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Financial Literacy in Facing Technology and Economic Instability

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Abstract

This research examines the relevance of financial literacy for the younger generation in the context of heading towards Indonesia's golden generation 2045. Focusing on the financial challenges faced by millennials and Generation Z, this study aims to explore the influence of technology, digitalization, and social media on their financial management, as well as the impact of economic instability on financial planning. Through a quantitative survey of 50 respondents, this research measures variables such as financial education, the influence of social media, and economic uncertainty, as well as financial behavior and financial well-being. Analysis using Multiple Linear Regression shows that financial literacy plays an important role in shaping adaptive and wise financial behavior, avoiding consumerism, and considering financial future. These findings suggest that improving financial literacy can help the younger generation in facing financial challenges, with recommendations for more comprehensive integration of financial education in the curriculum and the use of technology in effective financial management. This study provides insights into effective financial management strategies and public policies that can support the younger generation in managing their finances.

Keywords

Financial Management Strategies, Financial Literacy, Technology, Economic Instability

1. Introduction

In facing global economic challenges and the digital revolution, financial literacy is becoming increasingly important, especially for the young generation of Indonesia who will become the backbone of the country by 2045 (Kusuma, 2022; Hasan et al., 2024). Financial literacy not only encompasses knowledge about financial products and services but also the ability to use such information to make wise financial decisions and effectively manage financial risks. According to a survey conducted by the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK) in 2019, the financial literacy index in Indonesia reached 38.03%, while the financial inclusion index was 76.19% among 12,733 respondents across 34 provinces (Pusporini, 2020). These figures indicate that although access to financial products and services is quite high, the public's understanding of finance is still relatively low. This raises concerns about the ability of the young generation to manage personal and business finances in the future, particularly in the face of economic instability and rapid changes in financial technology. COVID-19 pandemic has accelerated the adoption of financial technologies, such as digital payments and mobile banking, which offer the potential to reduce the spread of the virus (Bank Indonesia, 2022).

However, these changes also bring new challenges, including cybersecurity risks and the need to enhance digital financial literacy (Khairani & Fauzan, 2023). The development of financial technology has also brought significant changes in financial behavior, especially among the young generation who are active users of various digital platforms (Chhatwani & Mishra, 2021). This progress also raises questions about the extent to which financial literacy can influence responsible and adaptive financial behavior amidst economic instability. With the significant growth of the digital economy in Indonesia, including in the financial sector, the young generation must be equipped with the knowledge and skills to fully capitalize on these opportunities (Alhenawi & Yazdanparast, 2022). Therefore, this study aims to delve deeper into how financial literacy can help the young generation of Indonesia face these challenges and prepare them for a better financial future. By understanding the influence of technology, digitalization, and social media on financial management, as well as the impact of economic instability on financial planning, this study seeks to provide recommendations that can support the integration of more comprehensive financial education in the curriculum and the use of technology in effective financial management (Megawaty et al., 2021; Maulidina et al., 2023).

This research is also expected to provide valuable insights for policymakers, educators, and individuals about the importance of financial literacy and how to enhance it among the young generation. Thus, the young generation can be better prepared to face future financial challenges and contribute to achieving the Indonesian Golden Generation 2045. This research adopts a theoretical framework that integrates the concept of financial literacy with individual financial behavior. Financial literacy is defined as the knowledge and ability of individuals to control personal and business finances and is an essential element to avoid financial problems (Soetiono & Desiyanti, 2018). According to the OJK (2020), financial literacy includes knowledge, skills, and beliefs that influence an individual's behavior in improving the quality of financial decision-making.

Developing hypotheses based on this theoretical framework, the developed hypotheses are hypothesis 1 (H1) is that a higher level of financial literacy will be associated with more adaptive and wise financial behavior. Hypothesis 2 (H2) is that the positive use of social media and financial technology will influence the financial behavior of the young generation. Lastly, hypothesis 3 (H3) is that economic instability will affect the financial planning of the young generation, with those having higher financial literacy being more capable of overcoming uncertainty. This theoretical framework will be used to analyze data collected through quantitative

surveys, with the goal of testing the developed hypotheses and providing evidence-based recommendations to improve financial literacy among the young generation of Indonesia.

2. Methods

This study employed a primary data collection method through a quantitative survey. The survey was conducted by distributing questionnaires to 50 respondents who are part of the millennial and Z generations in Indonesia. The questionnaire was designed to measure variables such as financial literacy, social media influence, and economic uncertainty. Respondent selection was carried out using purposive sampling techniques, where respondents were chosen based on certain criteria relevant to the research objectives. Data was collected through an online questionnaire distributed via social media platforms and email, with questions designed to measure the research variables. After the data was collected, validation was performed to ensure that the data provided by the respondents was complete and credible. Incomplete or inconsistent data was removed from the dataset. Responses from the questionnaire were coded to facilitate statistical analysis. These steps ensure that the collected data is valid and reliable for further analysis in the research.

The variables in this study were divided into independent variables (financial literacy, social media influence, and economic uncertainty) and dependent variables (financial behavior and financial well-being). Operational definitions of the variables were carried out by establishing measurable indicators through the questionnaire. The measurement and operational definitions of the variables in this study include:

1. Financial education was measured through a rating scale that assesses respondents' knowledge of basic financial concepts, such as financial management, understanding of investments, and financial planning skills.
2. Social media influence was measured based on the frequency of respondents' interactions with financial content on social media and its influence on their financial decisions, such as the frequency of social media use, the amount of time spent on the platforms, and its impact on consumptive behavior.
3. Economic uncertainty was measured through existing economic uncertainty indices, as well as respondents' perceptions of the current and future economic stability, with factors such as unemployment rates, inflation, and market instability.
4. Financial behavior was measured through questions related to money management, such as savings, investments, and expenditures.
5. Financial well-being was measured with a financial well-being scale that assesses respondents' satisfaction levels with their current financial situation, such as financial stress levels, adequacy of emergency funds, and the ability to achieve long-term financial goals.

The data collected from the survey will be analyzed using quantitative data analysis methods. Descriptive analysis was used to provide an overview of the collected data. Furthermore, to test the developed hypotheses, multiple linear regression analysis was used. This regression model allows researchers to evaluate the simultaneous influence of several independent variables (financial education, social media influence, and economic uncertainty) on the dependent variables (financial behavior and financial well-being). The analysis was conducted with the help of statistical software to ensure the accuracy of the results. Classic assumption tests were performed before the regression analysis to ensure there were no violations of assumptions that could affect the validity of the model. The analysis results will be presented in the form of regression coefficient tables, t-values, and p-

values for each independent variable, as well as the R-squared value for the overall model.

3. Results and Discussion

The frequency distribution of the standard residuals of the regression for financial behavior. With an average close to zero (Mean ≈ -6.38×10^-17) and a standard deviation of about one (Std. Dev. = 0.969), the distribution of residuals appears normal. This suggests that the regression model used to analyze financial behavior may have done a good job in predicting financial behavior, as normally distributed residuals are an indicator of a good model fit. Most of the data is concentrated around the zero value on the x-axis, indicating that many predictions made by the regression model are quite accurate (Rahman et al., 2021; Dewi et al., 2020). The shape of the distribution resembles a normal curve, which signifies that the residual variance is consistent across the model. This histogram is based on a sample of 50 observations of financial behavior.

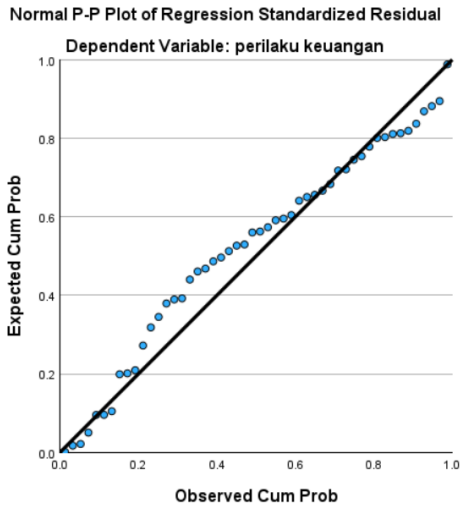

Figure 1. Normal P-P Plot Analysis

The normal P-P plot is used to assess whether the residuals from a regression model follow a normal distribution. In this plot, the blue points represent the observed standard residuals from the financial behavior regression model. These points are compared to the expected normal distribution, which is indicated by the diagonal line (Nurjanah et al., 2002; Rahman et al., 2021). Most of the blue points lie close to the diagonal line, indicating that the residuals have a distribution that is close to normal. There is no clear pattern of points deviating from the diagonal line, indicating the absence of significant deviations from normality. Since the points follow the diagonal line well, this suggests that the regression model used to analyze financial behavior may have met the assumption of residual normality.

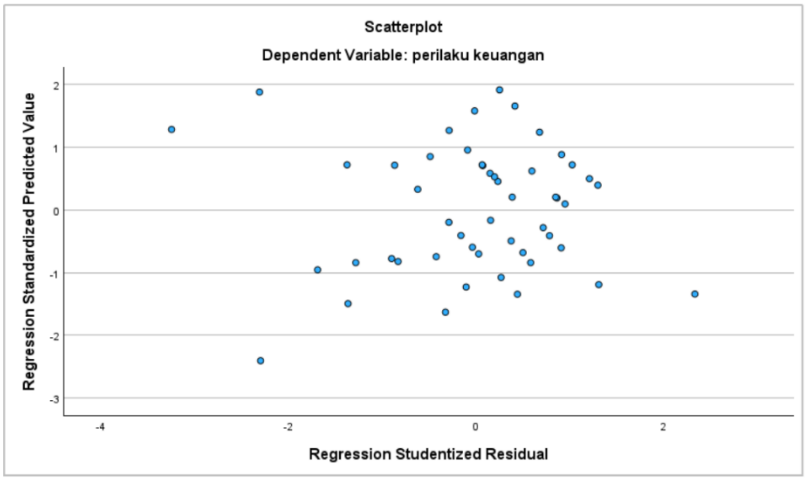

Figure 2. Scatterplot

This scatter plot displays the relationship between the Regression Standardized Residual and the Regression Standardized Predicted Value for financial behavior. The scattered data points indicate the residual variation from the regression model used to predict financial behavior. Most of the data points are concentrated around the zero value on both axes, indicating that the regression model has a good level of accuracy in predicting financial behavior. The standard regression residuals range from -3 to 3, which is a common range for normalized or studentized residuals in regression analysis. The standard regression predicted values range from -2 to 2, indicating the variation in predictions produced by the model.

Table 1. Reliability Test

Variable	Coefficient	Information
Financial literacy	0.669	Reliable
Social media	0.696	Reliable
Economic conditions	0.476	Reliable
Financial behaviour	0.632	Reliable

Reliability test results the reliability coefficient is 0.669, indicating that the measurement instrument for financial literacy is considered reliable. Similar to financial literacy, social media also has a reliability coefficient of 0.669, signifying that the measurement of the influence of social media is quite reliable. With a coefficient of 0.476, this indicates that the measurement of economic conditions is less reliable compared to the previous two factors. Nonetheless, it is still categorized as reliable. The reliability coefficient is 0.632, which means the measurement of financial behaviour has a good level of reliability and is considered reliable.

This study observed the relationship between financial behavior, financial literacy, social media, and economic conditions. We used a sample of 50 respondents to collect data. Based on the descriptive statistical results, we found that the average score for financial behavior was 14.88 with a variation of 2.51. This indicates that the respondents have relatively consistent financial behavior with little variation. Financial literacy, which is the ability to understand and use various financial products, had an average score of 21.66 with a variation of 2.46. This signifies that the respondents have a good level of financial literacy and it is quite uniform among them (Kusuma et al., 2022). Social media, which often influences financial behavior, had an average score of 18.58 with a larger variation of 3.47, indicating that the use of social media by respondents varies considerably. Economic conditions, which can affect both financial behavior and financial literacy, had an average score of 15.48

with a variation of 2.46, indicating that the respondents' economic conditions are quite stable.

From the Pearson correlation analysis, we found that there is a moderate positive relationship between financial behavior and financial literacy with a correlation coefficient of 0.478, which is statistically significant. This suggests that the higher a person's financial literacy, the more positive their financial behavior (Ritakumalasari & Susanti, 2021; Zulfialdi & Sulhan, 2023). However, there was no significant relationship between financial behavior and social media or economic conditions, as well as between financial literacy and social media or economic conditions (Putri & Andayani, 2022; Nurjanah et al., 2022). This study indicates that financial literacy has a significant influence on financial behavior, but social media and economic conditions do not have a significant impact. This emphasizes the importance of financial education in shaping positive financial behaviour.

Table 2. Statistics Testing

Variable	Mean	Std. Deviation
Financial Behavior	14.8800	2.51234
Financial Literacy	21.6600	2.46287
Social media	18.5800	3.47639
Economic Conditions	15.4800	2.46808

Descriptive statistical data shows that the financial literacy variable has the highest average of 21.66 with a standard deviation of 2.46287, followed by social media with an average of 18.58 and a standard deviation of 3.47639. Financial behavior has an average of 14.88 with a standard deviation of 2.51234, while economic conditions have an average of 15.48 with a standard deviation of 2.46808. All variables were measured from 50 respondents (N=50). These average and standard deviation values indicate the level of data variation from each variable, with social media showing a greater spread of data compared to other variables, indicating higher variability in the influence of social media.

Table 3. Correlations

Model	Variable	Financial Behavior	Financial Literacy	Social Media	Economic Conditions
Pearson Correlation	Financial Literacy	1.000	0.478	-0.174	-0.017
	Social media	0.478	1.000	0.150	0.014
	Economic Conditions	-0.174	0.150	1.000	0.045
	Financial Behavior	-0.017	0.014	0.045	1.000
Sig. (1-tailed)	Financial Literacy		<0.001	0.113	0.454
	Social media	0.000		0.150	0.462
	Economic Conditions	0.113	0.150		0.377
	Financial Behavior	0.454	0.462	0.377	
N	Financial Literacy	50	50	50	50
	Social media	50	50	50	50
	Economic Conditions	50	50	50	50
	Financial Literacy	50	50	50	50

The results of the Pearson correlation analysis show that financial literacy has a significant positive correlation with financial behavior ($r = 0.478$, $p < 0.001$), indicating that increasing financial literacy tends to increase positive financial behavior. Social media has a positive correlation with financial literacy ($r = 0.478$, $p = 0.000$) but is not significant to financial behavior ($r = 0.014$, $p = 0.462$). Economic conditions show a weak negative correlation with financial literacy ($r = -0.174$, $p = 0.113$) and are not significant to other variables. The correlation between variables

is generally weak to moderate, indicating limited influence between one variable and another.

Table 4. R Square

R	R Square	Adjusted R Square	Std. Error
0.539	0.291	0.244	2.18404

The regression model shows an R value of 0.539, indicating a moderate relationship between the independent and dependent variables. The R Square value of 0.291 indicates that 29.1% of the variability in the dependent variable can be explained by the independent variables in this model. The Adjusted R Square of 0.244 indicates an adjustment for the number of variables in the model, which is slightly lower than the R Square, indicating the effectiveness of the model that remains significant despite the adjustment. The standard error of 2.18404 indicates the average deviation of the prediction from the regression line, indicating the level of accuracy of the model's predictions in explaining the data.

Table 5. Regression Test

Model	Sum of Square	df	Mean Square	F	Sig.
Regression	89.859	3	29.953	6.279	0.001
Result	219.421	46	4.770		
Total	309.280	49			

The statistical analysis output above, the interpretation of the generated regression model is as follows. The constructed regression model aims to understand the influence of financial literacy and social media on financial behavior. From the results obtained, we can see that this model has an R value of R=0.594, indicating that there is a moderate relationship between the independent variables (financial literacy and social media) and the dependent variable (financial behavior). The R Square value is R2=0.291, which means that about 29.1% of the variation in financial behavior can be explained by the regression model involving financial literacy and social media. Meanwhile, the Adjusted R Square value, adjusted for the number of predictors in the model, is AdjustedR2=0.244, still indicating that the model has a good explanatory capability.

From the ANOVA table, we get an F value of F=1027.279 with a significance level of p<0.001, indicating that the overall regression model is statistically significant. This means that at least one of the predictors included in the model has a significant influence on financial behavior. From this analysis, we can conclude that financial literacy and social media play an important role in shaping an individual's financial behavior. Higher financial literacy tends to be associated with better financial behavior. Nevertheless, it should be noted that there is still about 70% of the variation in financial behavior that is not explained by this model, which may be influenced by other factors not included in the analysis.

Table 6. Coefficients

Model	Unst. Coef. B	Unst. Coef. Std. Error	Std. Coef. Beta	T	Sig.	Tolerance	VIF
Constant	7.050	3.566		1.977	0.054		
Financial Literacy	0.526	0.128	0.516	4.107	<0.001	0.977	1.023
Social Media	-0.181	0.091	-0.251	-1.995	0.052	0.976	1.025
Economic Conditions	-0.013	0.127	-0.013	-0.102	0.919	0.998	1.002

The regression model constructed aims to understand the influence of financial literacy, social media, and economic conditions on financial behavior. From the results obtained, we can see that this model has an R value of R=0.539, indicating that there is a moderate relationship between the independent variables (financial

literacy, social media, and economic conditions) and the dependent variable (financial behavior). The R Square value is R2=0.291, which means that about 29.1% of the variation in financial behavior can be explained by the regression model involving financial literacy, social media, and economic conditions. Meanwhile, the Adjusted R Square value, adjusted for the number of predictors in the model, is AdjustedR2=0.244, which still indicates that the model has good explanatory power.

Financial Literacy: The B coefficient is 0.526 with a significance level of p<0.001, indicating that financial literacy has a significant positive influence on financial behavior. The B coefficient is -0.181 with a significance level of p=0.052, indicating that social media has a nearly significant negative influence on financial behavior. The B coefficient is -0.013 with a significance level of p=0.919, indicating that economic conditions do not have a significant influence on financial behavior. There is no indication of serious collinearity issues in this model, as the Tolerance and VIF values for all independent variables are within an acceptable range. From this analysis, we can conclude that financial literacy has a significant and positive influence on financial behavior, while social media tends to have a nearly significant negative influence. Economic conditions appear to have no significant influence. This emphasizes the importance of financial literacy in shaping positive financial behavior and suggests that social media may have a negative impact that needs further attention.

4. Conclusion

This study has explored the importance of financial literacy for the young generation of Indonesia in facing technological challenges and economic instability. Focusing on millennials and Generation Z, the study found that financial literacy plays a crucial role in shaping adaptive and prudent financial behavior. The results of the analysis using Multiple Linear Regression indicate that financial literacy significantly contributes to avoiding consumptive behavior and planning finances for the future. Although social media and economic conditions were not found to have a significant influence on financial behavior, this research emphasizes the importance of more comprehensive financial education in the curriculum. Additionally, the use of technology in effective financial management is recommended to help the young generation face financial challenges. Thus, improving financial literacy is expected to assist the young generation of Indonesia in better managing their finances, thereby making a significant contribution to the achievement of the Indonesian Golden Generation 2045. This study provides insights into effective financial management strategies and public policies that can support the young generation in managing their finances. Recommendations Financial education should be more comprehensively integrated into the educational curriculum to prepare the young generation with the knowledge and skills needed to manage personal and business finances.

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