



# Financial behavior as a mediating influence of financial knowledge on financial distress in millennial generation in candi subdistrict, sidoarjo district

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## ABSTRACT

Financial management is very important for all groups, including the millennial generation who have minimal income because they are still in school to avoid consumptive purchases and financial distress. The purpose of this study is to gain a deeper understanding of financial behavior as a mediating influence of financial knowledge on financial distress among the younger generation living in the temple sub-district of Sidoarjo city. This research can be classified as quantitative research using the path analysis method. The data collection technique used is a questionnaire using a Likert scale as the basis for measurement. The population of this study were adolescents in the temple sub-district aged 10-18 years. To determine the sample used non-probability sampling, and the sampling method used Accidental Sampling. The sample size studied was 80 respondents. The results showed that the financial knowledge variable had a negative and significant effect on financial distress, the financial knowledge variable had a positive and significant effect on financial behavior, and the financial behavior variable had a positive and significant effect on financial distress. The relationship between intervening variables shows that financial behavior has a positive and significant effect in mediating financial knowledge on financial distress in financial management.

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## INTRODUCTION

Millennials are tech-savvy, adaptable to the environment, and self-aware. Currently giving the younger generation access to various tasks that are easy to do, more or less all the needs of this activity can be completed online (Susilawati & Sugiarto, 2021). The millennial generation has a consumptive nature so that it has difficulty managing finances, this is one of the factors causing financial distress. It is important to understand more deeply the role of financial knowledge and

financial behavior because it can influence millennials to form healthy opinions to avoid financial distress.

Financial knowledge in personal financial management is very important to help young people make the right decisions about financial management such as having savings for emergencies to overcome challenges and can contribute to financial distress (Lajuni et al., 2018). Financial distress is a feeling of short-term and long-term financial insecurity, which can take the form of severe mental or physical distress (Isanti & Dewi, 2021). Financial behavior that does not like to prepare emergency funds or invest can also cause someone to experience financial distress or financial difficulties (Lajuni et al., 2018). Financial behavior refers to the ability or behavior of individuals in organizing and managing finances, starting from planning, spending, fraud, accounting, monitoring, and accountability for their financial resources (Triamonica & Asandimitra, 2020). Needs can be met quickly and easily, the consequences have positive and negative impacts, especially for the younger generation (Azizah, 2020). The millennial generation is currently facing a series of challenging issues that include limited financial resources and rising living costs. Therefore, knowledge in personal financial management is essential to help millennials make the right decisions regarding financial management.

The OCBC Financial Index & Nielsen IQ study in 2021 only about 16% of Indonesians have an emergency fund. Which means that there are still many young people who have not been able to set aside their income to become an emergency fund, even though emergency funds are very important. Adolescents according to the Child Protection Law in 2022 are someone between the ages of 10-18 years, and are a fairly large group of Indonesia's population of 65.82 million people (almost 24% of the total population). According to data from the Population and Civil Registration Office of Sidoarjo in 2022, the number of adolescents in Sidoarjo district who have reached adolescence is 360,219 people, and the number of adolescents in the temple sub-district is 23,823 people. This shows that the teenage population in the temple sub-district is quite large.

Financial knowledge is a response to an individual's financial behavior, where individual financial knowledge is a means of applying sound financial principles to achieve financial goals through the formulation of good judgment and the daily use of funds (Baptista et al., 2021). In & research Fitriani & Widodo (2020) financial knowledge is the understanding, information, and awareness of one's financial situation needed to develop healthy financial and financial considerations. Financial knowledge is the ability to understand, analyze, and manage money to create a good financial plan that will protect against money problems (Andriyani & Sulistyowati, 2021). From the above understanding, it can be defined that financial knowledge is a person's financial situation, allowing them to make the right decisions and use their money wisely, thus preventing financial problems and achieving financial stability. Based on research Wijaya (2020), it states that financial knowledge has a positive and significant effect on financial behavior. while other research conducted by Susilawati & Sugiarto (2021) revealed that Financial knowledge has a negative and significant effect on financial distress.

Financial behavior is defined as the ability to manage everyday money, including saving, investing, borrowing, selling, and hoarding, which is known as financial behavior, financial behavior occurs because of the desire of individuals to meet their needs (Adriani, 2021). According to research Ameliawati & Setiyani (2018) financial behavior is an individual's ability to manage daily finances, including saving, investing, paying bills, borrowing, and selling. Another study by Justyn & Marheni (2020) financial behavior is understanding the financial situation through budgeting techniques, timely payments, currency conversion, credit card debt settlement, and ideas for self-improvement. From the above understanding, it can be defined that financial behavior is the ability of individuals to manage finances including saving, investing, paying bills, borrowing, and selling to meet their needs. Based on research by Adinda et al., (2023) states that financial behavior has a positive and significant effect on financial distress.

Financial distress can be defined as a complex type of debt, or a lack of confidence in money due to exchange rate fluctuations. It also reflects the unsatisfactory assumption that a person cannot meet his basic needs, adjust his living standards, and have enough money to meet his basic needs (Rahman et al., 2021). Financial distress is intense physical or mental distress, including financial worries, that may last for a short period of time or persist (Rianto, 2023). Beny (2021) stated that financial distress is a condition that due to a lack of personal responsibility such as difficulties in budgeting and managing finances, a wasteful attitude in managing money, and excessive courage when applying for credit. Financial distress arises due to low personal savings, such as high interest rates and handling of bank accounts, low credit scores when applying for loans, debts, and negative credit scores when paying for goods and services Fitra Nurwinda & Dewi (2020). Financial distress is a condition where someone has problems with their financial situation. Financial distress is characterized by the ability of individuals to meet their essential needs (Afif & Sulhan, 2022).

The research gap in this study is based on previous research by Janine K. Scott & Nghia (2019) which states that financial knowledge has a positive and significant effect on financial distress. Meanwhile, research by Afif & Sulhan (2022) states that financial knowledge has a negative and significant effect on financial distress. This study aims to address the literature gap above by expanding the scope of research, namely the addition of financial behavior variables as an element of novelty in the research to be carried out using a quantitative approach. The implication of this research is how to manage finances properly in order to avoid financial distress, no matter how good financial knowledge is, it does not affect the occurrence of financial distress because improper financial behavior will cause financial distress. Financial distress problems often occur among teenagers, therefore this research is expected to provide an understanding of how to manage finances properly.

## RESEARCH METHOD

This research can be classified as quantitative research. The method used for data collection is a structured questionnaire that uses a 5-point Likert scale as the basis for measurement. The method used in this research is path analysis. The population of this study were adolescents in the temple sub-district aged 10-18 years. To determine the sample used non-probability sampling, and in the sampling method used Accidental Sampling. The sample size studied was 80 respondents. Data collection uses a questionnaire and is scored using a linkert scale. To ensure unbiased data, validity and reliability checks are carried out, the tool used in this study is the SmartPLS 4.0. Research by Hubona & Belkhamza (2021) application partial least squares structural equation modeling (PLS-SEM) is a popular analytical technique for estimating empirical relationships among latent variables in a nomological effects network, for estimating empirical relationships among latent variables in a network of nomological effects.

## RESULTS AND DISCUSSIONS

### Descriptive statistics

#### Convergent Validity

To test convergent validity using the outer loading value. According to Chin (1998) the measurement scale loading value of 0.5 to 0.6 is considered sufficient to qualify for convergent validity. The following is the outer loading value of each indicator on the research variable :

**Table 1. Outer Loading Value**

Variables	Indicator	Outer Loading
<i>Financial Knowledge</i> (X)	X.1	0.816
	X.2	0.798
	X.3	0.823
	X.4	0.666
	X.5	0.677
	X.6	0.780
	X.7	0.756
<i>Financial Distress</i> (Y)	Y.1	0.935
	Y.2	0.833
	Y.3	0.947
	Y.4	0.839
	Y.5	0.922
<i>Financial Behavior</i> (Z)	Z.1	0.906
	Z.2	0.910
	Z.3	0.576
	Z.4	0.896
	Z.5	0.892
	Z.6	0.605

Based on the table above, it is known that each indicator of the research variable has many outer loading values > 0.5, so that all indicators are declared feasible or valid for research use and can be used for further analysis.

**Table 2. Cross Loading**

Indicator	<i>Financial Knowledge</i> (X)	<i>Financial Distress</i> (Y)	<i>Financial Behavior</i> (Z)
X.1	<b>0.816</b>	0.254	0.368
X.2	<b>0.789</b>	0.338	0.387
X.3	<b>0.823</b>	0.341	0.385
X.4	<b>0.666</b>	0.155	0.225
X.5	<b>0.677</b>	0.109	0.180
X.6	<b>0.780</b>	0.131	0.240
X.7	<b>0.756</b>	0.351	0.450
Y.1	0.250	<b>0.935</b>	0.874
Y.2	0.429	<b>0.833</b>	0.824
Y.3	0.265	<b>0.947</b>	0.888
Y.4	0.394	<b>0.839</b>	0.825
Y.5	0.261	<b>0.922</b>	0.836
Z.1	0.282	<b>0.948</b>	0.906
Z.2	0.458	0.871	<b>0.910</b>
Z.3	0.441	0.335	<b>0.576</b>
Z.4	0.287	<b>0.950</b>	0.896
Z.5	0.431	0.866	<b>0.892</b>
Z.6	0.447	0.368	<b>0.605</b>

Based on the data presentation in the table above, it can be seen that each indicator in the research variable has the largest cross loading value on the variable it forms compared to the cross loading value on other variables. Based on the results obtained, it can be stated that the indicators used in this study have good discriminant validity in compiling their respective variables. Apart

from observing the cross loading value, discriminant validity can also be known through other methods, namely by looking at the average variant extracted (AVE) value of each indicator, if the AVE value  $>0.5$ , it can be said that the construct has good convergent validity (Jufrizen & Rahmadhani, 2020).

**Table 3.** average variant extracted (AVE)

Variables	AVE ( <i>Average Variance Extracted</i> )	Description
<i>Financial Knowledge (X)</i>	0.657	Valid
<i>Financial Distress (Y)</i>	0.803	Valid
<i>Financial Behavior (Z)</i>	0.578	Valid

Based on the table above, each variable in this study shows the AVE (Average Variance Extrancted) value, which is  $> 0.5$ . Each variable in this study has a respective value for financial knowledge of 0.657, financial distress of 0.803, financial behavior of 0. 578. This shows that each variable in this study can be said to be valid in terms of discriminant validity.

### Composite Reliability

Composite Reliability is the part used to test the reliability value of the indicators on a variable. indicators on a variable. A variable can be declared to fulfill composite reliability if it has a composite reliability value  $>0.6$  (Juliandi, 2018). The following is the composite reliability value of each variable used in this study :

**Table 4.** *Composite Reliability*

Variables	<i>Composite Reliability</i>
<i>Financial Knowledge (X)</i>	0.932
<i>Financial Distress (Y)</i>	0.940
<i>Financial Behavior (Z)</i>	0.908

From the table above, it can be shown that the composite reliability value of all research variables is  $> 0.7$ . for financial knowledge of 0.932, financial distress of 0.940, financial behavior of 0. 908. This shows that each variable has met the composite reliability so that it can be concluded that all variables have a high level of reliability.

### Cronbach Alpha

One of the main factors affecting the reliability coefficient is the variability of the data can be strengthened by using the Cronbach alpha value (Amirrudin et al., 2020). A variable can be declared reliable or meet Cronbach alpha if it has a Cronbach alpha value  $>0.7$ . The following is the Cronbach alpha value of each variable :

**Table 5.** *Cronbachs Alpha*

Variables	<i>Cronbachs Alpha</i>
<i>Financial Knowledge (X)</i>	0.893
<i>Financial Distress (Y)</i>	0.938
<i>Financial Behavior (Z)</i>	0.883

Based on the table above, it shows that the Cronbach alpha value of all variables in this study is above  $> 0.7$ , which means that the Cronbach alpha value has met the requirements so that all constructs can be said to be reliable.

## Structural Model Analysis

### R-Square

R-Square is a measure of the proportion of variation in the value of the affected variable that can be explained by the variables that affect it. This is useful for predicting whether the model is good / bad. The criteria for the R-Square value are 0.67 as strong, 0.33 as moderate, and 0.19 as weak (Chin, 1998).

**Table 6. R-Square**

Variables	R-Square	R-square adjusted
Financial Behavior (Z)	0.207	0.197
Financial Distress (Y)	0.907	0.905

Based on the table above, R-Square is used to see the magnitude of the variable influence. The adjusted R-square value on the financial knowledge variable on financial distress is 0.905 or 90.5%, so it can be said that this relationship is a strong relationship. The adjusted R-square on the financial knowledge variable on financial behavior is 0.197 or 19.7%, so it can be said that this relationship is a weak relationship.

$$Q\text{-Square} = 1 - [(1 - R_{21}) \times (1 - R_{22})]$$

$$= 1 - [(1 - 0,905) \times (1 - 0,197)]$$

$$= 1 - (0,095 \times 0,803)$$

$$= 1 - 0,076$$

$$= 0,924$$

Based on the research results above, it can be assessed that the Q-Square is 0.924. This value explains the diversity of the research data can be explained by the research model by 92%, while the remaining 8% is explained by other factors that are outside this research model. Thus, from the results of these calculations, this research model can be stated to have good goodness of fit.

### Path Coefisien

#### Direct Effect

The purpose of direct effect analysis is useful for testing the hypothesis of the direct effect of a variable. If a variable has a p-value of less than 0.05, it is said to be significant and a variable that has a p-value greater than 0.05 is said to be insignificant.

**Table 7. Direct Effect**

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statics ( O/STDEV )	P value	Description
Financial Knowledge (X) -> Financial Distress (Y)	-0.098	-0.094	0.040	2.434	0.015	Negative
Financial Knowledge (X) -> Financial Behavior (Z)	0.455	0.478	0.071	6.379	0.000	Positive
Financial Behavior (Z) -> Financial Distress (Y)	0.993	0.997	0.019	52.887	0.000	Positive

### Indirect Effect

the result of calculating the indirect effect which is useful in analyzing the strength of the relationship between the mediator variable and other variables mediator with other variables (Furadantin, 2018). The purpose of indirect effect analysis is useful for testing the hypothesis of the indirect effect of an influencing variable on the variable being influenced and mediated by an intervening variable. If the variable has a p-value of less than 0.05, it is said to be significant and a variable that has a p-value greater than 0.05 is said to be insignificant.

**Table 8.** Indirect Effect

Variables	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Description
Financial Knowledge (X) -> Financial Behavior (Z) -> Financial Distress (Y)	0.452	0.477	0.076	5.979	0.000	Positive

## CONCLUSION

Someone who has good financial knowledge is able to manage finances properly to avoid financial distress. the higher the financial knowledge, the smaller the occurrence of financial distress. Today's millennial generation is consumptive in buying goods, through gadgets many items are viral they will buy these items without considering their usefulness so that expenses and income are not balanced which will cause financial distress. The government or agencies should socialize finance to teenagers to avoid financial difficulties in the millennial generation.

Based on the results of research that has been conducted on the millennial generation of the temple district of Sidoarjo Regency, it can be concluded that the financial knowledge variable has a negative and significant effect on financial distress, the financial knowledge variable has a positive and significant effect on financial behavior, and the financial behavior variable has a positive and significant effect on financial distress. In mediating financial behavior variables have a positive and significant effect in mediating financial knowledge on financial distress to manage finances in the millennial generation in the temple district of sidoarjo district.

The results of this study can be used as additional knowledge and as a source of insight related to the factors that influence financial management. Researchers realize that in this study there are still limitations, the limitations are the independent and dependent variables used are limited so that the influence of these variables is not found. The intervening variable has a positive effect in moderating the independent variable on the dependent variable in this study only by 92%, while the remaining 8% is explained by other factors that are outside this research model. Regarding the limitations in this study, the advice given by researchers for future researchers is to include other variables that are closely related to financial management.

The implication of the research financial behavior as a mediating influence of financial knowledge on financial distress in millennial generation in temple subdistrict, sidoarjo district is to avoid financial distress must improve financial knowledge properly and correct financial behavior, because no matter how good the knowledge is, it will not affect financial management if financial behavior is not appropriate. The contribution of this research is that the results of this study are expected to provide information as a basis for managing finances to teenagers in candi subdistrict, sidoarjo district in order to avoid financial distress by applying appropriate financial knowledge and financial behavior.

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