



# Impact of Financial Literacy on Financial Behavior and Entrepreneurial Intention: Gender as a Moderator. Study on Undergraduate Students in Kupang City

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## ARTICLE INFO

### Article history:

Received Sep 30, 2022

Revised Oct 15, 2022

Accepted Oct 28, 2022

### Keywords:

Financial literacy

Financial behavior

Gender

Entrepreneurial intention

## ABSTRACT

This study aims to investigate the moderating role of gender in the relationship between financial literacy and financial behavior, as well as the relationship between financial literacy and entrepreneurial intention. Data were obtained from 164 final year students who voluntarily acted as respondents. With a quantitative approach, the data that has been obtained is then analyzed using the Structural Equation Modeling (SEM) technique with the help of SmartPLS 3.0 software. The results of this study indicate that gender differences among students moderate the relationship between financial literacy and financial behavior, as well as the relationship between financial literacy and entrepreneurial interest. In addition to theoretical contributions, practical contributions from this research can be applied by stakeholders to foster intention to be entrepreneurs among students.

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## INTRODUCTION

Financial literacy is one of the basic literacy skills that provides a set of knowledge and skills to manage finances, as well as the basic needs of everyone to minimize financial problems, find solutions and make the right decisions (Angelina, 2021). It is generally believed that one's financial literacy can trigger good things. For example, financial literacy can improve a person's saving behavior (Maria, 2022; Pamungkas et al., 2021), personal financial management or financial behavior (Yushita, 2017), corporate financial management (Rumbianingrum & Wijayangka, 2018), and interest in entrepreneurship (Tekin & Asar, 2021).

Financial literacy is a knowledge that must be taught from an early age (Laila et al., 2019). So it is hoped that when a person is an adult and has financial responsibilities, his financial literacy can help the individual in question to make the right financial decisions. However, in reality, not all individuals are able to manage finances well, causing various negative impacts (Manafe, 2021; Manafe & Fanggidae, 2021). In terms of increasing entrepreneurial interest, the same is true. This means that not all those who have good financial literacy have a positive impact on entrepreneurship activities. For example, the positive impact of financial literacy on entrepreneurs' saving habits was moderated by the ability of the entrepreneurs concerned to control themselves (Alshebami &

Aldhyani, 2022). Thus, it is alleged that the relationship between financial literacy and financial behavior, as well as the relationship between financial literacy and interest, is moderated by other factors such as gender.

The purpose of this study was to determine the role of gender as a moderator in the relationship between financial literacy and financial behavior, as well as the relationship between financial literacy and interest in entrepreneurship. To achieve the objectives of this study, previous studies were reviewed to form hypotheses which would later be proven by using quantitative analysis techniques. This research is considered important because it can provide a new perspective on the moderating role of gender in entrepreneurial interest and financial behavior among students. In addition, final year undergraduate students as the future change agents are a very interesting community group to study their behavior. Therefore, the results of this study are expected to be useful both theoretically and practically.

Behavioral finance is a study of the actual financial decision-making behavior of individuals, with a focus on the psychological impact, companies, financial markets on financial considerations. Financial behavior is also about studying a person's behavior in investing, relating financially and its impact on the person's psychology (Wicaksono, 2015). Financial behavior describes the decisions individuals should make when making financial considerations. Financial behavior is also explained as a psychological theory that tries to understand emotional and cognitive deviations that influence individual behavior (Pratiwi & Amri, 2022).

A person's financial behavior is influenced by his financial literacy. For example, previous research conducted by Pratiwi and Amri (2022) showed that the two constructs are interrelated. Being in the era of consumerism, consumers are required to be smart individuals in managing their personal financial aspects through the development of financial behavior towards healthy financial literacy. This shows that these two concepts are related. However, the effect of financial literacy on financial behavior is moderated by gender. It is deemed that the relationship between financial literacy and financial behavior is stronger among males, while among females, financial literacy has no effect on financial behavior. This is because although women have high financial literacy, they do not have the ability to manage finances or good financial behavior. Meanwhile, if men have good financial literacy, they are likely to be able to manage finances well (Putri & Asrori, 2018). Thus the first hypothesis in this study is as follows:

**Hypothesis 1:** Gender moderates the relationship between financial literacy and financial behavior.

Entrepreneurship is the capacity to create, organize and run one's own business. An entrepreneur is a person who can launch a new business, face risks and facilitate all that is owned and turn it into something that is able to generate profits. So it can be said that the desire for entrepreneurship is an individual's interest to run their own business by daring to take risks. Good entrepreneurs are those who are actively involved in their business activities and have a future mindset (Littunen, 2000). In addition, Praswati (2014) argues that environmental factors, self-esteem, opportunity factors, personality factors, vision factors and income factors and self-confidence can affect entrepreneurial interest.

The relationship between financial literacy and entrepreneurial intention among men and women may differ. As has been suggested by Fanggidae et al. (2022), men and women have different mechanisms of decision making where men are more likely to show masculinity which is characterized by more challenging decisions, while women tend to make decisions that are less risky or less challenging. Gender differences in decision making are also reflected when a final year student has to decide on his career after graduating from college. It is suspected that men are more daring to be entrepreneurs who in fact are full of uncertainty compared to women. Furthermore, it is suspected that women prefer to be office workers who are considered more financially secure. Thus, high financial literacy of a student has a more positive effect on the desire for entrepreneurship

in college. among male students while among female students, the relationship between the two constructs is not significant.

**Hypothesis 2:** Gender moderates the relationship between financial literacy and entrepreneurial interest.

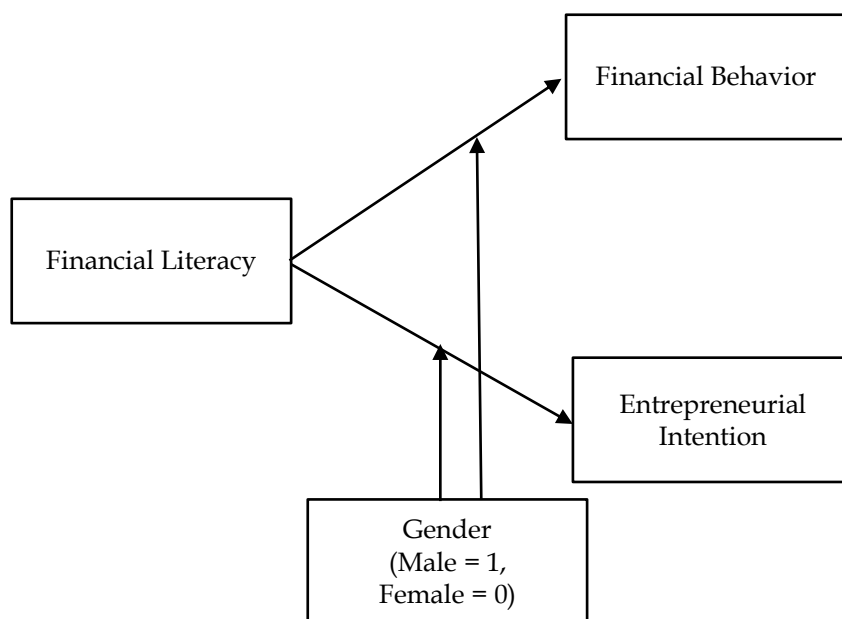


Figure 1. Research Model

## RESEARCH METHOD

The number of participants in this study were 164 final year students at a state university in Kupang City, East Nusa Tenggara Province. Some of the criteria that must be possessed by participants are that they are adults (> 18 years), participate in filling out questionnaires that have been prepared voluntarily and do not know the research hypotheses that have been built based on theoretical reviews. This requirement is absolute to avoid biased answers. The students who participated in this study were not rewarded for their participation in filling out the research questionnaire. In order to ensure the comfort of the participants, they were asked to stop filling out the questionnaire at any time if they felt uncomfortable.

Participants are asked to participate in the class using their mobile devices. If they object to it, they are welcome to carry out other activities that do not interfere with the data collection process. The data collection process is carried out without disturbing the student's lecture schedule. Prior to participating, the students were informed that the purpose of this research was to find out their future plans after they graduated from college or had become undergraduates. Furthermore, they are welcome to fill out a questionnaire that has been formatted online containing questions related to research variables, demographic data and education level. Personally identifiable data that may cause inconvenience to participants such as names, addresses and telephone numbers are not requested in order to maintain the confidentiality of participants in the hope that they will be more motivated to provide honest answers.

Before analyzing the main data, it is necessary to analyze the validity and reliability of the statement items used in this study. In order to reduce the risk of being invalid and reliable, in this

study the instruments used have been used in previous studies. The financial literacy variable was taken from research conducted by Postmus et al. (2013) consists of 4 items. The financial behavior variable comes from previous research conducted by Ahmad et al. (2021) in which there are 5 statement items. Furthermore, the variable interest in entrepreneurship was adapted from research conducted by Wang et al. (2016) which consists of 6 statement items. All variables in this study used a Likert scale with a 5-point stretch. Meanwhile, specifically for the gender variable, a dichotomous scale is used by assigning a code of 1 for men and 0 for women.

The main objective of this study was to investigate the relationship between financial literacy and entrepreneurial interest and financial behavior among graduate students, where this relationship was moderated by gender. Therefore, this research is included in the type of quantitative research so that the analytical tool used in this study is Structural Equation Modeling (SEM). To assist the calculation process, the SmartPLS software is used. The analysis will be divided into 2 (two) stages, namely structural model testing and hypothesis testing.

## RESULTS AND DISCUSSIONS

The items were first tested for validity and reliability. We measure the internal consistency of the reliability of the measurement model by testing Cronbach Alpha and Composite Reliability. This is illustrated in Table 1. The Cronbach Alpha ( $\alpha$ ) and Composite Reliability (CR) values exceed the recommended lower limit of 0.70. Thus it is considered that the constructs used in this study are reliable. The validity of the convergence is tested by looking at the value of loading items and the Average Variance (AVE) index. All elements resulted in item loading values exceeding 0.7 and the AVE value of each variable greater than 0.50. The item loading value and AVE value are shown in Table 2. Next, discriminant validity was tested by examining the square root of the AVE of each construct which must exceed the correlation between the constructs in question with other constructs. In this study, these requirements have been met.

Table 1. Measurement Model

Variable	VIF	Loading	$\alpha$	CR	AVE
Financial Literacy (FL)			0,72	0,85	0,55
FL1	1,62	0,71			
FL2	1,44	0,69			
FL3	1,52	0,81			
FL4	1,37	0,74			
Financial Behavior (FB)			0,72	0,82	0,73
FB1	2,33	0,81			
FB2	1,63	0,74			
FB3	2,21	0,82			
FB4	2,76	0,73			
FB5					
Entrepreneurial Intention (EI)			0,81	0,85	0,61
EI1	1,32	0,71			
EI2	1,67	0,91			
EI3	2,23	0,82			
EI4	2,40	0,84			
EI5	1,87	0,78			
EI6	1,22	0,82			

This study investigates the moderating role of gender in the relationship between financial literacy and entrepreneurial interest and financial literacy and financial behavior. To achieve this goal, a moderation model was tested using the principle of Structural Equation Modeling (SEM) with the help of the SmartPLS application.

Based on the results of the moderation analysis, several results were obtained which can be presented as follows. First, the results of the analysis show that the relationship between financial

literacy and financial behavior is positive and significant ( $b = 0.32, p < 0.05$ ). This means that the higher the financial literacy of students, the higher their financial behavior. The relationship between financial literacy and financial behavior is not moderated by gender differences. This means that there is no difference between college students and university students in terms of financial behavior both when financial literacy skills are low or high.

Second, a direct relationship between financial literacy and interest in entrepreneurship was found to be significant ( $b = 0.25, p < 0.05$ ) where high financial literacy can also increase final year students' interest in entrepreneurship. However, this relationship was moderated by gender ( $b = 0.18, p < 0.05$ ) where students had a higher interest in entrepreneurship than students if they had high financial literacy. On the other hand, if they have low financial literacy, there is no difference between students and students in entrepreneurship interest.

The results of this study found the moderating role of gender both in the relationship between financial literacy and financial behavior and financial literacy with entrepreneurial interest. These results are in line with previous research conducted by Putri and Asrori (2018) which stated that gender has a moderating role in the relationship between financial education and financial literacy. More specifically, previous research has also found that gender also moderates the relationship between financial literacy and interest in starting their own business in the United States (Struckell et al., 2022). Similar results were also obtained by researchers in the same field in Europe (Oggero et al., 2020). This study provides a theoretical contribution by proposing gender as a moderator of the relationship between financial literacy and financial behavior and financial literacy with entrepreneurial interest in Indonesia.

This study provides practical recommendations to the government, education sector and stakeholders who have an interest in increasing the number of young entrepreneurs in Indonesia. The results of this study are expected to help stakeholders to create new entrepreneurs in Indonesia by paying attention to financial literacy factors in gender differences. Good financial behavior also needs to be a concern of stakeholders because it is a positive consequence of financial literacy for students, especially in dealing with consumerism issues today.

## CONCLUSION

The present study has found that gender plays an important role in the relationship between financial literacy and financial behavior as well as financial literacy and entrepreneurial intention. Therefore, the aims of the study have been reached. Future studies may investigate whether gender influences how students determine their future career. Another study direction that may be pursued by future researchers is whether gender differences affect how prospective students select their undergraduate major. These are important for companies in order to recruit new employees based on gender differences.

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