



## Effect of financial literacy at consumptive behavior of "X" university students in Medan City

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### ABSTRACT

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This study aims to examine the effect of financial literacy on the consumptive behavior of X university students in Medan city. The research is designed with a quantitative approach, where quantitative data is described with a correlational method. The population in this study were all students of the economic faculty at university X in Medan city, as many as 1181 people. The sample of this study was 95 students with a proportional stratified random sampling method. Data were obtained by distributing instruments in the form of questionnaires and direct documentation on other relevant sources. To analyze the data, structural equation modeling (SEM) technique was used. The results showed that financial literacy has a beta coefficient of -0.486 and has a t-value of  $1.726 > 1.66$ . The calculation results mean that literacy has a negative and significant correlation or relationship direction.

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## INTRODUCTION

The existence of globalization makes humans have unlimited access to information, especially information about electronic products, food, drinks and clothing which are their daily needs(Chen et al., 2016). Without these restrictions, humans have needs that are increasingly complex, diverse, unlimited and must be met in everyday life. Humans consume to fulfill these needs. However, consumption activities will become a problem when humans prioritize wants rather than needs that must be fulfilled, thus encouraging consumptive behavior.Causality Relationship between Investment and Indonesia's Economic Growth (Amalia, 2013).Consumptive behavior is the behavior of buying goods without strong consideration and prioritizing wants rather than needs. Someone who falls into consumptive behavior is willing to do everything to get what they want.

This phenomenon will become a serious threat when it not only occurs in adults but also in adolescents. Teenagers want to show themselves that they also follow the fashion that is currently in the spotlight.Analysis of the Effect of Investment, Labor Force and Education on Economic Growth in Kalimantan Island (Yuliadi1 & 1, 2012). This fashion following activity encourages them to buy the attributes used to display the fashion without thinking and makes them trapped into consumptive behavior. Consumer decision-making that looks "irrational" underlies follow-the-

follow or fashion behavior (Valkenburg et al., 2016). The economic power of the unemployed makes it impossible to reach or access economic resources even in modest portions. Especially in the regions, purchasing power is not an elegant display of economic dynamics and analysis of Unemployment Profile(Huie et al., 2014).

Signs of consumptive behavior starting to occur in adolescents include that they are willing to do anything to be accepted by their circle of friends. The need to be accepted makes teenagers buy attributes that are booming. Behaviorism theory assumes that all human behavior is influenced by the environment humans are in. That is manifestation of natural law that human can not be avoided from their dome (Liu et al., 2022). Behaviorism theory explains that all that is done by the organism is considered as behavior based on the proportion in the philosophy of psychology.

Skinner defines learning as a process of behavior change. process of behavior change. Behavior in learning can be in the form of overt behavior or invisible behavior or behavior that is not visible (innert behavior). In understanding behavioral theory, it can be several approaches, namely the psychodynamic approach (psychoanalytic theory), behavioristic approach, and humanistic approach. That approach based on human being mind and environment (Pintrich & Groot, 1990). The approach are (a) Psychodynamic Approach. Psychodynamic theory was pioneered by Sigmund Freud. The theory psychodynamic theory explains that human behavior is the result of energy operating in the mind that is often unconscious. In the mind that is often not realized by the individual. According to the psychodynamic approach, human behavior is determined and controlled by psychological forces, irrational instincts that have existed since human instincts that have existed since humans were born. Freud differentiated

Freud distinguishes human personality into three aspects: id, ego, and superego. That is can be interpreted that human personality connected with their role (Ganesha, 2017). The id is the biological aspect of personality because it contains biological elements. Among these biological elements include thirst, hunger, and sex. Ego is the psychological aspect of personality. The ego contains the individual's drive to relate well with its environment. The superego is the sociological aspect as it represents the traditional values and ideals of society as interpreted by the individual. That is more cloded with the model of comsumtion or life style tha could be undersanding as hedonism (Puspita, 2022). And the ideals of society as interpreted by parents to their children. The Superego is the sociological aspect because it represents the traditional values and ideals of society as interpreted by parents to their children through commands to do good things and prohibitions to leave bad things. (b). Behavioristic Approach. The basic assumption of this theory is that theory is that human behavior is fully determined by rules, predictable and controllable. Attitudes and behaviors that are displayed according to this theory are interpreted as the result of learning and stimulus from a person's past learning conditions, such as learning experiences. Causal Interactions between FDI, and Economic Growth: Evidence from Dynamic Panel Co-integration (Abbes et al., 2015).

The main idea in this behavioristic school is that in order to understand human behavior human behavior requires an objective, mechanistic, and materialistic approach, so that changes in behavior in a person can be made(Romdhoni, 2017). Behavior change in a person can be done through conditioning efforts, (c) Humanistic Approach. Humanistic theory emerged in the mid-20th century as a reaction to psychodimetic and behavioristic theories. psychodimic theory and behavioristic theory. The reality can be shown as a buying impulse as a shape of behaviorism of consumen (Iyer et al., 2020). These theorists argued that behavior behavior does not originate from the unconscious nor from the process of conditioning. This theory rejects that behavior is influenced by external circumstances.human. Humans as the main actors in the formation of behavior are not reactors of stimuli that come from outside humans.

## RESEARCH METHOD

This research uses inferential research type with quantitative approach. Quantitative method is a research method based on the philosophy of post positivism, used to research on certain populations or samples, data collection using instruments, quantitative data analysis with the aim of testing hypotheses that have been tested. Instrument, data analysis is quantitative with the aim of testing a predetermined hypothesis. Determinant must be test by statistical test (Cresswell, 2012).

Inferential research is research that uses a sample and then generalizes it as a conclusion for the population. The population take the main role as a research domain(Cresswell, 2012). The population in this study were all economics faculty students at X university in Medan city as many as 1181 people. The sample in this study amounted to 95 students who were taken with a proportional stratified random sampling technique. Sampling technique proportional stratified random sampling. The data collection methods used are questionnaire and documentation. The variables in this study consist of exogenous variables, namely Financial Literacy (X) and exogenous variables, namely Consumptive Behavior (Y). The data analysis used is reliability and validity test, Structural Equational Modeling (SEM) analysis test.

## RESULTS AND DISCUSSIONS

The results of the study with the help of Smart PLS 2.0 software show that the instrument value used has outer loading $> 0.7$ , AVE and Communality  $> 0.5$  and has a composite reliability $> 0.7$ . This means that the instrument used is valid and reliable for measuring endogenous and exogenous variables.

**Table 1.** AVE and Communality Values

Statement	AVE	Communality
Financial Literacy	0,803	0,803
Consumptive Behavior	0,899	0,899

(Source: Primary data processed, 2023)

**Table 2.** Composite Reliability and Cronbach Alpha values.

Statement	AVE	Communality
Financial Literacy	0,079	0,977
Consumptive Behavior	0,991	0,990

(Source: Primary data processed, 2023)

There is a negative and significant influence between financial literacy on consumptive behavior of students of the economics faculty of university X in Medan city. The test results show the path between the financial literacy variable and consumptive behavior has a beta coefficient value of -0.486 and a t-value of  $1.726 > 1.66$ . This value indicates that financial literacy variables have a negative and significant effect on consumptive behavior.

This means that the higher the level of financial literacy, the lower the consumptive behavior, and vice versa. if the level of financial literacy is low, the higher the consumptive behavior of students. The consumptive behavior of adolescents at faculty of economic , X university in Medan is supported by the number of shopping centers and entertainment centers in Medan city. Most shopping centers sell a variety of luxury products and at various prices. This is what which encourages students to buy products such as clothing, food, and entertainment at shopping centers for prestige. If consumptive behavior carried out by a person is not stopped, it will cause financial waste to the person (Bakare, 2020).

Consumptive behavior is a person's behavior in buying goods that satisfy needs based on wants rather than needs. needs based on desire rather than need. Consumptive behavior consumptive behavior is a tendency to consume without limits, buying something excessively without looking at the useful value of the item (Chita et al., 2015).

Consumptive behavior is closely related to impulse buying. Impulse buying is a purchase without any planning that arises with a strong urge to buy without thinking, appears spontaneously, there is pleasure and passion in buying because the buying decision process is made at the subconscious level of humans. buying because the purchasing decision process is made at the subconscious level of humans. Iteration of finance should be connected with purchasing behavior (Fattah, Indriayu, 2018).

Based on the opinion regarding consumptive behavior above, what is meant by consumptive behavior in this study is the action of the consumer to buy without thinking. The Effect of Foreign Investment and Domestic Investment on the Indonesian Economy (Belachew Bekele, 2021). Consumptive behavior in this study is the action of students in consuming goods not to meet their needs but to fulfill their needs. to meet needs but to fulfill desires, causing waste and inappropriate spending. waste and spending that is not appropriate. Teenagers often cannot distinguish between needs and wants when they faced the reality of anything (Prihatiningsih, 2017).

Consumptive behavior often occurs in adolescents, this is related to the nature of adolescents (Boulet, 2020). This is related to the nature of adolescents who are still in the period between childhood and adulthood. Teenagers are still unstable and less able to control themselves. This transitional stage from childhood to adulthood is characterized by changes in the physical, social, and social aspects. psychological aspects. These changes lead to efforts to find self-identity.

Consumptive is a behavior characterized by the emergence of a desire to consume an item without thinking about its usefulness. consume an item without thinking about its usefulness. Consumptive behavior is inseparable from purchasing decisions in everyday life. The characteristics of consumptive behavior are purchasing behavior not based on consideration, purchase satisfaction is only momentary, consumers feel guilty and regret after buying. Now that the consumer has evaluated the different solutions and products available for respond to his need, he will be able to choose the product or brand that seems most appropriate to his needs. Then proceed to the actual purchase itself. His decision will depend on the information and the selection made in the previous step based on the perceived value, product's features and capabilities that are important to him (Metadata, 1945).

In this case they need self-control. It is an individual's ability to read certain situations or conditions. In addition to this understanding, self-control has the meaning as the ability to control and manage behavior and influencing factors in accordance with situations and conditions to present oneself in socializing, socializing, and socializing, tendency to attract attention, the desire to change behavior to suit others, pleasing others, always conforming to others, and covering up their feelings.

Self-control can be interpreted as a control of behavior. Behavioral control means that in doing something a person considers in advance which is good and which is not. Results support moderation of the intention-behavior relation by PBC in health behaviors. However, substantial unresolved heterogeneity in the effect across studies remained. Further, these effects may not generalize to other populations and moderator analyses were confined to broad categories (Hagger et al., 2022). Consider what is good and what is right before taking action. The higher a person's self-control, the higher the control of that person's behavior. Self-control helps achieve success in the long term or higher goals by putting aside short-term pleasures. conscious feelings like pleasure play no functional role in controlling human behavior (Johnston, 2003).

Education is one of the basic needs at this time, because education is used to support the life process. used to support the life process. Likewise, the process of fulfilling needs or often referred to as consumption. Fulfillment of needs requires knowledge and skills in financial management so that in consuming does not occur irrational actions.

Financial science has been recognized as important in various countries. Governments around the governments around the world are interested in finding effective approaches to increase the level of financial literacy for their citizens because the lack of financial literacy is widespread among various groups including adolescents (Lusardi & Mitchell, 2011). Ways to improve financial

literacy literacy include through the creation or improvement of a national strategy for financial financial education with the aim of offering financial literacy learning opportunities across various levels of education.

There are several terms in financial literacy, such as the terms financial literacy, financial knowledge, and financial education. Literacy has means the ability of three things, namely: understanding (knowledge of words, symbol operations, and math), use (ability to read, write, and calculate) related to processes, documents, and information. Related to processes, documents and quantitative information (Siregar, 2021).

Behavioral control is the readiness of a response that can directly affect something unpleasant. Directly affect something unpleasant(Broxterman & Yezer, 2020). The ability to control behavior is divided into two components, namely regulated administration and stimulus modifiability. administration) and the ability to modify the stimulus (stimulus modifiability). The ability to regulate implementation is the individual's ability to regulate who controls the situation. Is it himself or the rules of behavior on social media instagram(Mahendra et al., 2017). If the self himself is unable to then will use external factors to control it. The ability to modify the stimulus is the ability to regulate the stimulus or response to how unwanted situations are faced or response to how unwanted situations are faced.

## CONCLUSION

Based on the results of the research above, it can be concluded that Financial Literacy has a significant negative relationship with consumptive behavior. It has a significant negative relationship to consumptive behavior. Meanwhile, self-control has a positive and significant relationship with the consumptive behavior of students of Faculty of Economics at X University. The contribution of the influence of financial literacy and self-control variables is 52.1%. The conclusion that there is a relationship between the variables of financial literacy and self-control on the consumptive behavior of students means that the theory and statement stating that there is a relationship between these variables can be accepted as true. Practically based on this research, increasing financial literacy will be able to reduce teenagers' consumptive behavior. Financial literacy will make someone have.

Someone with high financial literacy will become a smart consumer, buying or using something by looking at the benefits and disadvantages, in addition to reducing consumptive behavior as well as preparing for life in the future. Good self-control makes teenagers tend to have high consumptive behavior as well. This study only focuses on financial literacy, self-control, and consumptive behavior of students. Consumptive behavior of students. There are many more factors that influence consumptive behavior. In the future, it can be deepened by conducting other types of research such as Research and Development to create modules related to financial literacy and reduce data heterogeneity.

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