

Financial Literacy and Lifestyle among Housewives

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Keywords: Socioeconomic status, financial literacy, lifestyle, housewives.

Abstract: The study aims to understand how socioeconomic status affects financial literacy and its impact on housewives' lifestyle. This paper applied quantitative research using path analysis. The data were collected from 97 housewives by using simple random sampling technique in Malang. The findings showed that socioeconomic status affects financial literacy, socioeconomic status also directly influences lifestyle, while financial literacy has no effect on lifestyle. In order to achieve a high level of financial literacy, housewives should improve their education and they have to always motivate the community to be able to increase their understanding of financial literacy. Moreover, there should be more programs in empowering housewives together with the improvement of financial literacy so the welfare can be achieved at a greater level and broader aspects.

1 INTRODUCTION

Financial literacy is closely related to financial management where the higher level of financial literacy leads to better financial management. Personal financial management is one of the applications of financial management concept on an individual level. Financial management which covering plan activity, management, and financial control are very important to achieve financial welfare. Good financial management is needed because by applying good financial management people will have a better life in the present and future. Individual needs to conduct good financial management to fulfill prioritized needs and wants. Financial literacy is needed to understand better financial management. In this case, financial literacy consists of good financial management and a well understanding of financial service product and banking including feature, benefit, and risk and also have the skill to use banking products.

Financial literacy is defined as a personal skill that is needed by each individual, family, and society (Remund, 2010). Its function is to achieve financial welfare (Lusardi, 2007). Financial knowledge cannot be separated from financial literacy, but it is not able to describe financial literacy (Huston, 2010). Everyone needs basic financial knowledge for the sake of their life welfares (Nababan, 2013). The financial knowledge

is divided into several types such as income, money management, saving, investment, and loan or credit. Basic knowledge about personal finance is by understanding the most basic things about the financial system like calculating a simple interest rate (Lusardi and Mitchell, 2008). Saving is a part of income that is not spent nor used for consumption (Nopirin, 1997).

The low level of financial literacy will have an impact on financial management level for everybody including housewives. The ineffective money management could make each individual and housewives more vulnerable to the financial crisis (Braunstein and Welch, 2002). Therefore, an individual ability to make the right financial decision is needed to support a good personal financial condition. A good economic decision is related to financial literacy. It is indicated by the ability to manage the resources and turn it into something useful. Specifically, it is about how to manage the income to meet the needs of life, savings, investment, and protection. Housewives play roles in managing the household finance. Baqhir (2003); Wahyuni (2017), the most important role of a housewife in the family is to be a manager, a teacher, and an accountant. Therefore, it is truly important for them to have good financial literacy.

There are several factors affecting financial literacy such as socioeconomic status and demographic factors (Lusardi and Mitchell, 2007;

Wulandari and Narmaditya, 2015). Socioeconomic status is a position where a housewife is seen by her education background, her profession (the type of work), and income. Education is conscious guidance by the educators towards its physical and spiritual development of forming its main personality (Hasbullah, 2008). Education is a process of the ability to develop to a direction that is wanted by the related organization (Hariandja, 2002). Someone who has a higher social status could be assumed having higher education, a great job, and higher income and it affects the personal understanding of financial management. Someone who has higher education background tends to have broader perspectives than someone who has lower education background despite income or non-income context and someone who has a better job will have a higher income and the income will be well managed.

Socioeconomic factors were predicted to have a great impact on lifestyle but the main question is does it affecting lifestyle through financial literacy or it is directly affecting lifestyle especially among housewives. The higher level of socioeconomic status was predicted to increase financial literacy and higher financial literacy will lead to a better and manageable lifestyle. Prior studies related socioeconomic status and its effect on lifestyle were already conducted (Sarigul, 2014; Van Rooij, 2012) but it has not been done mainly to housewives which have different characteristics from men or from single women. Therefore, housewives as the subject are definitely important because women are managers and educators in their household. Furthermore, housewives must have good financial literacy to achieve the goal of a prosperous family. Therefore the main purpose of the research is to examine the impact of socioeconomic condition to lifestyles of housewives and to find out whether this impact is caused by financial literacy among housewives.

2 METHOD

This research applied quantitative research using path analysis. In more specifically, this study employed a path analysis model in order to understand the relationship between variables and the role of the intervening variable. The data were collected using a questionnaire to 97 housewives who were sample in this research undergo Slovin' equation. The sample of the research was conducted by using simple random sampling technique. This research was particularly conducted in Malang, East

Java, Indonesia for several reasons such as the number of housewives, a difference of housewives jobs and socioeconomic status. Validity, reliability and classical assumption test were conducted to determine the data is adequate for further analysis.

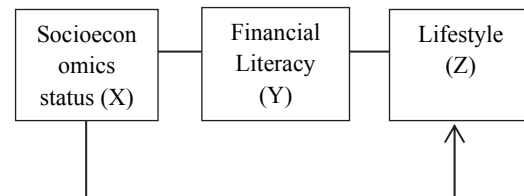


Figure 1: The research framework model

Socioeconomic status consists of the education rate, occupation, and income rate is one of the financial literacy forming factor. Financial literacy consists of general knowledge of financial management, saving, loan, insurance, and investment. We tried to build a model that showed the relationship between socioeconomic status and lifestyle and also examine whether the influence of socioeconomic status to lifestyle is moderated by financial literacy. Determination of scores for each variable by assigning values to each item of the answer by using a Likert scale and eliminating neutral answers (N) to avoid the middle answer. Variable socioeconomic status and lifestyle have a different answer compared to financial literacy because it is adjusted to the item problem provided. This analysis bases itself on the model of the relationship between variables previously determined by the researcher. Determination of the model is based on hypotheses regarding various variables observed.

3 RESULTS AND DISCUSSION

3.1 The Level of Financial Literacy and Lifestyle Among Housewives

Financial literacy refers to individual knowledge, behavior, and attitude toward the financial product. It is measured using an instrument from OECD (2018) which consist of three main components related. Individual knowledge is shown by their understanding on the impact of inflation on spending power, identifying of interest and risk diversification, while financial attitude and behavior are seen by their behavior related to budgeting, active saving, avoiding borrowing to meet their

wants, choosing a product, striving to achieve goals and paying bills on time. The findings of the research are explained in figure 1.

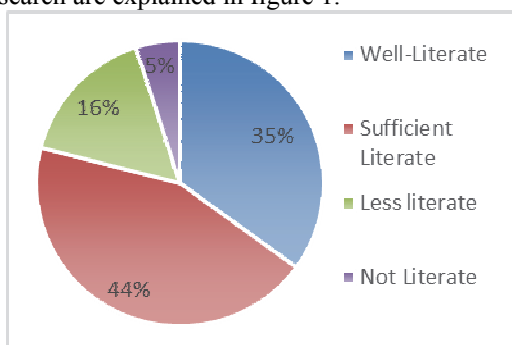


Figure 1: The Housewives level of Financial Literacy

Figure 1 illustrates the level of housewives' financial literacy in Malang. Overall, housewives are categorized well-literate even though more than quarter percentages of housewives are categorized as sufficient literate and more than 20 percent in a category less literate and not literate. In other word, housewives have knowledge related to knowledge, attitude, and behavior toward financial products.

Lifestyle is defined as a way of life of people on how they allocate their activities and what they think important for their life. The lifestyle variable was how one spends his/her time for their activities, what has considered as interesting and one's opinion about him/herself and the surrounding. The findings showed that the lifestyle level of housewives are categorized as moderate and low level while a small amount of them categorized as very high.

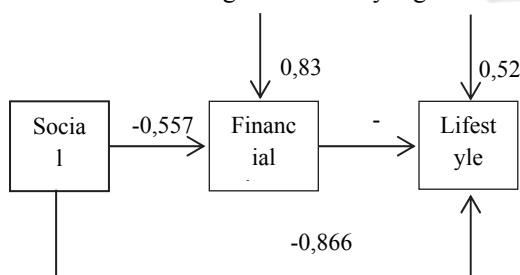


Figure 2. Path Analysis Model

- a) The analysis of socioeconomic status effects on financial literacy: From the analysis, the significance value of socioeconomic status is 0.000 < 0.05. So it can be concluded that there is a direct significant influence of socioeconomic status on financial literacy.
- b) The analysis of socioeconomic status effects on lifestyle: from the analysis, the significance

value of socioeconomic status is 0,000 < 0.05. So it can be concluded that there is a direct significant influence of socioeconomic status on lifestyle.

- c) The analysis of financial literacy effects on lifestyle: from the analysis, it can be concluded that the significance value of financial literacy is 0.633 > 0.05. So there is no direct significant influence of financial literacy on lifestyle.
- d) The analysis of socioeconomic status effects on financial literacy and its impact on lifestyle: It is known that the direct influence given by socioeconomic status on financial literacy is 0.557. While the indirect influence of socioeconomic status on financial literacy and its impact on lifestyle is $-0.577 \times -0.32 = 0.185$. Then the total effect that is given by the socioeconomic status on financial literacy is $-0.577 + 0.185 = -0.393$. In accordance with the results of these calculations, it is known that the value of direct influence is -0.577 and its indirect effect is 0.185 which is mean that the value of indirect influence is greater than the value of direct influence, These results indicate that indirect influence of socioeconomic status to lifestyle (through financial literacy) is higher than direct influence

Table 1. Summary of Relationship Between Variables

Variables relationship	Direct influence	Indirect influence	Total Influence	T Significant
X – Y	0.557	-	0.557	0.000 < 0.05
Y – Z	-0.037	-	-0.037	0.633 < 0.05
X – Z	0.032	0.185	0.217	0.000 > 0.05

Socioeconomic status positively affects financial literacy. Higher education, type of work and higher income will increase the financial literacy of housewives because someone with higher education will have a broader knowledge and broader perspective whether in the financial competence or non-financial competence. Numerous studies provided that financial education definitely has a positive influence on financial literacy. With a better job, someone will have a higher income and this will affect how someone manages his finance. This is consistent with the previous research stated that age, education, and income have significant effects on financial literacy (Isomidinova and Singh, 2017). Socioeconomic status significantly influences

lifestyle. A person's socioeconomic status is determined by the education level, type of work, income rate and it will affect lifestyle in terms of consumption patterns, fashion styles, and recreational patterns. This is consistent with the previous research by (Purwati, 2015) stated that the socioeconomic status of parents, students' perceptions of their environment, and economic learning achievement have a positive and significant effect on student consumption behavior.

Financial literacy has no effect on lifestyle. Regardless of the rate of financial literacy on sufficient, it has no significant impact on lifestyle. This finding is opposite with Theodora and Marti'ah (2016) which mentioned that financial literacy affected to lifestyle even though only small percentage. In the research, lifestyle is mostly influenced directly from socioeconomic status. The financial literacy rate of each housewife is different, but in this study, the majority of housewives were at a moderate level. Meanwhile, the housewives lifestyle is mostly at a low level. This is because housewives prefer a frugal lifestyle even though their financial knowledge is quite good.

4 CONCLUSION

The conclusion that can be taken from this research are (1) Socioeconomic status affects financial literacy (2) Socioeconomic status influences lifestyle directly (3) Financial literacy has no effect on lifestyle. Furthermore, housewives should improve their education and they should motivate the community to be able to improve their understanding of financial literacy so that they can achieve their financial management purpose. There should be more programs in empowering housewives and financial literacy so the welfare can be achieved at a greater level and broader aspects.

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