Millennial Urban Generations: Does Become "A Current Generation" Shift Their Attention To Financial Literacy?

by Deden Mulyana

Submission date: 04-Aug-2020 08:34PM (UTC+0700)

Submission ID: 1365852098

File name: rrent_Generation-Shift_Their_Attention_To_Financial_Literacy.pdf (314.41K)

Word count: 3365

Character count: 18538

Millennial Urban Generations: Does Become "A Current Generation" Shift Their Attention To Financial Literacy?

Deden Mulyana¹, Mohammad Soleh Soeaidy², Adhitya Rahmat Taufiq³

¹Economics Faculty, Siliwangi University, Indonesia, email: dedenmulyana@unsil.ac.id ²Economics Faculty, Siliwangi University, In ³Economics Faculty, Siliwangi University, Indonesia, email: adhityart@gmail.com

Abstract

This study attempted to understand the roles of social behaviour and "new trend" lifestyle of the community of millennial urban generation, particularly the new employees towards their financial literacy levels. The data were analyzed utilizing Multilevel Confirmatory Factor Analysis within Structural Equation Modelling (SEM) analysis framework to identify how the effects of lifestyle variable on financial literacy. Besides, this study aimed at examining the significance of Attention, Interest, and Opinion (AIO) and Food Relation Lifestyle (FRL) concepts as the construct of lifestyle variable. Additionally, it scrutinized how financial knowledge, financial behaviours, and financial attitudes played their roles as the constructs of financial literacy. The findings indicated that lifestyle significantly influenced the financial literacy of urban millennial generations. This was reinforced by the empirical evidence showing that financial literacy resulted from knowledge, attitudes, and behaviours determined by the "new trend" lifestyle of millennial urban generations. Moreover, AIO and FRL can regret the "new trend" lifestyle of millennial urban generations. Overall, financial knowledge, financial attitudes, financial behaviours reflected the financial literacy of millennial urban generations.

Keywords: financial attitudes, financial behaviours, financial knowledge, financial literacy, lifestyle.

1.0 Literature Review

The millennial generation is the name for papele born in 1980 to 2000 or who are mostly in the late twenties. They are also known by other names, such as "Generation Y", "Net Generation", "Gaming Generation", "Generation Me", and other terms. This generation grows when the world has been transformed by new technologies that change the way communication, work, and information exchanges. Thus far, the millennial generation is admitted as the largest generation. This generation is now in the timeframe as a young adult entering the workforce (Stafford, 2008).

Millennial people have some substantial traits, i.e. special, hidden, confident, team-oriented, conventional, distressed, and achieving (Stafford, 2008). This generation is believed to have a prominent role in the future of the country and their parents as they were born in the "baby boom" era (Stafford, 2008). The hidden nature appears because millennial people become the focus of children and youth protection movement throughout history. Meanwhile, confident trait shows that the millennial generation is full of trust, optimism, and connected with their parents and the future. Strong team instincts and strong bonds of friendship become their norm. This generation is also convenient since they are conservative in behaviour and

values but bring a modern twist traditional rules and social standards. The millennial generation can also be represented as distressed generations because of the pressure as a "trophy kid", they feel responsible for learning hard, avoiding personal risks, and becoming superior. The word "achieving", as they have a high responsibility to focus on the achievement of high school standards, can also represent this generation. This generation in the history of the United States is considered a generation with the best level of education (Howe, 2007).

Technological advances in the 20th century have profoundly impacted the lifestyle changes of the people (Dana R. Carney, 2005). The development of communication and information technology in the form of social media also has brought many impacts on social life and lifestyle, especially for the millennial generation (Wang, 2011). Always following the trend and "exist", both in the real world and social media, is one example of behavioural changes that occur due to the development of communication and information technology. This change in behaviour also has an impact on lifestyle changes. Lifestyle describes a combination of activities, interests, and opinions (Brunso, 2004). Lifestyle can also be defined as the typical way a person does his business (Horley, 1988).

The characteristics of the millennial generation in the preceding sections, particularly the nature of self-confidence, distressed, and achieving, also seem to influence their lifestyle. The millennial generation tends to achieve targets in their lives. They are always looking for new opportunities and tend not to miss anything (Simoes, 2008). Building a wide network is one of the ways they often do to get new opportunities. As to build a wide network, this generation is changing their lifestyles to fit in into a network that they consider to be opening opportunities (Jayaraman, 2016).

Organization for Economic Co-operation and Development defines financial literacy as a combination of awareness, knowledge, abilities, attitudes and behaviour needed to make financial decisions and ultimately achieve personal well-being (OECD, 2013). The conceptual definition of financial literacy as a measure of the level of understanding of keys financial concepts and the processing of the capabilities and beliefs for managing personal finance through appropriate short- term decision makings and long-term financial planning, with attention to life events and changes in economic conditions (Remund, 2010).

The OECD/INFE has developed a financial literacy measurement instrument consisting of three dimensions, namely financial knowledge, financial behaviours, and financial attitudes (OECD, 2013). The OECD/INFE uses these three dimensions to make an assessment that indicates the level of financial literacy (OECD, 2013). The measurement instruments have been widely adapted in several studies of financial literacy in different countries (Agarwalla, 2015; Cameron, 2014; Navickas, 2014).

The OECD has surveyed the level of financial literacy in different countries with diverse population ages in recent years. The results of this OECD survey are used by various studies to compare the level of financial literacy in each country. Studies and surveys related to financial literacy among young people we begun in the last decade; and the results of the studies show the similarity that the level of financial literacy among young people is still relatively low compared with the average level of financial literacy (Agarwalla, 2015; Cameron, 2014; de Bassa Scheresberg, 2013; Navickas, 2014; Soria, 2014; Stein, 2013; Xiao, 2014).

Seeing the low level of financial literacy, especially among young pegale, the government in various countries has actively created programs to increase the level of financial literacy. Indonesia is one of the countries trying to increase the level of financial literacy through the National Strategy of Financial Literacy Indonesia, proclaimed by the Financial Services Authority of Indonesia (OJK). This is conducted because financial literacy is contributive and has an important role in the financial stability of the country (Hall, 2008; Nalini, 2016; Remund, 2010).

2.0 Data and Sample

The cross-sectional method is used in data collection. This method is conducted by taking data at one time for each observation. This method is chosen since it is simple and does not take much time and cost. The population studied is the millennial generation; living in the urban areas in Indonesia, currently working, and living financially independent. The sampling method used in this study is non-probability sampling, judgmental (purposive) sampling.

This study uses the Multilevel Confirmatory Factor Analysis method because this method is more representative tha 33 pther available methods. The commonly used estimation method for the Multilevel Confirmatory Factor Analysis is the Maximum Likelihood Estimation (MLE). Rule of thumb the minimum sample size required by the estimation method of Maximum Likelihood Estimation is 200 observations (Joseph F. Hair, 2010). However, given the considerable number of parameters estimated, the researchers determined less than 300 observations, exactly 387 observations, as the study sample size of this study.

3.0 Method

This study is a survey of the urban millengal generation to determine the characteristics of the "new trend" lifestyles and their financial literacy levels, as well as the causal relationship between lifestyle and financial literacy of the millennial generation.

4.0 Empirical Findings and Discussion

Respondents in this study are classified based on several characteristics, i.e. gender, age, education, occupation, and income. Most of the respondents are women (63.82% see Table 1). Then, the millennial generation is at most aged between 27 and 31 years (47.03% see Table 2). Their qualification background is mostly S1 or higher (70.03% see Table 3). Besides, the millennial generation is mostly private employees (37.72% see Table 4) and earns less than IDR 5 million (45.22% see Table 5).

Table 1: Gender of Respondent

Gender	Frequency	%
Male	140	36.18
Female	247	63.82
Total	387	100

Source: Primary data from questioner

Table 2: Age of Respondent

Tuble 2 . / ige c	n reoponaciie		
Age	Frequency	%	
22 – 26 year	146	37.73	
27 – 31 year	182	47.03	
32 - 36 year	59	16.46	
Total	387	100	

Source: Primary data from questioner

Table 3: Education of Respondent

Education	Frequency	%	
Diploma (D1/D2/D3)	38	9.82	
S1 or higher	271	70.03	
High School	78	20.15	
Total	387	100	

Source: Primary data from the questioner

Table 4: Job of Respondent

Job	Frequency	%
Government employee	45	11.63
BUMN employee	82	21.19
Private employee	146	37.72
Entrepreneur	114	29.46
Total	387	100

Source: Primary data from the questioner

Table 5: Income of Respondent

Income	Frequency	%
< Rp 5.000.000	175	45.22
Rp 5.000.000 – Rp 10.000.000	133	34.37
Rp 10.000.000 – Rp 20.000.000	43	11.11
> Rp 20.000.000	36	9.30
Total	387	100

Source: Primary data from the questioner

To examine the effect of Lifestyle (X) on Financial Literacy (Y), and to test the Attention, Interest and Opinion (AIO) and Food Relation Lifestyle (FRL) concepts as the constructs of Lifestyle, and to examine the financial knowledge, financial behaviors, and financial attitudes as the constructs of Financial Literacy, the Multilevel Confirmatory Factor Analysis tool in the Structural Equation Modeling (SEM) is used (see Fig. 1).

MALAYSIAN JOURNAL OF CONSUMER AND FAMILY ECONOMICS (2019), VOL. 22

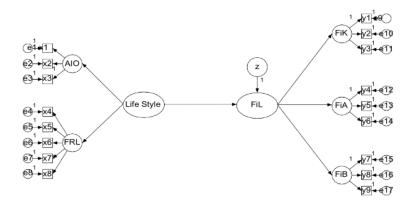


Figure 1: Path diagram variable causality and construct of variable

Data processing on lifestyle and financial literacy variable is done employing the M-plus 7.0 program (see Fig. 2).

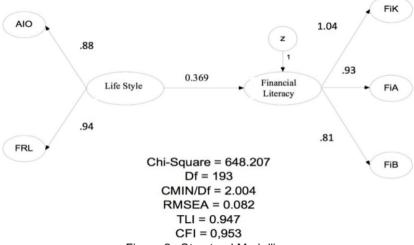


Figure 2 : Structural Modelling

Hypothesis testing shows that this model is less suitable or less fit for the data used in the study. This can be seen from the RMSEA, CMIN/DF, TLI, and CFI index, which are still or close to the expected value. Overall, the model conformance test is shown in Table 6.

Table 6 : The Model Conformance Test (goodness-of-fit index)

The goodness of fit index	Cut off value	Analysis Results	Evaluation
X2 Chi-Square	Expected to be small	700.202	
DF		293	25
CMIN/DF	≤ 2.00	2.389	Marginal
TLI	≥ 0.95	0.937	Marginal
CFI	≥ 0.95	0.943	Marginal
RMSEA	≤ 0.08	0.087	Marginal

Source: Primary data analysis using M-plus 7.0

Table 6 shows that the criteria have a marginal value or close to the fit the index, therefore, this model is still acceptable. Thus, the consistency between the model and data in this study results in marginal and close-to-fit confirmation towards the factor dimensions and causality among factors.

Hypothesis testing requires a test to the null hypothesis, stating that the regression coefficient between variables is equal to zero through the usual t-test in the regression models (Ferdinand, 2005), with an error rate of 5% (0.05) and a cut- off value of 2.58. The following table presents the values of regression coefficients and CR (Critical Rate) as the basis of acceptance of the research hypothesis. The results of the analysis in this study can be seen in Table 7.

Table 7: Standardized Regression Weight for Hypothesis Testing

	Variab	le	CR	p- _{value}	Note (Ha)
Lifestyle	\rightarrow	Financial literacy	5.227	0.000	Significant
Lifestyle	Ву	AIO	41.679	0.000	Significant
Lifestyle	Ву	FRL	38.612	0.000	Significant
Financial literacy	Ву	Knowledge	60.259	0.000	Significant
Financial literacy	Ву	Attitudes	52.788	0.000	Significant
Financial literacy	Ву	Behaviours	22.346	0.000	Significant

Source: Primary data analysis using M-plus 7.0

The following explains the content of Table 7.

1. The Effect of Lifestyle on Financial Literacy

Hypothesis 1 stating that Lifestyle has a positive effect on Financial Literacy is accepted. This is indicated by the value of CR of 5.227 and p of 0.000 or at a significance level of 0.05 and results in an estimated value of 0.369. Thus, the Lifestyle variable formed by AlO and FRL significantly affects Financial Literacy. Therefore, the lifestyle of the urban millennial generation formed by AlO and FRL can determine their Financial Literacy.

2. AIO reflects Lifestyle

Hypothesis 1A, stating that AIO reflects the Lifestyle, is accepted. This is indicated by the value of p of 0.000 or at the level of significance of 0.05 and results in an estimated value of 0.943. Thus, the AIO variable can be the lifestyle-forming

construct. Therefore, the lifestyle of the urban millennial generation can be formed by AIO.

3. FRL reflects Lifestyle

Hypothesis 1B, stating that FRL is a reflection of the Lifestyle, is accepted. This is indicated by the value of p of 0.000 or at a significance level of 0.05 and gives an estimated value of 0.877. Thus, the FRL variable can be the lifestyle-forming construct. Therefore, FRL can form the lifestyle of the urban millennial generation.

4. Financial Knowledge reflects Financial Literacy

Hypothesis 1C, stating that Financial Knowledge is a reflection of Financial Literacy, is accepted. This is indicated by the value of p of 0.000 or at a significance level of 0.05 and results in an estimated value of 1.037. Thus, Financial Knowledge can be a construct forming Financial Literacy. Therefore, Financial Knowledge can form the Financial Literacy of the urban millennial generation.

5. Financial Attitude reflects Financial Literacy

Hypothesis 1D, stating that the Financial Attitude is a reflection of Financial Literacy, is accepted. This is indicated by the value of p of 0.000 or at a significance level of 0.05 and results in an estimated value of 0.930. Thus, Financial Attitude can be a construct forming Financial Literacy. Therefore, Financial Attitude can form the Financial Literacy of the urban millennial generation.

6. Financial Behaviors reflects Financial Literacy

Hypothesis 1E, stating that Financial Behaviors are a reflection of Financial Literacy, is accepted. This is indicated by the value of p of 0.000 or at a significance level of 0.05 and results in an estimated value of 0.809. Thus, Financial Behaviors can be a construct forming Financial Literacy. Therefore, Financial Behaviors can form the Financial Literacy of the urban millennial generation.

5.0 Conclusions

Lifestyle has a significant influence on the financial literacy of the millennial generation. The results of this study confirm that the financial literacy formed by knowledge, attitude, and behaviours will be determined by the new trend lifestyle of the millennial generation. Therefore, when an urban millennial has this kind of lifestyle, they will still pay attention to its financial literacy due to their knowledge, attitude, and behaviours regarding their personal financial management.

Attention, Interest, and Opinion (AIO) and Food Relation Lifestyle (FRL) are proven to reflect the lifestyle of the urban millennial generation. Therefore, AIO and FRL will be a prominent factor in shaping the new trend of lifestyle. Financial knowledge, financial attitude, and financial behaviours are proven to reflect financial literacy. Therefore, these three factors will be the important factors in generating financial literacy of the new trend millennial generation.

This research can provide some suggestions for financial service providers and Financial Services Authority of Indonesia (OJK) where the new trend society is the urban millennial generation having a different lifestyle with the previous generation. In this study, lifestyle, formed by the dimensions of AIO and FRL, can determine the level of financial literacy. Therefore, AIO and FRL of the millennial

generation should always be considered because they become the main factor of the financial literacy level of each individual.

3 References

- Agarwalla, A. K. U., Barua, S. K., Jacob, J. and J. R. Varma. (2015). Financial Literacy among Working Young in Urban India. *World Development*, 67(8), 9.
- Brunso, K., Scholderer, J., and K. G. Grunert (2004). Closing the Gap between Values and Behavior— A Means–End Theory of Lifestyle. *Journal of Business Research*, *57*(6), 6.
- Cameron, M. P., Calderwood, R., Cox, A., Lim, S., and M. Yamaoka (2014). Factors Associated with Financial Literacy among High School Students in New Zealand. *International Review of Economics Education*, 16(2), 10.
- Chamim, M. (2016). "Muda, Kaya, dan Berbahaya". *Tempo.co* https://indonesiana.tempo.co/read/80032/2016/06/29/mardiyah.2/mud a-kaya-dan-berbahaya> (28 Januari 2017).
- Dana R. Carney, J., A. Hall, and Lavonia Smith LeBeau, (2005). Beliefs About The Nonverbal Expression Of Social Power. *Journal of Nonverbal Behavior*, 2(29), 19.
- de Bassa Scheresberg, C. (2013). Financial Literacy and Financial Behavior among Young Adults: Evidence and Implications. *Numeracy*, 6(2).
- Desira, M. a. L. D. (2013). *7 Eleven: Gaya Hidup Remaja Perkotaan Saat Ini*. Depok:

 Departemen Sosiologi Universitas Indonesia.
- Hall, K. (2008). *The Importance of Financial Literacy*. Paper presented at the Conference on Deepening Financial Capacity in the Pacific Region, Sydney.
- Horley, J., Carroll, B., and Little, B.R. (1988). A Typology of Lifestyle. *Social Indicators*Research, 20(4), 383-398.
- Howe, N., Strauss, W. (2007). *Millennials Go to College* (2nd ed.). Virginia: Life Course Associates.
- Jayaraman, G. (2016). The Urban Poor You Haven't Noticed: Millennials Who're Broke, Hungry, But On Trend. (28 January 2017).">https://www.buzzfeed.com/gayatrijayaraman/broke-hungry-and-on-trend?utm_term=.vgP1G6Oxp#.vvL5aQDjb>(28 January 2017).
- Joseph F. Hair, J. W. C. B. B. J. B., Rolph E. Anderson. (2010). Multivariate Data Analysis *Multivariate Data Analysis* (Vol. seventh edition): Pearson Prentice Hall.
- Kelan, E. a. M. L. (2009). The Millennial Generation: Generation Y and the Opportunities for a Globalised, Networked Educational System, Beyond Current Horizons. Bath: Education Department University of Bath.
- Mottola, G. R. (2014). The Financial Capability of Young Adults—A Generational View.

 Washington: FINRA Investor Education Foundation.
- Nalini, R., Alamelu, R., Amudha, R., and L. C. S. Motha (2016). Financial Literacy and its Contributing Factors in Investment Decisions among Urban Populace. *Indian Journal* 3 Science and Technology, 9(27).
- Navickas, M., Gudaitis, T., and E. Krajnakova. (2014). Influence of Financial Literacy on Management Of Personal Finances in a Young Household. *Business: Theory and Practice*, 15, 9.
- Ng, E. S., Lyons, S., Schweitzer, L. (2012). *Managing the New Workforce International Perspectives on the Millennial Generation*. Massachusetts: Edward Elgar Publishing, Inc.

- OECD, I. (2013). The Role of Financial Education in Financial Inclusion: OECD / INFE Evidence, Policies and Illustrative Case Studies. Moscow: G20 Communiqué
- Meeting of Finance Ministers and Central Bank Governors.
- Remund, D. L. (2010). Financial Literacy Explicated: The Case for a Clearer Definition in an Increasingly Complex Economy. *The Journal of Consumer Affairs*, 44(2), 19.
- Simoes, L., Gouveia, L. B. (2008). Consumer Behaviour of the Millennial Generation. Jornadas de Publicidade e Comunicação, A Publicidade para o consumidor do Séc, A Publicidade para o consumidor do Séc, XXI.
- Soria, K. M., Weiner, B., and E. C. Lu. (2014). Financial Decisions among Undergraduate Students from Low-Income and Working-Class Social Class Backgrounds. *Journal of Student Financial Aid*, 44(1), 11.
- Stafford, D. E., Griffis, H.S. (2008). A Review of Millennial Generation Characteristics and Military Workforce Implications. Virginia: CNA Corporation.
- Stein, C. H., Hoffman, E., Bonar, E. E., Leith J. E., Abraham, K. M., Hamill, A. C., Kraus, S. W., Gumber, S., and W. R. Fogo. (2013). The United States Economic Crisis: Young Adults' Reports of Economic Pressures, Financial and Religious Coping and Psychological Well-Being. *Journal of Family and Economic Issues*, 34(2), 10.
- Wang, Q., Chen, W., and Y. Liang (2011). The Effects of Social Media on College Students.
- Xiao, J. J., Chatterjee, S., and J. Kim. (2014). Factors Associated with Financial Independence of Young Adults. *International Journal of Consumer Studies*, 38(4), 9.

Millennial Urban Generations: Does Become "A Current Generation" Shift Their Attention To Financial Literacy?

ORIGIN	ALITY REPORT			
SIMILA	9% ARITY INDEX	14% INTERNET SOURCES	8% PUBLICATIONS	14% STUDENT PAPERS
PRIMAR	RY SOURCES			
1	www.aes	ssweb.com e		2%
2	research Internet Sourc	-repository.griffitl	n.edu.au	1%
3	Submitte Raipur Student Paper	ed to Indian Institu	ute of Manage	ment, 1 %
4		ed to Institute of Nogy, Nagpur	/lanagement	1%
5	globalbiz Internet Sourc	research.org		1%
6	Submitte Student Paper	ed to Sim Univers	ity	1%
7	iSSUU.COI			1%
8	www.lum	ninafoundation.or	g	1%

9	fr.scribd.com Internet Source	1%
10	rd.springer.com Internet Source	1%
11	Submitted to El Camino Community College Student Paper	1%
12	trap.ncirl.ie Internet Source	1%
13	journals.vgtu.lt Internet Source	1%
14	Submitted to University of Melbourne Student Paper	1%
15	www.aeaweb.org Internet Source	1%
16	Alexandra Suppes. "Chapter 7 Gender, Power and the Human Voice", Springer Science and Business Media LLC, 2015 Publication	1%
17	Submitted to University Der Es Salaam Student Paper	1%
18	www.freeholdbikes.com Internet Source	1%
19	www.conscientiabeam.com Internet Source	<1%

20	eprints.uthm.edu.my Internet Source	<1%
21	eprints.undip.ac.id Internet Source	<1%
22	ccsenet.org Internet Source	<1%
23	eprints.utm.my Internet Source	<1%
24	Dwi Sulistyorini Amidjono, John Brock, Ebi Junaidi. "Chapter 18 Financial Literacy in Indonesia", Springer Nature, 2016 Publication	<1%
25	Submitted to Universitas Diponegoro	
25	Student Paper	<1%
26	· · · · · · · · · · · · · · · · · · ·	<1% <1%
_	Student Paper Submitted to University of Science and Arts of Oklahoma	
26	Student Paper Submitted to University of Science and Arts of Oklahoma Student Paper Submitted to Kaplan Professional	<1%
26	Student Paper Submitted to University of Science and Arts of Oklahoma Student Paper Submitted to Kaplan Professional Student Paper bfsb-bahamas.com	<1% <1%

- 31
- Submitted to CollegeAmerica Services, Inc. Student Paper

<1%

32

Renni Anggraini, Sugiarto Sugiarto, Heru Pramanda. "Factors affecting trip generation of motorcyclist for the purpose of non-mandatory activities", AIP Publishing, 2017

<1%

Publication

33

Peter Muris, Hans Bosma, Cor Meesters, Erik Schouten. "Perceived parental rearing behaviours: a confirmatory factor analytic study of the Dutch EMBU for children", Personality and Individual Differences, 1998

<1%

Publication

Exclude quotes

Off

Exclude matches

Off

Exclude bibliography

Off