



## The Influence Of Social Environment And Economic Rationality On Student Financial Literacy

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Article Info	Abstract
<b>Article History</b> Received: Okt 10, 2023 Revised: Nov 16, 2023 Published: Nov 30, 2023	<i>Financial literacy is something that needs to be examined today, financial knowledge changes not only in theory, but also in the practice of personal finance in the real world. Knowledge and finance are needed so that individuals do not get entangled in financial problems and are wise in making decisions for personal financial consistency. This study uses quantitative approach with a survey research design. Faculty of Teacher Training and Education, Siliwangi University class of 2020 participated in this study. With a simple random sampling technique of 305 students as a research sample. and questionnaires as a data collection method. The research findings show,. The social environment has a positive influence on financial literacy . Economic rationality has a positive influence on financial literacy and Social environment and economic rationality have a positive influence on financial literacy simultaneously. The research findings show that the social environment and economic rationality have a considerable impact on financial literacy, with a coefficient of determination of 71%. If everyone does not have adequate financial literacy, the following financial problems arise: inappropriate use of credit cards, wrong choice of financial products, waste of money.</i>
<b>Keywords:</b> Financial Literacy, Rationality, Social Environment	
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### INTRODUCTION

The science of finance is evolving rapidly, with many advances This is not only the case in financial theory, but also in the real world, including personal money. Financial knowledge and understanding is necessary to make decisions and act appropriately, with the right awareness and knowledge negative cash flow problems or financial problems are avoided. Therefore, to use today's financial products as effectively as possible and make good judgments, this knowledge and awareness is essential. Everyone should be financially literate. OJK 2021 Vision of Indonesia's National Financial Literacy Strategy 2021-2025 is to realize quality, profitable and substantial human resources for those who have a well literacy index so that they use the right financial goods and services in an effort to achieve long-term financial success. Literacy in financial matters is among the things that need to be examined today. "The ability to read, handle, and analyze one's financial situation to support one's current and future life is called financial literacy" (Wiharno & Nurhayati, 2017) Everyone is becoming more choosy in handling money because of the importance of financial literacy in life.

Financial literacy is important for students, to improve their skills in planning, organizing, controlling funds, and solving financial problems. According to Maryati (2022) "the majority of students manage their own funds without parental supervision during college". Students must be able to face new challenges and adjust to new situations, as well as independently manage their finances with full responsibility and accountability for their actions. They also have more freedom in making personal financial management decisions. But in reality, there are still many students who have a low level of financial literacy. This is due to a lack of awareness of financial literacy, seen from high consumption patterns and there are still many financial problems such as not being wise in using credit cards, choosing the wrong financial products and getting entangled in online loans because they are tempted by instant things. In accordance with the results of research (Wardani et al., 2017) Accounting Education Study Program at Sebelas Maret University had 28 students who obtained an average of 68. Similarly, the preliminary findings of this study revealed that the average number of accurate answers obtained

by 30 students of the Economics Education Study Program, FKIP UNS class of 2017 and 2018, was only 11 out of 17 questions offered. The calculation shows that the average student financial literacy score is only 65. And Maryati (2022) in FKIP students at Siliwang University (Unsil) the majority are in the moderate category. In addition, at one of Indonesia's best state universities, namely the Bogor Agricultural Institute (IPB), there have been IPB students who are in debt, proving the lack of financial knowledge among students. The difficulties experienced by hundreds of Bogor Agricultural University (IPB) students who were hit by online loans or pinjol may be a warning that awareness of financial products in the community is still poor. (Beritasatu.com 2022)

There are several variables that affect financial literacy (Lusardi Annamaria, Olivia S. Mitchell, 2009) influenced by education, cognitive ability, sociodemographics, financial sophistication, family background, family environment and peers. Social environmental factors, a person's mentality is strongly influenced by his social environment, but not everyone realizes this impact. According to (Andansari, 2018) A negative social environment will have an impact on financial literacy. The social environment includes all social interactions between individuals, student financial management is influenced by the social environment around them. As social environments are interconnected, they consequently serve a purpose or contribute to interactions. Students in the social environment are expected to choose a good environment that conveys information on how to handle money and manage finances.

This study is unique in that the economic rationality variable has not been widely studied and is included in the cognitive abilities of each individual. According to Pricila et al (2013) "Economic rationality refers to economic principles where a person will consider whether what he does is in accordance with actual economic principles. Rationality where individuals carry out economic activities that do not conflict with economic principles, the economic principle in this study is to sacrifice the smallest sacrifice to get the maximum benefit of the individual sacrificing one's desires according to the priority scale that has been set.

Based on the background, the research aims to determine the effect of social environment and economic rationality on the financial literacy of FKIP Siliwangi University Student Class of 2020.

## **METHODS**

Research using quantitative methods, Creswell (2017) defines as a method of testing theoretical objectives by investigating the relationship between various variables. Some of these variables can be monitored, especially in many instruments, allowing for statistical analysis of data that has been assigned a number. To help resolve research difficulties using a survey research design, questionnaires were circulated to collect data on a Likert scale of 1 - 5. Creswell (2014) suggests surveys or questionnaires are given to a sample of individuals or the entire population as part of a survey research design in quantitative research to characterize attitudes, views, behaviors, or attributes of the population. For the simple random sampling technique included in Probability sampling, this strategy is needed because the population sample members are randomly selected without consideration. That way the sample in the study was 305 students of FKIP Siliwangi University class of 2020 from 10 departments. Data collection techniques researchers distributed questionnaires (questionnaires) online through the help of Google Form on a Likert scale of 1 - 5, the questionnaire contains research instruments derived from each indicator of each variable which will be used as a research measurement instrument, then the instrument data validation technique is tested for validity and reliability. Data analysis techniques by calculating the interval level value of each variable to see the category of the research subject, then conducting prerequisite analysis tests, multiple linear regression tests, coefficient of determination tests and hypothesis testing conclusions. The research was conducted at Siliwangi University with research time from March to August 2023.

## **RESULTS AND DISCUSSION**

### **A. Result**

Based on the results of research on research variables. The dependent variable, and the independent variable are categorized based on the value of the interval level. Calculation of data tabulation of the results of respondents' answers to financial literacy variables obtained a value of 21,342 is in the

interval 19,032 - 21,888 including the moderate category. This means that students have knowledge of how to manage their personal finances and are able to be skilled in making financial decisions to maintain their financial stability. Being seen from the data of FKIP Siliwangi University class of 2020 students who have insurance and investment based on financial literacy indicators, namely regarding insurance and investment. Insurance and investments owned by 305 students are as follows:

**Table 1.** Insurance and Investment Data Collection Results

Student Insurance Data		
No	Number of student	Information
1	81 students	BPJS health insurance
2	11 students	KIS health insurance
3	2 students	Education Insurance
4	3 students	BPJS and KIS
Student Investment Data		
1	6 students	Stock mutual funds
2	2 students	Bibit
3	1 student	Crypto
4	1 student	Ajaib saham

Source: Primary Data, 2023

The results of this data collection mean that students know about finance and are able to apply it in their lives both through insurance as a way of protecting risks and investing as a form of capital investment in the future. Furthermore, the social environment variable, the calculation of data tabulation of the results of respondents' answers obtained a value of 16,114 is in the interval 13,074 - 16,866 including the category quite well. This means that students are able to adapt, and relationships or interactions in the social environment are quite well established so that students can apply how to manage their money in everyday life. For the last variable, namely economic rationality, the calculation of tabulated data on the results of respondents' answers obtained a value of 18,771 is in the interval 15,860 - 20,740 including the moderate category. This means that students are able to act on the basis of self-interest in making a decision and maximizing economic efficiency maximizing economic efficiency, namely minimizing the amount of money or other valuable resources spent and maximizing the results obtained from the use of money or other valuable resources.

Hypothesis testing was carried out after the data went through testing, namely the normality test using Kolmogrov-Simornov obtained *Asym.Sig. (2-tailed)* 0.200 means that this value > 0.05 means that the data is normally distributed. Then the linearity test on the social environment variable has a value of 0.074. The economic ratio variable has a result of 0.095. This means that the sig. deviation from linearity value obtained by the two independent variables is more than 0.05, it is said that the relationship between each independent variable and its dependent variable is linear. In the multicollinearity test, the Tolerance and VIF values owned by the social environment are 0.522 and 1.914, the economic rationality variable is 0.522 and 1.914, which means that the Tolerance and VIF values on these independent variables are above 0.100 and less than 10. As a result, the independent variables are not multicollinear. And in the heteroscedasticity test, the social environment variable is 0.366, economic rationality is 0.176, where the significance value of the two variables is above 0.05, proving that there is no heteroscedasticity in the variables. After testing the prerequisite analysis is complete, then test the hypothesis through multiple linear regression. The results of the analysis in table 2.

**Table 2.** Multiple Linear Regression Test Analysis Results

Model	Standardized Coefficients	t	sig
	B		
(Constant)	10.269	4.528	.000
Social environment	.282	5.364	.000
Economic rationality	.728	15.276	.000

According to the table above, the constant value is 10,269 with b1 (social environment) of 0.282 and b2 (economic rationality) of 0.728. This shows that the economic rationality variable (X2) has a positive relationship direction with the financial literacy variable (Y). This means that the higher the economic rationality, the higher the financial literacy of students. Furthermore, the R square of 0.710 shows the percentage contribution of the influence of social environment variables and economic rationality on the financial literacy of FETT students by 71% ( $0.710 \times 100$ ), with the remaining 29% influenced by other variables not taken into account in this study. While in the persial test (t test) obtained the 1st hypothesis obtained the tcount value of the social environment variable is greater than the t table, namely  $5.364 > 1.968$  with a significance value of  $0.000 < 0.05$ , then H0 is rejected and Ha is accepted. It can be said that the social environment has a positive effect on financial literacy. The 2nd hypothesis obtained the tcount value of the social environment variable is greater than the ttable, namely  $15.576 > 1.968$  with a significance value of  $0.000 < 0.05$ , then H0 is rejected and Ha is accepted. It can be said that there is a positive influence and between economic rationality on financial literacy. Furthermore, the simultaneous test Fcount value is 370.217 with sig 0.000 based on the simultaneous test results. As a result, the social environment and economic rationality have a major impact on financial literacy. This is because the sig value is  $0.000 < 0.05$  and Fcount > Ftable is precisely  $370.217 > 3.026$  so that H0 is rejected and Ha is accepted.

## **B. Discussion**

The social environment of this study is a place or way of communicating with other individuals in order to form a person and influence one's behavior. The results of the study were influenced by the respondents' answers at the time of the research, the measuring instruments used according to Sobaya, M. Fajar & Hidayanto (2016) are family environment, peer environment and community environment. based on the calculation of the Interval Level Value (NJI) of the social environment variable in the good enough category. The good enough category can be proven by one of the statements "I discuss with each other when there are financial problems" that the findings in the field most students answer sometimes, meaning that the student's social environment is quite good, such as students being able to convey information related to their finances, discussing financial problems that occur, being able to choose an environment and being supported by the environment, peers can have a positive impact related to their finances on individuals and a fairly good community environment. This is in line with the statement Sobaya, M. Fajar & Hidayanto (2016) that family is, peers and society or neighbors. The findings of the research conclusions strengthen the conclusions of other research conducted Andansari (2018) which says "The social environment has a considerable influence on the financial literacy of FKIP UKSW economic education students". The direction of the positive relationship explains that the greater the social environment, the greater the level of financial literacy of students. Furthermore, the influence of economic rationality on financial literacy. Economic rationality is an action based on self-interest making the right choices, especially based on economic concepts that are consistent with logical thinking and common sense, it is very important to choose or take decisions. Measuring instruments or indicators according to Putri et al (2016) namely priority scale, optimal usability, according to benefits, and quality. Based on the statement Pricila et al (2013) "A person will act rationally if it does not conflict with the basic concepts of economics, in accordance with the principles of economic rationality". The results obtained in the study were influenced by the respondents' answers at the time of the research, based on the calculation of the Interval Level Value (NJI) the economic rationality variable was in the moderate category. This moderate category in economic rationality can be proven by one of the statements "prioritizing the most important needs in the budget" that the findings in the field of 120 students answered sometimes and 32 students answered never, meaning that the economic rationality of students is able to prioritize needs according to their planning, not tempted by other things outside the budget. This is in line with the statement Wahidah (2018) "students are able to distinguish which demands must be addressed and which must be postponed". This means that the higher the economic rationality, the greater the financial literacy of students. And the influence of social environment and economic rationality on financial literacy. Financial literacy refers to financial knowledge and skills in managing personal money to improve welfare so as not to get into financial problems. Individuals with knowledge, financial management skills, and financial decisions can come from the social environment

and economic rationality. Students' financial literacy can be influenced by the social environment and economic rationality. Social environment and economic rationality affect financial literacy. This happens because if individuals have a good social environment, such as a family environment, how the family educates about finance and relationships between families. In addition, financial literacy can be influenced by the economic rationality possessed by each student, this economic rationality is an action that does not conflict with economic principles on the basis of self-interest in making a decision must be made with common sense and in the best interests of the individual. The results of collecting financial literacy data related to financial literacy indicators Chen & Volpe (1998) namely insurance and investment. with 305 respondents, 94 students have insurance in the form of: 81 BPJS health insurance, 11 KIS health insurance, 2 students have education insurance, and 3 students have BPJS and KIS, and 211 students do not have insurance. So the majority of students do not have insurance or investment, this is supported by the research questionnaire item 15 with the statement "I have at least one insurance product" as many as 211 students answered never, 86 students answered always, 4 students answered sometimes, 2 students almost never. The results of data collection regarding investment 10 students have insurance in the form of: 6 students have stock mutual funds, 2 students invest in bibit , 1 student crypto, and 1 student has a ajaib saham, as many as 295 students do not have investments. Based on the findings of data analysis, the results of research on the influence of the peer environment and economic rationality on financial literacy are seen from the simultaneous test results that the social environment variables and economic rationality simultaneously have a sig effect on student financial literacy. Then the results of the coefficient of determination have an influence on financial literacy of 71% with domination by economic rationality variables, other factors affect the remaining 29% which can affect student financial literacy.

## CONCLUSIONS

Based on data analysis and research discussion, it is concluded that a good social environment will affect the financial literacy of individuals because individuals cannot be separated from the environment where there is a reciprocal interaction relationship that will affect behavior both directly and indirectly. A good social environment will increase knowledge and financial capability because individuals gain knowledge not only in formal education but informal education such as social environment, then in making a decision must be in accordance with logical thinking as a cognitive ability, namely economic rationality where financial decisions are taken in accordance with economic principles. So in the study that there is a positive influence between the social environment and economic rationality on the financial literacy of FKIP Siliwangi University students class of 2020, but of the two independent variables studied, they have a 71% presentation on financial literacy, the social environment is 15.9% which is evidenced by result of tcount 5.364> ttable 1.968, and economic rationality is 55.1% as evidenced by results of tcount 15.576> ttable 1.968 and social environment and economic rationality have a positive influence on financial literacy simultaneously with the result of fcount 370.217> ttable 3.026.. Therefore, there is still 29% that can affect the dependent variable, so researchers suggest looking for other variables that have a relationship with financial literacy variables such as other aspects of cognitive ability, sociodemographics, and financial sophistication.

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