The Moderating Role by Locus of Control Bridging Financial Knowledge of Financial Management Behaviour

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ABSTRACT

The ease of access to needs and desires has led to the emergence of wasteful behaviour in society in this modern era. Therefore, financial knowledge is crucial in making daily financial decisions or managing businesses. Financial knowledge can potentially enhance the quality of life through improved decision-making. This study aims to explore how locus of control affects the connection between financial knowledge and financial management behaviour as a moderating variable using a quantitative research method with primary data. The research population consists of TikTok Shop customers in Surabaya City. Data Analysis utilises Partial Least Square (PLS) with tests on the outer model, inner model, and hypothesis. Outputs of this search imply that financial knowledge and locus of control significantly as well as positively influence financial management behaviour. Still, locus of control variable doesn't possess capacity to moderate the correlation among financial knowledge and financial management behaviour.

Keywords: Financial Knowledge, Locus of Control, Behavioural Finance, Financial Management Behaviour

INTRODUCTION

Ease of access to needs and desires has led to the emergence of consumer behaviour in society in this modern era. Financial knowledge is something that needs to be possessed nowadays. Financial knowledge is not only used within the organisational scope, but this knowledge is beneficial for the lives of every human being. Knowledge of financial science is needed so that people can manage their finances effectively and avoid chaos in managing finances. Individuals with low financial literacy or even financial blindness will be full of financial problems, such as mounting debts, confiscated assets, fraud when investing, and even bankruptcy.

Based on the 2022 National Survey of Financial Literacy and Inclusion (SNLIK). SNLIK 2022 was conducted from July to September 2022 across 34 provinces coating 76 cities/districts, involving 14,634 respondents ranging from 15 and 79 years old. This comprehensive survey utilised consistent methodologies, encompassing various aspects such as knowledge, skills, beliefs, attitudes, and behaviour to construct financial literacy index. In contrast, the financial inclusion index focused on usage parameters. Notably, the findings revealed a significant shift, with women exhibiting a higher financial literacy index compared to men, women at 50.33% and men at 49.05%. Recognising this, OJK has prioritised women as a key target group in strategic efforts to enhance financial literacy from 2020 to 2022 (www.ojk.go.id). Regarding financial level of financial literacy, according to (Anwar et al., 2017), someone who has knowledge about financial institution products and services, including understanding the threats, rights, and obligations, and has the talent to use financial institution products and services.

Data from 2022 SNLIK outcomes show that the financial literacy index among Indonesians has risen to 49.68%, marking an improvement from 2019's figure of 38.03%. Similarly, the financial inclusion index has climbed to 85.10%, up from 76.19% in the previous SNLIK survey conducted in 2019. These findings suggest a reducing disparity between literacy and inclusion levels, diminishing from 38.16% in 2019 to 35.42% in the year 2022.

Research outcomes from www.optika.id show Indonesia has the highest e-commerce usage worldwide. 90% of users aged 16-64 buy products and services online. The number of visitors every month

on TikTok e-commerce is 126,996,000. TikTok shop is most accessed via mobile at 52.4% and desktop at 11.3%, with an average visit
duration of 6 minutes and 30 seconds.

Likewise, a report from Populix authorised "The Social Commerce Landscape in Indonesia" in September 2022 revealed that the majority, accounting for 86% respondents, engaged in shopping through social commerce. The majority accustomed platforms, at 46%, were observed for TikTok Shop, trailed by WhatsApp at 21%, Facebook Shop at 10%, and Instagram Shop at 10%. Women predominantly constitute the user base belonging to TikTok Shop than men, especially those aged 36-45. Based on demographics, Surabaya has the most users, namely 59%, followed by Medan at 55% and Jakarta at 54%. Populix also stated that in the future, women aged 18-25 will continue to dominate TikTok Shop users.

Then, the survey report entitled "The Social Commerce Landscape in Indonesia" revealed that clothing is the product category with the highest level of purchase by the public via social media platforms at 61%. Beauty products follow this at 43%, food and drinks at 38%, and cellphones and accessories at 31%. The categories with the highest sales on TikTok Shop are included in secondary and tertiary needs, which indicates that TikTok Shop customers have consumptive behaviour.

Starting with the rise in consumer behaviour among the public, people know that sound financial knowledge is essential. Without it, it would be tough to control expenses. Moreover, technological advances in this era make everything practical so that many things can be obtained quickly and easily accessible, which can lead to an increase in society's consumption level. Apart from financial knowledge, self-control is also needed to improve the ability to manage finances.

Therefore, financial knowledge is key in making daily financial or business decisions. Financial knowledge can improve the quality of life through better decision-making. Locus of control denotes an individual's conception of their capacity to influence priorities and actions. With a locus of control, an individual will carefully manage his finances in preparation for his future life.

Nowadays, there are many ways we can manage our finances with guidance from successful figures. Maybe in the past, we just focused on work and made a lot of money, but people didn't understand how to manage the money we got. We often run out of money at the end of the month without realising where our expenses went. That's why financial management is essential, of course, starting from managing our lifestyle—decisions to manage finances, too, require commitment and consistency to yourself. Whatever the method, Of course, it must be adjusted to your needs and priorities. Therefore, researchers are keen on undertaking study titled "The Moderating Role of Locus of Control on the Relationship between financial knowledge and financial management behaviour".

LITERATURE REVIEW
Theory of Planned Behaviour (TPB)
An established theory in psychology is the Theory of Planned Behavior, which illustrates the correlation among attitudes, subjective norms, as well as perceived behavioural authority on a person's intentional and behaviour (Ajzen, 1991). Within this theorical framework, attitude is defined as a person's general evaluation of the behaviour they want to carry out, the subjective norm is the social tension felt to do or not do the behaviour and perceived behavioural control is an individual's belief about his ability to handle the behaviour.

Theory of Reasoned Action (TRA)
This theory is a precursor to the TPB (Theory of Planned Behaviour). According to (Purwanto, 2020),in his book "Technology Adoption: A Conceptual Framework", TRA focuses on aspects influencing a person's intentions and behaviour based on attitudes and subjective norms.

Financial Management Behaviour
According to (Rizkiawati & Asandimitra, 2018), the financial management behaviour is conveyed as an individual financial commitment regarding organising finances. Financial responsibility is the technique of managing finances and the method of controlling the productive usage of financial assets and further assets.

Financial Knowledge

According to (Alexander & Satria, 2019), financial knowledge refers to a person's level of sense about financial ideas and personal financial data, both of which are needed to determine good decision-making and financial management. The opinion relating to (Widi Asih et al., 2020) that financial knowledge has a good effect on someone's financial skills so that it is better prepared to overcome any challenges or problems they face.

Locus of Control

A concept known as the locus of control is a person's behaviour regarding self-control so that they can behave ethically so that it does not have a negative impact in the future (Khoirotun Nisa & Asandimitra Haryono, 2022),. Meanwhile, according to Sagone, E., Maria, E., & Caroli (2014) in (Astuti, 2018) define it as a personality trait that guides an individual's perception of events that occur because it is determined internally by his behaviour if events arise because they are caused by fate or luck because external circumstances cause them.

METHOD

This research employs quantitative methodology, gathering primary data through the form of questionnaires. The sample population comprises an unknown and unlimited number of TikTok Shop customers in Surabaya. Therefore, the sample determination in this study used the technique according to (Shabrina & Utami, 2022), with 170 respondents. During the distribution process, 170 questionnaires were returned, but 7 of them could not be counted due to respondent's incompleteness in filling out the questionnaire. So, the number of data from respondents that can be processed is 163 (95.88% of 170). The analysis technique in this research is SEM (Structural Equation Modeling) analysis through the PLS (Partial Least Square) application with outer model testing, inner model testing, and hypothesis testing.

RESEARCH RESULTS AND DISCUSSION

Based on the distribution of questionnaires that have been carried out, 163 respondents were obtained. The components of the participants are evident as follows:
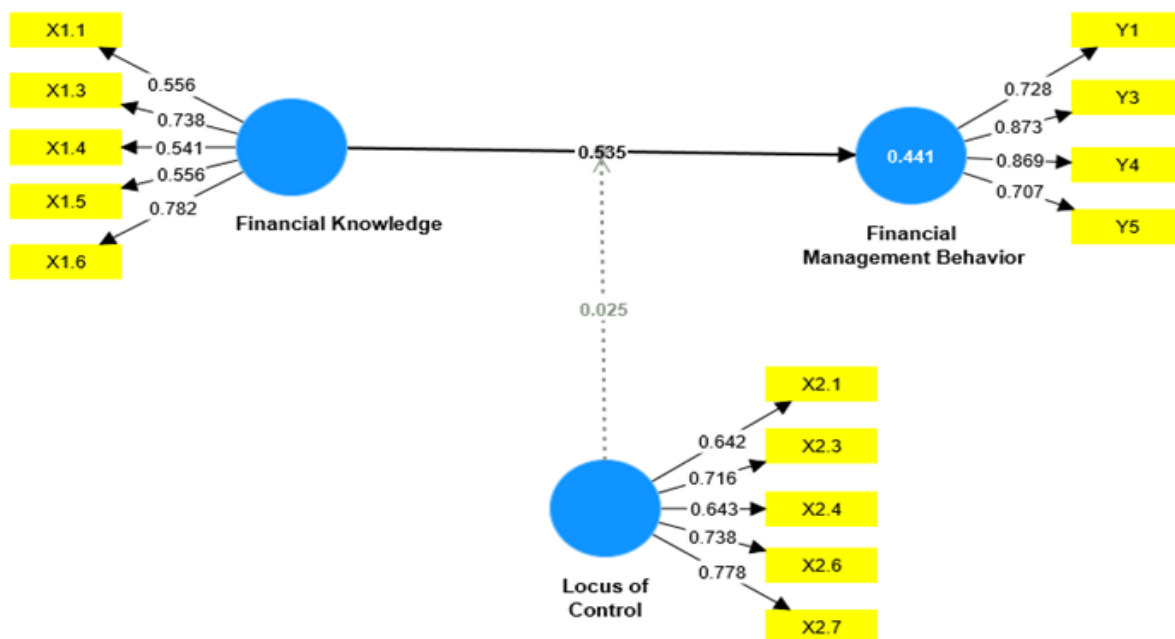

Figure 1 Outer Model

The analysis results in the table above show the loading factor value for each indicator, The relationship between variables as well as their respective indicators is revealed through the indicators themselves, with path coefficients depicted on arrow lines indicating their strength. All indicators in the research variables, namely financial knowledge, Locus of control, financial management behaviour, and Moderation (LoC*FK) exceed 0.50 and demonstrate statistical significance. Thus, these indicators collectively exhibit convergent validity, indicating their robust validity.

Table 1 Composite Reliability dan Average Variance Extracted (AVE)

Construct Reliability and Validity				
	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Financial Knowledge	0.742	0.753	0.774	0.614
Financial Management Behavior	0.808	0.844	0.874	0.637
Locus of Control	0.751	0.77	0.831	0.598

Source: Data Processed with SEM-PLS

The test outcomes reveal that the AVE value for the constructs (variables) Financial knowledge, Locus of control, financial management behaviour, and moderation exceeds 0.5, thus it is considered valid. The composite reliability value assesses the reliability of a construct. If the composite reliability value exceeds 0.70, the indicator is considered to be consistent in measuring the latent variable. The test outcomes reveal that constructs (variables), such as financial knowledge, locus of control, financial management behaviour, and moderation (LoC*FK), have a composite reliability value that exceeds 0.7, then they are reliable.surpasses 0.70, the indicator is deemed consistent in gauging the latent variable. The test outcomes demonstrate that constructs (variables) like financial knowledge, locus of control, financial management behaviour, and moderation (LoC*FK) possess a composite reliability value exceeding 0.7, confirming their reliability.

Table 2 R-Square

R Square		
	R Square	R Square Adjusted
Financial Management Behavior	0.441	0.424

Source: Data Processed with SEM-PLS

R2 value = 0.441 this suggests that the model is effective in elucidating the phenomenonor issue of financial management behaviour was 44.10%. Meanwhile, the remainder (55.90%) is explained by other variables (apart from financial knowledge, Locus of control, and Moderation (LoC*FK)), this indicates that there are factors not accounted for in ther model as well as errors. Thus, financial management behaviour is influenced by financial knowledge, Locus of control, and moderation (LoC*FK) by 44.10%. In comparison, 55.90% is influenced by variables other than financial knowledge, Locus of control, and Moderation (LoC*FK).

Table 3 Path Coefficients (Mean, STDEV, T-Values)

Path Coefficients Mean, STDEV, T-Values, P-Values	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Financial Knowledge -> Financial Management Behavior	0.535	0.541	0.101	5.322	0.000
Locus of Control -> Financial Management Behavior	0.196	0.217	0.083	2.356	0.020
Moderasi (LoC*FK) -> Financial Management Behavior	0.025	0.018	0.073	0.35	0.727

Source: Data Processed with SEM-PLS

Based on the results in the table can be outlined a number of matters:

1. Financial knowledge significantly enhances financial management behaviour, as a evidenced by a path coefficient of 0.535, with a p-value = 0.000, which is lower than the value α = 0.05 (5%)
2. Locus of control significantly enhances financial management behaviour, as a evidenced by a path coefficient of 0.196, with a p-value = 0.020, which is lower than the value α = 0.05 (5%)
3. Moderation (LoC*FK) doesn't have a significant influence on financial management behaviour, as a evidenced by a path coefficient of 0.025, with a p-value = 0.727, which is higher than the value α = 0.05 (5%)

DISCUSSION
The Influence of Financial Knowledge on Financial Management Behaviour

Derived from the outcomes of conducted research, it is evident that financial knowledge significantly positively impacts financial management behaviour. These results imply that higher levels of financial knowledge correspond to financial management behaviour, as indicated by the positive path coefficients. Conversely, individuals with lower the financial knowledge tend to exhibit lower financial management behaviour. Data processing results show that the factor loading value is the largest in knowledge about risk management. This shows that with can apply the right strategy in managing finances to face existing financial risks.

Financial knowledge is one element of achieving a quality life away from financial problems. Good financial knowledge can lead an individual to maintain a constructive outlook on financial management. With financial knowledge, an individual can also control oneself by giving individuals the tools and understanding to manage their finances better.

Self-control can support an individual in perceiving that all efforts made will lead to appropriate, balanced results with the education you have. Therefore, this can shape the individual can think effectively and efficiently in financial matters. It is inferred that financial knowledge can influence financial management behaviour, because with financial knowledge you can control or even make decisions in daily financial management better days compared to individuals who do not have financial means knowledge.

This research follows the study inferred by (Dewanti & Asandimitra, 2021), that indicates financial knowledge influences financial management behaviour. Next is research from (Pradiningtyas & Lukiastuti, 2019) stated that financial knowledge employs a beneficial and noteworthy impact on financial management behaviour.

The Influence of Locus of Control in Moderating Financial Knowledge on Financial Management Behaviour

Derived from the findings about conducted research, it is evident that locus of control doesn't exert a significant convincingly financial management behaviour. This suggests that the locus of control variable doesn't contribute positively or negatively to moderating the connection between financial knowledge and

financial management behaviour, where the positive numbers found in path coefficient show that the locus of control is lower or higher does not have the effect of strengthening or weakening the moderating relationship financial knowledge on financial management behaviour.

The data processing outcomes display that the indicators with values The highest mean of locus of control is the confidence level in the future. Meanwhile, the largest loading factor value is management's ability to daily finances. This shows that what influences financial moderation knowledge of financial management behaviour in an individual is not a level of confidence in the future or the ability to face financial problems from locus of control. Locus of control can influence financial management behaviour as an indepeintndent variable.

Locus of control signifies the belief that individuals can control oneself to determine the scale of priorities in an act. This shows that an individual does not need to control oneself to strengthen the influence of knowledge of his finances on his financial management. Because with financial knowledge alone is enough to improve capabilities managing an individual's finances so that there is no need for a locus of control to help the financial knowledge variable influence the variable financial management behaviour.

The findings of this study differ from those carried out by (Fuji & Widianto, 2022) state that locus of control has the potential to enhance an impact of financial knowledge on financial management behaviour. As well as research from (Natan & Mahastanti, 2022) which also suggests that the locus of control has potential to perform as a moderator among financial literacy toward financial management behaviour.

CONCLUSIONS

Based on the findings derived from utilizing the SEM PLS analysis tool to test this research, both financial knowledge and Locus of control exhibit a noteworthy positive impact on financial management behaviour. The capacity to make the right strategy can improve an individual's daily financial management abilities. However, Locus of control doesn't possess the capability to moderate the connection among financial knowledge and financial management behaviour. With financial knowledge, an individual is sufficient to manage their daily finances, so they do not need the ability to control themselves.

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