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The Influence of Financial Literacy, Religiousness, Risk and Locus of Control on Financial Distress in the Millennial Generation in Bekasi City

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ABSTRACT

This research is research used to measure the influence of financial literacy, religion, risk and locus of control on financial distress in the millennial generation in Bekasi City. This research is quantitative research where the objects used are the millennial generation in Bekasi City. The technique used uses a probability sampling technique using the Slovin formula. The number of samples used in this research was 132 respondents. The design used in this research is hypothesis testing using the structural equitation model (SEM) - SmartPLS 4.0. The results of this research provide an explanation that each variable in this research, namely financial literacy, religion, risk and locus of control, has an influence on financial distress. This research has the limitation of the research object being that it was only carried out on the millennial generation in Bekasi City. This can be a suggestion for future researchers. The novelty in this research combines the variables of financial literacy, religion, risk and locus of control on financial distress in the millennial generation in Bekasi City.

INTRODUCTION

Based on survey results, the millennial generation is the first of the three groups most vulnerable to experiencing financial difficulties, especially those who have just got a job but have a low income. The millennial generation is more vulnerable because they spend their income to fulfill a lifestyle that means they do not have emergency savings. Second, people with low education. Third, families who have children. The millennial generation currently faces a series of challenges such as limited resources and increasing costs (Lajuni et al., 2018). Based on the results of the 2019 OJK financial literacy survey, only 6% of people have pension funds, the rest still don't care about their future.

The results of a survey entitled "Wallet Share" conducted by the global research organization Kadence International-Indonesia involved 3,000 Indonesian respondents from the lower and upper classes. Among them, 28% of Indonesians fall into the "broke" category, that is, those who spend more than their income have a deficit of around 35%. Apart from that, the temptation of debt for every family in developing countries, including Indonesia, is very large. With the ease of digital technology, loan applications can be completed very quickly and easily, and are of high value. The Financial Services Authority (OJK) explained that as of May 2019, the total online loans provided through financial technology (fintech) and loan funds (peer-to-peer / P2P loans) reached IDR 41.04 trillion (Ahmad, 2020).

There is research showing that the level of financial knowledge in developing countries is lower compared to developed countries (Hastings & Tejeda-Aston, 2008)(Beckmann, 2013; Cole et al., 2011). However, many studies reveal that individuals with a high level of financial knowledge may not necessarily have a positive self-perception of their level of knowledge or be good at managing their finances (Asaad, 2015; Hadar et al., 2013). Previous studies reveal that if someone has high financial knowledge, it will have a negative effect on financial difficulties (Lajuni et al., 2018). Therefore, researchers included financial knowledge variables to be studied in more depth.

One of the most universal and influential social institutions is religion because it has a substantial influence on people's attitudes, values and behavior both at the individual and societal levels. (Sabri & Falahati, 2014) found differences between Muslim and non-Muslim respondents. The results show a higher influence of secondary socialization or influencer agents on non-Muslim respondents, while for Muslim respondents, the influence of their financial knowledge and primary socialization agents, including parents and religion, is greater. (Mokhlis, 2009) explains that secondary socialization agents consist of agents such as magazines, mass media, advertising, cell phones and the internet, while primary socialization agents consist of mother, father, siblings, school and religion. Although there is a large body of literature that focuses on culture and its influence on various aspects of consumer behavior little research has examined the influence of religion specifically on financial behavior, financial knowledge, or especially on financial disorders.

Financial Literacy

Finance is a very important aspect in people's lives. The knowledge they have can help individuals make decisions to determine financial products that can optimize their financial decisions. Financial literacy is very important for individuals so that they do not make mistakes in making financial decisions in the future (Margaretha & Pambudhi, 2015).

Religious

Religion is one of the most widespread and influential social institutions. According to religion, it has a significant influence on people's attitudes, values and behavior both at the individual and societal levels. Religion as an orientation, which is an important behavior and lifestyle that according to most people in the world of social psychology and personality can no longer be ignored (Sedikides, 2010).

Risk

Risk is defined as an individual's tendency to choose risky options (Hsee & Weber, 1998) risk refers to people's attitudes towards risk, which is a key factor in the study of investors' decision-making behavior). That risk preferences vary over time and influence the status of profits and losses, return values, and several other factors, such as risk preferences and residual errors for the past period. Risk preferences also called 'risk attitudes,' 'risk tolerance' or 'risk sensitivity' are often understood to represent personal characteristics.

Locus of Control

Locus of control represents a person's tendency to control or be controlled by external events. Locus of control is a psychological concept regarding a person's beliefs about the extent to which they control events that affect them (Cobb-Clark et al., 2016).

Financial Distress

Financial distress is intense physical or mental stress, including financial worry, which can last for a short time or continue (Idris, 2013). Financial difficulties also have a negative impact on productivity at work.

Based on the above phenomena, it can be concluded that the conceptual framework model makes it easier for researchers to identify variables in research (Rianto et al., 2021) as follows:

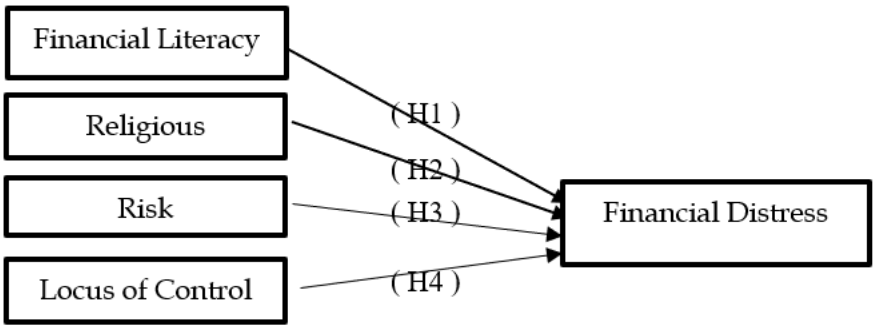


Figure 1. Research Framework

Hypothesis

A hypothesis is a temporary assumption from decision making in research which will then be tested for truth so that a conclusion can be drawn (Rianto et al., 2022). Based on the conceptual research above, the following hypothesis can be concluded:

Financial literacy is very important in everyday life. This is related to individual welfare. Having financial literacy will help individuals manage their personal financial plans, so that individuals can maximize the time value of money and personal benefits will be greater and will improve their standard of

living. If an individual has good financial literacy, then the individual is less likely to experience financial distress. It is stated that financial literacy influences financial distress.
H1. Financial Literacy influences financial distress

Religiosity is the most universal and influential social institution. Religion has a substantial influence on people's attitudes, values and behavior at both individual and societal levels. This includes people's behavior in managing finances. In religion, there is a rule that humans cannot have wasteful behavior because this behavior is not liked by God. If an individual has good religiosity, then the individual is less likely to experience financial distress. It is stated that religiosity influences financial distress.
H2. Religious influences financial distress

Risk is a deviation from expected profits. Risk can be a factor in someone experiencing financial distress because risk arises due to uncertainty which will result in doubt in a person's ability to predict possible outcomes that will occur in the future.
H3. Risk influences financial distress

Locus of control is related to a person's level of belief about events, fate, wealth and destiny that occur within him, both due to internal and external factors. Formally, locus of control describes the extent to which a person views the relationship between the actions he or she performs and their consequences/results or a person's perspective on an event, whether an individual can or cannot control the events that happen to him or her.
H4. Locus of control influences financial distress

RESEARCH METHODS

Research methods are data collection steps and procedures carried out to solve problems or test hypotheses. The method used in this research is quantitative and descriptive, namely research that describes the situation directly using a questionnaire as a tool for collecting information and using statistical data processing information, namely using multiple linear regression analysis to determine two or more independent variables and the dependent variable. According to (Sugiyono, 2019) quantitative methods are data in digital form, or quantitative data that has been evaluated (given a score). Therefore, quantitative data is data that tends to be analyzed using statistical methods or techniques. Data can be in the form of numbers or scores, usually obtained using data collection tools, and the answers are in the form of a range of scores or weighted questions.

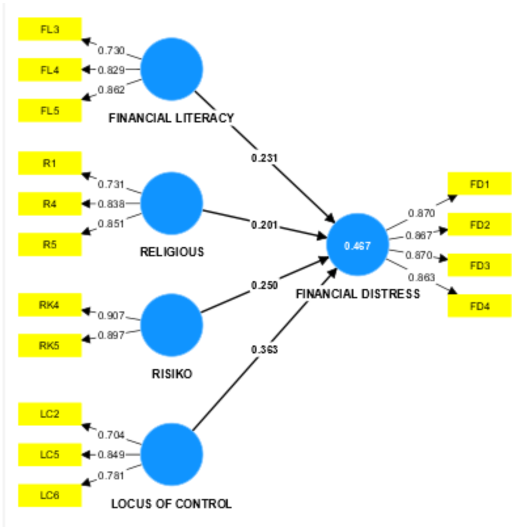
RESULTS AND DISCUSSION

Research result

The results of this research are divided into two stages, namely the outer model test to test the feasibility of the research instrument by determining the validity and reliability of the research data.

Test Outer Model

The outer model validity test is the extent to which the research results (1) accurately represent the data collected (internal validity) and (2) can be generalized or transferred to other contexts (external validity) (I. Ghozali & Latan, 2015). Validity testing is done by lookingcontent validity andconstruct validity. Content validity is the extent to which the measurement instrument can represent all variable characteristics.Content validity naturejudgmental.



Source: data processed 2023 Smartpls validity test results

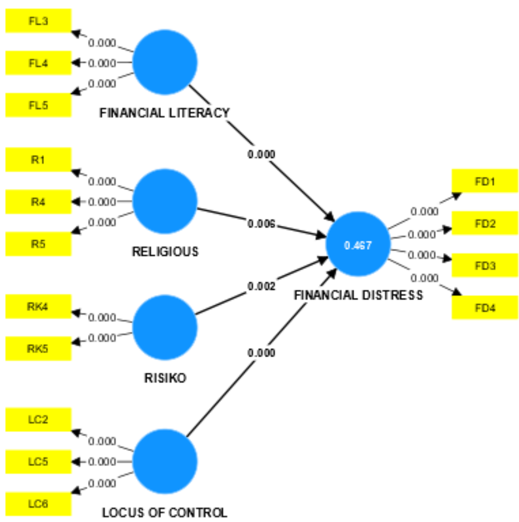
Based on the validity test above, it can be concluded that the outer loading value is above 0.7, so it can be said that the data used in this research is valid and suitable for use in research. The outer model reliability test is a measure of a questionnaire/statement item that meets consistent criteria, which means that this statement can have consistent results when used to measure in different places and times (I. Ghozali & Latan, 2015).

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Financial Literacy	0.891	0.894	0.924	0.753
Religious	0.757	0.801	0.850	0.654
Locus Of Control	0.756	0.846	0.823	0.609
Risiko	0.737	0.763	0.849	0.654
Financial Distress	0.771	0.772	0.897	0.814

Source: data processed 2022 Smartpls reliability test results

Based on the results of the reliability test above, it can be concluded that the Cronbach's alpha value for each variable is financial literacy 0.891, religious 0.757, locus of control 0.756, risk 0.737 and financial distress 0.771, meaning that the value is above 0.7 so it can be stated that the data used in the research This is suitable for use at the next stage.

Test the Inner Model



Source: processed data 2022 Smartpls Results

The inner test is a structural model for predicting or estimating the relationship between latent variables in research that has been developed in the previous discussion (P. D. H. I. Ghozali & Latan, 2015).

Partial Test

This partial test is carried out using the methodboostrapping on smartPLS 3.0. in this test it can be seen from the T – Statistics and P – Value values, where the T – Statistics value must be greater than the T – Table value. Then the hypothesis in this research will be accepted if T – Statistics > T – Table, and vice versa if T – Statistics < T – Table then the hypothesis will be rejected. The following are the values of T – Table in this study:

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistic (|O/STDEV|)	P Values
Financial Literacy -> Financial Distress	0.231	0.236	0.063	3.693	0.000
Religious -> Financial Distress	0.201	0.368	0.080	4.513	0.000
Risk -> Financial Distress	0.250	0.205	0.073	2.762	0.006
Locus Of Control -> Financial Distress	0.363	0.246	0.079	3.165	0.002

Source: data processed in 2023, inner model test results

Based on the results of the inner test above, it can be concluded that the influence of financial literacy on financial distress has a p-value of 0.000, which means it is smaller than the significance level of 0.05 (0.000 < 0.05) so it can be concluded that there is an influence between financial literacy and financial distress on millennial generation in the city of Bekasi, so the results of this study prove that hypothesis 1 (H1) is accepted. The results of the inner test in this study also found that religion on financial distress with a p value of 0.000 was smaller than the significance level of 0.05 where (0.000 < 0.05) so it was concluded that there was an influence between religion and financial distress in the millennial generation in the city of Bekasi. , so the results of this study prove that hypothesis 2 (H2) is accepted.

The results of the internal test in this study also found that the risk variable had an effect on financial distress with a p value of 0.006 which was smaller than the significance level of 0.05 where (0.006 < 0.05) means that hypothesis 3 (H3) was accepted, proving that the relationship between risk and financial distress in the millennial generation in the city of Bekasi. The results of this internal test were also carried out on the locus of control variable on financial distress with a p value of 0.002 which is smaller than the significance level of 0.05 where (0.002 < 0.05) means that hypothesis 4 (H4) is accepted, proving that the relationship between locus of control on financial distress in the millennial generation in the city of Bekasi.

Discussion

Based on the results of the hypothesis test, it can be concluded that the hypothesis (H1) is accepted, where financial literacy influences financial distress. This research is in line with research (Awallia & Dewi, 2019) which states that there is a positive influence between financial literacy and financial distress, in other words if the financial literacy variable increases then the financial distress variable also increases. The millennial generation who have good financial literacy make excessive use of it. Because they tend to spend funds on investment, save and choose insurance now to enjoy future profits even though they risk experiencing financial distress.

Based on the results of the hypothesis test, it can be concluded that hypothesis (H2) is accepted where religiosity influences financial distress. This research is in line with research (Lajuni et al., 2018). This research states that there is an influence between religiosity and financial distress. There is doubt that there is a substantial relationship between overcoming financial stress and religiosity (Onyima & Ojiagu, 2017). The millennial generation has a high level of trust and confidence, this is because the millennial generation has entered a mature age, not an unstable age or teenagers anymore. Therefore they are not easily influenced by other people. Especially in the context of religion, some millennials already have strong beliefs in these beliefs. So that individual behavior will be in line with the individual's religious beliefs.

Based on the results of the hypothesis test, H3 is accepted, that there is a significant positive influence between risk on financial distress through financial behavior in the millennial generation in the city of Bekasi. Research conducted by Keller & Siegrist (2006) explains that risk has an influence on their actual financial behavior, which is ultimately related to their current financial well-being. Differences in individual risk-taking behavior will lead to different financial behavior, such as different investment decisions (Grable et al., 2008). This will result in different levels of satisfaction or dissatisfaction with their financial situation. Financial satisfaction is a component of financial well-being and the opposite of financial distress.

The hypothesis test that has been carried out for H4 is accepted, because there is a significant influence between locus of control on financial distress through financial behavior in the millennial generation in the city of Bekasi. For the millennial generation, it is very important to understand what most people go through in their lives to effectively 'cope' with all the stresses of modern life that sometimes lead to poor financial behavior (Ahmad, 2020). This will ultimately empower them to move towards greater financial well-being.

CONCLUSION

Based on the results of research analysis and discussion on the influence of financial literacy, religion, risk and locus of control on financial distress in the millennial generation in the city of Bekasi, the following conclusions can be drawn:

1. Based on the results of the first research hypothesis (H1), the financial literacy variable is accepted, so it can be interpreted that financial literacy has a significant effect on financial distress in the millennial generation in the city of Bekasi.
2. Based on the results of the second research hypothesis (H2), the religious variable is accepted, so it can be interpreted that religion has a significant effect on financial distress in the millennial generation in the city of Bekasi.
3. Based on the results of the third research hypothesis (H3), the risk variable is accepted, so it can be interpreted that risk has a significant influence on financial distress in the millennial generation in the city of Bekasi.
4. Based on the results of the fourth research hypothesis (H4), the locus of control variable is accepted, so it can be interpreted that locus of control has a significant influence on financial distress in the millennial generation in the city of Bekasi.

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