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The Effect of Lifestyle and Level of Knowledge in Household Financial Management

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Abstract: ***This study was conducted to determine the extent to which lifestyle and level of knowledge affect the financial management in the household. The research area located in urban village Sungai Bambu, North Jakarta. The population in this study is every person who manages the finances in the family either husband, wife or both. A total of 162 respondents from the people in the study area. Research method with a survey to obtain primary data with random sample technique. Primary data collected from the questionnaires distributed in the study area. Data analysis techniques used in this study is multiple regression with the help of SPSS Program. The independent variables in the research a lifestyle (X_1) and knowledge level (X_2) then the dependent variable is household financial management (Y). The result of this study shows that there is a significant influence of lifestyle variable to household financial management with the acquisition of 0.727 and there is also a significant influence of knowledge level variable to household financial management with the addition of 0.593. From these results, it is clear that lifestyle factors tend to be more influential in household financial management. Life in a big city like Jakarta one that causes lifestyle variables dramatically affects. It is difficult to distinguish between the needs and wants associated with household consumption.***

Keywords: Financial Intelligence, Management, Lifestyle and Knowledge Level

1. Introduction

Everyone has an increasing and varied need. Money that as a means of transaction or payment is the most important thing to meet the needs of everyone's life. Someone will try to meet the needs of his life despite the increase in living expenses or reduced income, the various ways that are done by everyone to meet the needs of his life that is by developing his wealth.

In the current era of globalization many people who unconsciously adhere to the consumptive lifestyle, it causes independent expenditure. As a result of the unhealthy lifestyle, today's society tends to misuse money instead of spending money on more useful things [1]. It can lead to financial problems

Regarding lifestyle, information factors, especially from marketers have touched the psychological aspect of consumers, this resulted in people driven to make purchases, not because of the needs, but the elements desire, prestige, self-esteem, follow the style of others and so forth [2]. In some literature or research, such a thing is called the phenomenon of materialism. As a result of expenditure items that should not budget, it is possible to be a substantial expenditure and drive the budget into a deficit. The results of [3] research on the behavior of people in managing finances, identified some behavioral errors. The mistakes are excessive spending, excessive credit usage, quick money out of deposits, no emergency funds, no paying credit installments, credit card use that exceeds the maximum limit, no pension plans, more debt than assets that there is, even to the belief that there will be regular bonuses from the company, so plans for spending and repaying debt have prepared long distances, when the company does not necessarily realize the reward.

Learning to manage money is as important as getting it [4]. Doing financial planning correctly, then everyone can use the money has with the maximum so useful for the fulfillment of life needs and the improvement of welfare of his life

Financial intelligence is the intelligence in managing personal financial assets. By applying the correct way of financial management, then one is expected to get maximum benefit from the money it has. In one's personal life, primarily an economic decision is taken there are three: (1) what amount should consume each period; (2) whether there is an excess of income and how the extra invested; and (3) how to fund such as consumption and investment.

Personal financial management is one of the most fundamental competencies needed by modern society, as consumer choice from day to day affects one's economic security and standard of living [5]. Nevertheless, [6] points out that personal finance topics often underestimated in current education. Most people tend to learn about personal finances through trial and error processes. Addressing the lack of individual or household finances can not only prevent a financial potential but also teach them in the proper way how to manage money that will even make it a positive development implication.

Many people assume that Family finance management is one of the most complex areas. Family finance management is not as complicated as many people think, especially mothers who are often in good fortune as family finance managers. To be a smart and wise family finance manager, it does not have to be a financial expert.

Family finance management does require knowledge and wisdom in running it. Most people who feel intimidated by this problem, even ignore it. This issue should be a family priority because so many problems arise because of the inadequacy of family finance managers in managing and managing their finances

The lifestyle of society will be different from that of others.

Even from time to time lifestyle of an individual and a particular group of people will move dynamically. However, lifestyle does not change quickly so that in a certain period of lifestyle relative. Broadly defined as a way of life lifestyle of a person in spending their time (activities), what they consider essential in the environment (interest), and what they think about themselves and also the world around including how someone uses his money [7].

According to [8], financial knowledge is an integral dimension in financial literacy, but in economic literacy still has additional applications in the form of ability and confidence in using financial education to make financial decisions. According to [2], individuals need basic financial understanding efficiently for the sake of their welfare. According to [9], economic education is essential, not just for individual interests only. Business education is not only able to make you use the commercial wisely, but also can benefit the economy. Financial literacy has the power to change the world.

Family finance management is a way to manage family finances regularly and thoroughly through the planning, implementation, and supervision/assessment phases. The goal of resource management or family financial management is to use personal and financial resources to meet future and immediate needs. Therefore, economic management has current objectives and future goals. Of course, both goals must balance with each other.

To achieve a successful and prosperous household, in addition to having excellent relationships among family members, effective and efficient financial management is required, especially in anticipating the fuel price increase which results in the massive psychological burden of managing household finances due to the rising expenditures that are not offset by rising income. Household financial management is the process of achieving goals through proper and structured financial management.

This study was conducted to determine the extent to which lifestyle and level of knowledge affect the financial management in the household. Household financial management is not only managed by a wife but can also be controlled and discussed with her husband.

2. Method

Primary data collection in the study using questionnaires as an instrument then distributed with random sample technique to each respondent encountered in the study area. The survey method is used in the research because, according to [10], a survey research method is a form of research technique in which information collected from a sample of people, through questions, according to [11], survey research method is a method used as a general category of research which uses questionnaires and interviews, whereas according to [12], survey research method is a method of investigation whose data retrieval technique done through question - written or oral.

The research area located in urban village Sungai Bambu, North Jakarta. The population in this study is every person who manages the finances in the household either husband, wife or both. A total of 162 respondents from the people in the study area. The minimum number of samples for a survey study recommended 100 samples [13], [14].

The independent variables in the research a lifestyle (X_1) and Knowledge Level (X_2) then the dependent variable is household financial management (Y). Respondent profile data will arranged in tabular form, so it makes it easier in reading. Profile of respondents, in general, in Table 1.

Table 1: General Profile of Respondents

Category	*Frequency*	*Percentage*
Gender		
Man	32.00	19.75%
Women	130.00	80.25%
Age		
21- 30 years	21.00	12.96%
31 – 40 years	74.00	45.68%
41 – 50 years	45.00	27.78%
51 – 60 years	22.00	13.58%
Education		
Junior high school	21.00	12.96%
Senior High School	35.00	21.60%
Bachelor degree	83.00	51.23%
Master	23.00	14.20%
Income		
Below 2 Million Rupiah	17.00	10.49%
2 Million - 3 Million Rupiah	38.00	23.46%
3 Million - 4 Million Rupiah	57.00	35.19%
4 Million - 5 Million Rupiah	31.00	19.14%
Above 5 Million Rupiah	19.00	11.73%

Table 1 shows general profile data of respondents consisting of gender, age, education and income categories. For the group of sex, the majority of respondents with female gender with the percentage of 80.25%. For the age category of respondents obtained the majority of respondents age in this study ranged from 31 - 40 years. The level of the education level of respondents received a majority with the level of undergraduate education with percentage 51.23%. The income category of respondents for a month earned a majority with income between 3 million rupiah - 4 million rupiah per month.

The measurement scale used to measure the score on the questionnaire is the Likert scale 1-5 with the category strongly agree, agree, disagree, disagree and strongly disagree. To find out the validity of an instrument is used correlation formula Product Moment Pearson. A tool is said to be reliable if it can give relatively similar results when re-measured on different subjects and at different times [15]. To know the reliability of an instrument can use Alpha Cronbach.

Data analysis techniques used in this study is multiple regression and to prove the existing hypothesis. Before performing the data analysis, the classical assumption test used as a requirement of normality test, homogeneity test, and multicollinearity test. The IBM SPSS program used as a data analysis tool in this study. Of the dependent and free variables that have mentioned, then obtained the following research hypothesis:

H_1: There is a significant influence on lifestyle variables and financial management.
H_2: There is a significant influence on knowledge level variable and financial management.

3. Result and Discussion

To find out whether the resulting model is a model that produces the best non-biased linear estimator it is necessary to test the deviation of standard model assumption. The traditional assumptions that must be met to obtain a good model are normality, non-multicollinearity, non-heteroscedasticity.

3.1. Normality

One of the easiest ways of looking at residual normality is to look at a histogram graph comparing observation data with a near-normal distribution. But sometimes by looking at this histogram can be misleading especially for small sample quantities. Criteria for decision making with graph analysis (reasonable probability). If the data spread around the diagonal line and follows the oblique direction, then the model meets the assumption of normality. If the data spreads far from the diagonal line, later the model does not fit the assumption of normality [16].

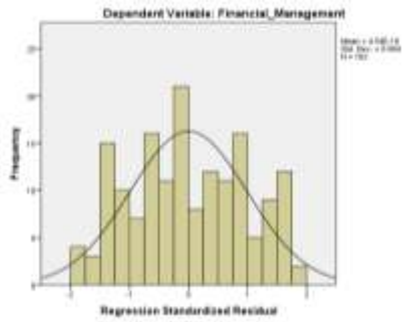

Figure 1: Histogram Regression

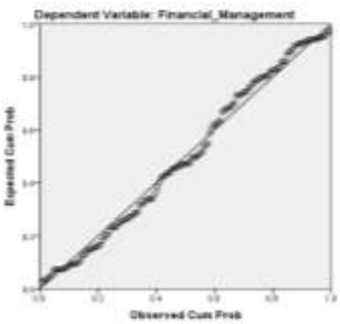

Figure 2: Normal P-P Plot Regression

By looking at the histogram graphic view as well as the standard plot chart, it can conclude that the histogram graph gives the distribution data pattern or residual value shows the normal distribution (forming the bell). Whereas in the typical diagram the plot looks data (dot) spreads around the diagonal line and follows the oblique direction, then the model meets the assumption of normality. If the data spreads far from the diagonal line, later the model does not reach the assumption of normality. These two graphs show that the regression model satisfies the assumption of normality or residuals of the model can be considered normal distribution.

3.2. Heteroscedasticity

The heteroskedasticity test aims to examine whether in the model there is an inequality of variance from the residual one observation to the other. If the variation of the remaining one view to another consideration remains, then it is called homoscedasticity and if different it is called heteroskedasticity [17]. A good model is a homoscedasticity.

Basic analysis:

- If there is a specific pattern, such as the existing dots form a particular model that is regular (wavy, widened then narrowed), then indicate Heteroskedastic has occurred.
- If there is no clear pattern, as well as the points spread out above and below the number 0 on the Y axis, then Heteroskedastic does not occur.

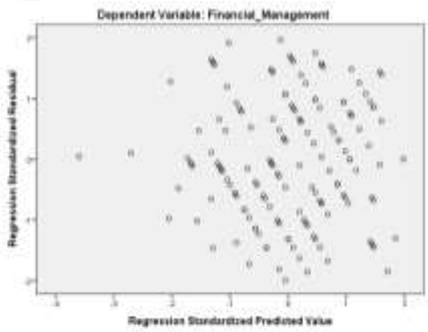

Figure 3: Scatter plot Regression

Based on the results of the scatter plot it appears that the scheme that formed spread does not have a specific pattern or cover above and below the zero on the Y-axis and the right and left on the X-axis. It indicates that the model has no relationship between independent variables with residual value. Thus, the assumption of the non-heteroskedasticity model met.

3.3. Multicollinearity

This test aims to test whether the regression model found a correlation between independent variables (independent). A good regression model should not correlate with independent variables. If independent variables are mutually related, then these variables are not orthogonal. The orthogonal variable is an independent variable whose correlation value between sesame independent variables equals zero [15].

Table 2. Collinearity Statistics

	Tolerance	*VIF*
Lifestyle (X_1)	.777	1.274
Knowledge Level (X_2)	.777	1.274

One way to know whether there is a multicollinearity in a regression model is to look at the tolerance and VIF (Variance Inflation Factor) values.

- If Tolerance value > 0.10 and VIF < 10, then it can be interpreted that there was no multicollinearity in the study
- If tolerance < 0.10 and VIF > 10, then there is interference multicollinearity in the study.

From the results obtained can be concluded that there is no multicollinearity in this study which seen with tolerance values higher than 0.10 and VIF smaller than 10.

3.4. Multiple Linear Regression Analysis Test

Regression testing is used to determine whether the independent variables are partially significant or not to the dependent variable. The degree of significance used is 0.05. If the considerable value is less than the degree of trust, then we accept the alternative hypothesis, which states that an independent variable significantly affects the dependent variable [15]. The output is as follows:

Table 3. Regression Coefficients

Model		*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
		B	*Std. Error*	*Beta*		
1	(Constant)	6.090	1.347		4.523	0.000
	Knowledge Level (X_2)	0.593	0.042	0.622	8.944	0.000
	Lifestyle (X_1)	0.727	0.037	0.857	17.185	0.000

The model of multiple regression equations from the calculation result can formulate as follows:

$$\mathbf{Y = 6.090 + 0.727\ X_1 + 0.593\ X_2}$$

The results of the analysis can interpret as follows:

- The value of the coefficient of variable X_1 is positive that is equal to 0.727. It indicates an increase in lifestyle variable (X_1) of 1.00% will increase financial management (Y) by 72.70% assuming other variables are considered fixed.
- The coefficient value of variable X_2 is the positive value of 0.593. It indicates that the improvement of knowledge level variable (X_2) by 1.00% will increase financial management (Y) by 59.30% assuming another variable is considered fixed.

The regression equation obtained next will test whether there is any significant effect to predict the independent variables.
Basic decision making:

- If the value of sig. < 0.05 means there is a significant influence between the independent variable with the dependent variable.
- If the value of sig. > 0.05 means there is no significant influence between independent variables with the dependent variable.

3.5. Hypothesis of lifestyle influence on financial management (H_1)

Basic decision making:

- If the value of sig. <0.05 means there is a significant influence of lifestyle variable on financial management.
- If the value of sig. > 0.05 means there is no significant influence of lifestyle variable on financial management.

Table 3 shows that the sig value obtained by lifestyle variable is 0.000 or smaller than 0.05 it can conclude that there is a significant influence of lifestyle variable to household financial management. The positive sign at the value of 0.727 means that the higher the lifestyle of the society, the higher the economic control will be applied.

Lifestyle will have an impact on financial management the more income that processed if not managed properly it will change the lifestyle becomes more consumptive [18]. Lifestyle often used as group identity. The lifestyle of each group will have its characteristics. Thus, the lifestyle of a society is different from other communities.

The financial pattern of the poor, they usually earn income or income from the work they do. Then spend the salary for the necessities of life until no longer left. The financial pattern explained that the wages are equal to the expenses they pay. The weakness of this economic model if in the course of their lives when something happens something that requires them not to work. Probably because in a state of sickness, in fired or unable to work again because it is old then incoming income to meet their needs will stop.

This intermediate financial pattern also earns their income from work. But are high-class professionals who have high skills then they are paid with higher revenue. Often those with high ability and higher income usually tend to have senior lifestyle and prestige patterns. Like buying a private car, buying branded merchandise, personal car loans, eating in fancy places and more. So, with their vast incomes, it is also exhausted due to their high lifestyle habits. If one day they do not work in due to sickness, in fired or unproductive again in because it is old, probably also will stop the income they get. So even more sick the situation, because they are accustomed to lifestyle patterns are very high.

This high-end financial pattern is the same, they initially also earn income from the work they do. But the difference here is do not spend the pay at once. Just spend it 80% alone and set aside 20% of the revenue to the tube or invested in buying assets. So that when their assets have started the road, then its assets can generate their revenue again. So, the income earned by the high-end financial pattern becomes second income. Later in the next pay, they set aside another 20% to invest in the asset and do it again and again until the longer their financial turnover is higher. So, if at one time they cannot work anymore, then the asset is still able to provide income for them.

There are differences in traits between men and women in financial management behavior. Some research results indicate that a person who is sexually different will have different views on the practice of his commercial use [19]. According to [20] that between men and women there is a difference in the way they view money. Married women tend to spend less money on their own because they are required to divide the dough into some needs such as their child's education, pay bills and various other requirements. While men are more flexible in using their money, they have because men tend to be more dominant in the household. But differences in financial planning behavior resulting from gender differences are the reasons for determining one's behavior.

Financial management or management is an essential undertaking to organize and carry out economic activities [21], [22]. Based on these statements can be interpreted that financial management is a routine activity that must do to maintain and control the finances. Particularly in a family and family should pay careful attention to household financial management for the availability of funds for daily needs and others such as savings and investments [23].

3.6. Hypothesis of the influence of knowledge level on financial management (H_2)

Basic decision making:

- If the value of sig. <0.05 means there is a significant influence on the variable level of knowledge on financial management.
- If the value of sig. > 0.05 means there is no significant effect of the level of knowledge on financial management.

Table 3 shows that the sig value obtained by the knowledge level variable is 0.000 or smaller than 0.05 it can conclude that there is a significant influence of the knowledge level variable on the family financial management. Positive signs at 0.593 indicate that the higher the level of knowledge of a person related to how the economic manager the better or more upper also how to manage finances.

According to [24], high levels of financial knowledge positively correlated with higher income and savings. By having business literacy, students can make decisions for their lives and accept responsibility for their actions.

Education plays an essential role in the formation of financial literacy both informal training in the family environment and formal education in the college environment. In the family environment, the level of economic literacy determined by the role of parents in providing support in the form of financial education in the family.

The education of financial management within the family influenced by the socioeconomic status of the parents. Differences in the socioeconomic status of parents make a big difference in parenting. Children conditioned by the positions of subcultures and socioeconomic classes that influence their cognition and behavior. Learning in college is a significant role in the process of formation of financial literacy. Effective and efficient learning will help have the ability to understand, assess, and act in the economic interest.

People who have better financial knowledge will have economic behavior such as paying all bills on time, posting monthly expenses and having emergency funds. According to [25] the higher the economic knowledge of a person will tend to have rational economic behavior.

According to [26], financial knowledge becomes an integral part of life, as it is a useful tool for making financial decisions, but from experience in various countries still, show relatively high public financial knowledge. Meanwhile, according to research conducted by [27], the result is many Indonesian people who are in debt. The level of economic expertise of Indonesian people is still low at 28%, while Malaysia 66%, Singapore reaches 98%, while Thailand reaches 73%. One of the factors causing the low level of financial knowledge is the geographical condition of Indonesia which is generally around 60% are in rural areas [28].

One of the reasons why many people do not do personal financial planning is because of the lack of education on personal finance informal knowledge gained by the public, understanding on economics only stops at the primary level, with the advice to save, but not followed by other skills that will support one's decision in economics.

4. Conclusions

Based on the results of research that has described and inferred, then obtained some ways that homemakers can do in managing their finances. Homemakers should always do financial planning by keeping a budget record of each income and expense post and still avoiding a consumptive lifestyle and still prioritizing needs rather than wants. Even set aside money to save and invest.

Family finance management is essential to help the family and future life of children and our retirement. Modern experience taught us to take destructive actions that are often less necessary especially with the ease with which people get credit cards. Excessive use of credit cards will bring flowering interest that can entrap them into debt. Managing family finances well is one of the keys to family success. The management of a family or household finances is more complicated than managing personal finances because it involves many people namely husband, wife and children.

If the household financial management is running right, then the family members are lucky. But if you mismanage, then get ready to experience economic problems before the end of the month. Anyone who is responsible for managing family finances, whether his wife or husband, he is in charge of managing expenses, ranging from operational funds to credit card payments, children's tuition, holidays, social or religious assistance, to snacks outside the home.

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