria proposed by Ghozali and Latan (2015), this value indicates a moderate explanatory power.

Q-Square (Q^2)

The Q-Square value was greater than zero, indicating that the model possesses predictive relevance. The results suggest that the proposed model has adequate predictive capability in explaining Financial Management Behavior.

Hypothesis Testing

Hypothesis testing was conducted using the bootstrapping procedure in SmartPLS 3.0. The results indicate that Financial Literacy has a significant positive effect on Financial Management Behavior, supporting H1. Financial Socialization also has a significant effect on Financial Management Behavior, supporting H2. Therefore, both hypotheses proposed in this study are accepted.

Discussion

The findings demonstrate that Financial Literacy plays an important role in shaping investors' Financial Management Behavior. Investors with higher financial knowledge tend to make better financial decisions, manage their resources more effectively, and exhibit more responsible financial behavior. Furthermore, Financial Socialization significantly influences Financial Management Behavior. Individuals who receive financial knowledge, guidance, and experience from parents, peers, educators, and other social agents are more likely to develop positive financial habits and make sound financial decisions. Overall, the results suggest that both Financial Literacy and Financial Socialization contribute to improving Financial Management Behavior among investors in the Greater Bekasi area.

CONCLUSION

Based on the data analysis conducted using SmartPLS and the discussion of the research findings, the following conclusions can be drawn:

1. **Financial Literacy has a significant influence on Financial Management Behavior among investors in the Greater Bekasi area.** This finding supports the first hypothesis and is consistent with previous studies conducted by Sugiharti and Maula (2019) and Putri and

Tasman (2019). The results indicate that investors with higher levels of financial literacy tend to exhibit better financial management behavior.

2. **Financial Socialization has a significant influence on Financial Management Behavior among investors in the Greater Bekasi area.** This finding supports the second hypothesis and is consistent with previous research conducted by Safitri and Kartawinata (2020) as well as Naufalia, Wilandari, Wilandasari, and Helmy (2020). The results suggest that financial knowledge and experiences gained through social interactions contribute to the development of responsible financial management behavior.
   Overall, the findings demonstrate that both Financial Literacy and Financial Socialization play important roles in shaping investors' Financial Management Behavior.

Recommendations

Based on the findings of this study, the following recommendations are proposed:

1. Investors should continuously improve their financial literacy and actively participate in financial education and socialization programs. A better understanding of financial concepts and practices can help investors make informed financial decisions and manage their financial resources more effectively.
2. Future studies are encouraged to incorporate additional variables that may influence Financial Management Behavior, such as Financial Attitude, Financial Knowledge, Financial Self-Efficacy, Financial Experience, or Risk Tolerance. Furthermore, future research may consider using moderating or mediating variables to provide a more comprehensive understanding of the factors influencing Financial Management Behavior.

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