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## The Influence of Financial Literacy, Lifestyle, Income and Locus of Control on Financial Behaviour of The Millennial Generation (Case Studies on Millennial Generation of Master of Management Students at Mercu Buana University)

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**Abstract:** In summary, this study examines how lifestyle, income, locus of control, and financial literacy affect financial behavior in a case study of Mercu Buana University's millennial Master of Management students. With a sample size of 120, the study's population consisted of 441 Mercu Buana University Master of Management students. Descriptive analysis and Structural Equation Model Partial Least Square (SEM-PLS) are used in the data analysis procedure. According to the study's findings, financial behavior is positively and significantly impacted by financial literacy, positively and significantly impacted by lifestyle, positively and significantly impacted by income, and positively and significantly impacted by locus of control.

**Keywords:** Financial Literacy, Lifestyle, Income, Locus of control, Financial Behavior, Millennial Generation

### INTRODUCTION

Millennials, currently the dominant generation, exhibit unique behavioral characteristics due to the conveniences offered by technology, which in turn fosters more consumptive tendencies. According to data from the IDN Research Institute (2019), 51.1% of millennial income is spent on monthly necessities, while only 10.7% is successfully saved. Spending on social activities such as zakat, charity, or donations is minimal. Furthermore, their interest in investment remains low—at just 2.0%—despite having a relatively good understanding of future financial risks. In a follow-up report published by the IDN Research Institute in 2022, the debt-to-expenditure ratio among Indonesian millennials ranged between 4% and 39% of total spending. Expenditures on items such as snacks and entertainment accounted for as much as 31% of their monthly expenses. Alarmingly, 41% of millennials reported having no interest in investing. This is concerning, as a lack of investment—particularly in retirement planning—suggests that millennials may have to continue working past retirement age or rely on their descendants for financial support.

These findings suggest that the financial challenges faced by younger generations are more complex than those encountered by their predecessors. If left unaddressed, this situation could pose a long-term financial burden on millennials. Additionally, Indonesian millennials tend to exhibit poor financial management and a highly consumptive lifestyle. Based on the aforementioned data, it is evident that financial behavior among millennials presents significant concerns.

Financial literacy significantly influences individual financial behavior, as such behavior is shaped by one's financial knowledge (Puspita & Isnalita, 2019). The Financial Services Authority of Indonesia (OJK) reported that the national financial literacy index reached 49.68% in 2022 (OJK, 2022). Although this indicates progress compared to previous years, the figure remains relatively low. This situation is concerning, given that financial literacy is crucial in helping individuals avoid poor financial management. People are often confronted with trade-offs—circumstances where they must choose between competing interests—especially when making financial decisions.

In addition to financial literacy, lifestyle significantly influences how individuals manage their finances (Cahyasari, 2019). Lifestyle shapes a person's needs, wants, and behaviors, including spending behavior. It is a function of individual traits shaped through environmental interactions. For instance, a previously frugal person may adopt extravagant spending habits when frequently associating with spendthrift peers. Thus, lifestyle influences purchasing behavior, which in turn affects many individual consumption decisions.

Furthermore, income levels also influence financial behavior. Individuals with disposable income are more likely to demonstrate responsible financial management, as such income provides opportunities to act more prudently (Gunadi & Dara, 2022). Income affords individuals the ability to act effectively and responsibly regarding their finances (Nurlelasari, 2022). Higher income typically correlates with more responsible financial behavior and the achievement of financial goals. However, regardless of income level, without proper financial management, achieving financial security remains difficult.

One psychological factor that also plays a significant role in shaping financial behavior is *locus of control*, a concept introduced by Rotter in 1966 within the framework of social learning theory (Kusnandar & Rinandiyana, 2019). *Locus of control* refers to how individuals perceive events and whether they believe they can control the outcomes—this includes financial decisions such as spending. According to Mutlu and Ozer (2022) When it comes to financial behavior, a person's locus of control is crucial. People are more likely to manage their money wisely and spend only what they need when they have a strong internal locus of control. Therefore, a person's money management behavior tends to be better the stronger their internal locus of control.

This study uses a case study of graduate students in Universitas Mercu Buana's Master of Management program to investigate how financial knowledge, lifestyle, income, and locus of control affect millennials' financial behavior.

## METHOD

### Research Design

“This study adopts a quantitative approach, as the data are numerical and analyzed using statistical techniques”. The research design is causal in nature, “aiming to investigate the effect of independent variables (X) on the dependent variable (Y)”.

### Definition and Operationalization of Variables

The independent variables in this research consist of “financial literacy (X1), lifestyle (X2), income (X3), and locus of control (X4)”. The dependent variable is financial behavior (Y). The operational definitions of each variable are detailed in the following tables:

**Table 1. Operationalization of Independent Variables (X)**

Variable	Dimension	Indicator	Scale
Financial Literacy (Noviani, 2021)	General knowledge of personal finance	Knowledge of personal financial planning	Likert
		Knowledge of income and expenses	Likert
	General knowledge of savings and loans	Understanding of savings	Likert
	General knowledge of insurance	Knowledge of loans	Likert
		Knowledge of insurance	Likert
Lifestyle (Kusnandar & Kurniawan, 2020)	Knowledge of investments	Knowledge of health insurance	Likert
		Understanding of long-term investment	Likert
	Activities	Knowledge of investment risks	Likert
		Daily activities	Likert
Income (Maldani, 2020)	Interests	Life priorities	Likert
		Hobbies	Likert
	Opinions	Views on economic issues	Likert
		Salary	Likert
		Bonuses and incentives	Likert
Locus of Control (Akib & Jasman, 2020)	Sources of income	Additional income	Likert
		Investment returns	Likert
	Internal locus of control	Ability	Likert
	Interest	Interest	Likert
		Effort	Likert
	External locus of control	Influence of others	Likert
		Fate	Likert
		Luck	Likert

**Table 2. Operationalization of Dependent Variable (Y)**

Variable	Dimension	Indicator	Scale
Financial Behavior (Wiranti, 2021)	Managing money	Paying bills on time	Likert
		Creating a spending and shopping budget	Likert
	Controlling money	Recording expenses	Likert
		Comparing prices across stores	Likert
	Saving money	Saving periodically	Likert
		Setting aside emergency funds	Likert

Source: Processed by the author, 2024

## Sample

“The sample in this study was determined based on specific strata within the population, namely students aged between 29 and 39 years who have a regular monthly income”. The sample size was calculated using “the Slovin formula”, resulting in a total of 120 respondents, which exceeds the minimum threshold required for statistical validity.

## Data Collection Method

“This study employed both primary and secondary data sources”. Primary data were collected directly from “respondents through surveys, interviews, or experiments”. In this case, data were gathered using a structured questionnaire distributed via “Google Forms”, with responses measured on a Likert scale. Secondary data were used to support and contextualize the findings.

## Data Analysis Method

Hypothesis testing was carried out using “Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach”. PLS is a variance-based SEM technique that is particularly suitable for predictive modeling and complex causal analysis. SEM, in general, enables the simultaneous examination of multiple relationships between latent constructs.

## RESULTS AND DISCUSSION

### Descriptive Analysis of Respondents

The characteristics of respondents in this study are divided into three categories: gender, age, and income. The research involved 120 Master of Management students from Universitas Mercu Buana. The respondent characteristics are presented in the following table:

**Table 3. Characteristics of Respondents**

No	Indicator	Description	Frequency (People)	Percentage (%)
1	Gender	Male	63	52.50%
		Female	57	47.50%
	<b>Total</b>		120	100%
2	Age	29–31 years	28	23.53%
		32–34 years	37	31.09%
		34–36 years	21	17.65%
		37–39 years	33	27.73%
	<b>Total</b>		120	100%
3	Income	< 1,500,000	9	7.50%
		1,500,000 – 2,500,000	12	10.00%
		2,500,000 – 3,500,000	24	20.00%
		> 3,500,000	75	62.50%
	<b>Total</b>		120	100%

Based on Table 3, the gender distribution shows that 52.50% (63 people) of the respondents are male and 47.50% (57 people) are female. This indicates a relatively balanced gender distribution. In terms of age, respondents are grouped into four categories: 23.53% are aged 29–31, 31.09% aged 32–34, 17.65% aged 34–36, and 27.73% aged 37–39, reflecting a fairly even age distribution. Regarding income, 7.5% earn less than 1,500,000; 10% earn between 1,500,000 and 2,500,000; 20% earn between 2,500,000 and 3,500,000; and the majority, 62.5%, earn more than 3,500,000, indicating most respondents belong to the high-income group.

### Structural Equation Modeling (SEM) Analysis

#### Measurement Model Testing (Outer Model)

##### Convergent Validity

“Convergent validity tests the extent to which each indicator correlates strongly with its corresponding latent variable”. This is determined by the outer loading value, which should be > 0.7, and the Average Variance Extracted (AVE), which should be > 0.5.

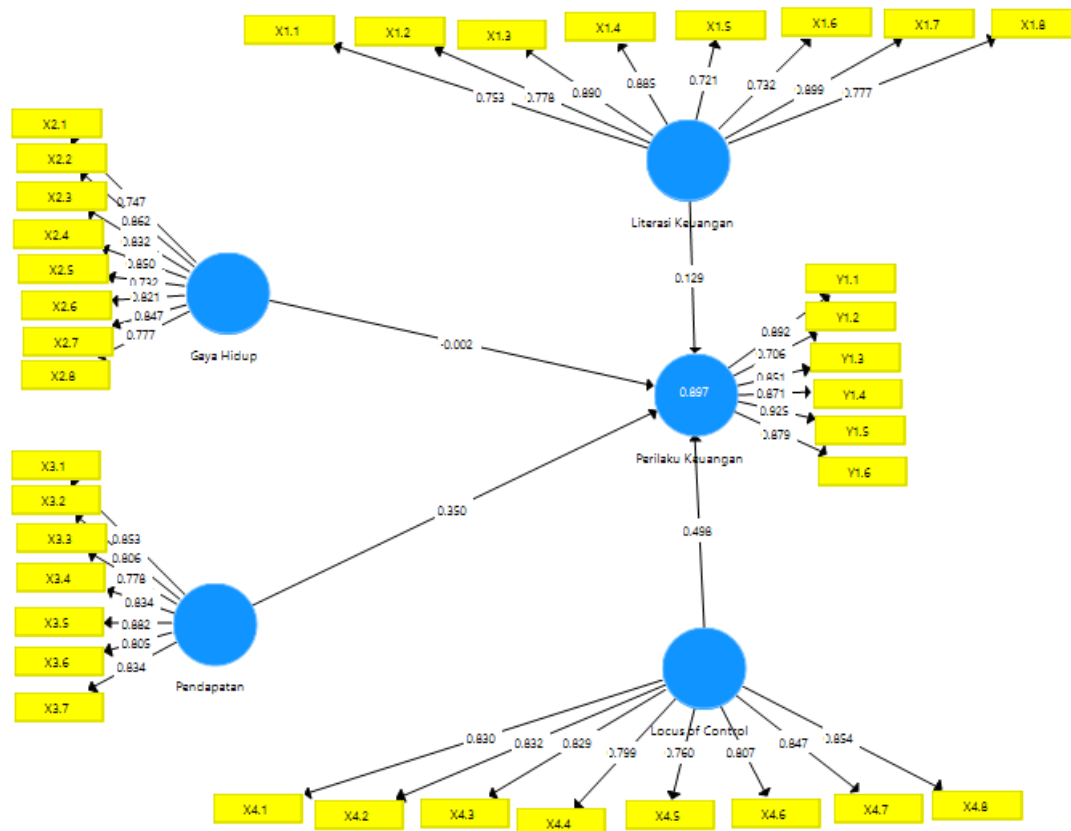


Figure 1. Initial Outer Model

Table 4. Convergent Validity Test Results

Variable	Outer Loading	AVE	Information
Financial Literacy			
X1.1	0,753	0,656	Valid
X1.2	0,778		Valid
X1.3	0,890		Valid
X1.4	0,885		Valid
X1.5	0,721		Valid
X1.6	0,732		Valid
X1.7	0,899		Valid
X1.8	0,777		Valid
Lifestyle			
X2.1	0,747	0.652	Valid
X2.2	0,862		Valid
X2.3	0,832		Valid
X2.4	0,850		Valid
X2.5	0,732		Valid
X2.6	0,821		Valid
X2.7	0,847		Valid
X2.8	0,777		Valid
Income			
X3.1	0,853	0.673	Valid
X3.2	0,806		Valid
X3.3	0,778		Valid
X3.4	0,834		Valid
X3.5	0,882		Valid
X3.6	0,805		Valid
X3.7	0,834		Valid
Locus of Control			
X4.1	0,830	0.686	Valid
X4.2	0,832		Valid
X4.3	0,829		Valid
X4.4	0,799		Valid
X4.5	0,760		Valid
X4.6	0,807		Valid
X4.7	0,847		Valid
X4.8	0,854		Valid
Financial Behavior			
Y1.1	0,892	0.734	Valid
Y1.2	0,706		Valid
Y1.3	0,851		Valid
Y1.4	0,871		Valid
Y1.5	0,925		Valid
Y1.6	0,879		Valid

Source: Processed Data Using SEM PLS 3.0

All indicators demonstrated outer loadings greater than 0,70 and Average Variance Extracted (AVE) values exceeding 0,50 for all constructs, including Financial Literacy, Lifestyle, Income, Locus of Control, and Financial Behavior”. These findings confirm that all indicators are valid and satisfy the requirements for convergent validity.

### Discriminant Validity

“After establishing convergent validity, discriminant validity was assessed using both Cross Loadings and the Fornell-Larcker Criterion”. “Discriminant validity is confirmed when the square root of the AVE for each construct is greater than its correlations with other constructs, indicating that each construct is distinct from the others”.

**Table 5. Discriminant Validity – Cross Loading**

	Financial Literacy	Locus of Control	Lifestyle	Income	Financial Behavior
X1.1	<b>0,753</b>	0,611	0,598	0,613	0,579
X1.2	<b>0,778</b>	0,646	0,645	0,646	0,646
X1.3	<b>0,890</b>	0,810	0,814	0,805	0,813
X1.4	<b>0,885</b>	0,812	0,825	0,819	0,843
X1.5	<b>0,721</b>	0,635	0,747	0,688	0,613
X1.6	<b>0,732</b>	0,690	0,745	0,669	0,633
X1.7	<b>0,899</b>	0,826	0,852	0,806	0,812
X1.8	<b>0,777</b>	0,696	0,683	0,721	0,725
X2.1	0,701	<b>0,740</b>	0,747	0,704	0,714
X2.2	0,808	<b>0,828</b>	0,862	0,824	0,849
X2.3	0,844	<b>0,759</b>	0,832	0,749	0,741
X2.4	0,781	<b>0,783</b>	0,850	0,803	0,812
X2.5	0,648	<b>0,635</b>	0,732	0,649	0,588
X2.6	0,733	<b>0,678</b>	0,821	0,713	0,656
X2.7	0,734	<b>0,752</b>	0,847	0,745	0,708
X2.8	0,683	<b>0,715</b>	0,777	0,721	0,661
X3.1	0,785	0,824	<b>0,798</b>	0,853	0,878
X3.2	0,727	0,736	<b>0,815</b>	0,806	0,738
X3.3	0,706	0,702	<b>0,770</b>	0,778	0,726
X3.4	0,763	0,752	<b>0,750</b>	0,834	0,757
X3.5	0,748	0,771	<b>0,736</b>	0,882	0,758
X3.6	0,767	0,688	<b>0,685</b>	0,805	0,681
X3.7	0,710	0,777	<b>0,748</b>	0,834	0,750
X4.1	0,789	0,830	0,759	<b>0,820</b>	0,824
X4.2	0,710	0,832	0,789	<b>0,768</b>	0,743
X4.3	0,790	0,829	0,837	<b>0,843</b>	0,816
X4.4	0,733	0,799	0,797	<b>0,766</b>	0,754
X4.5	0,649	0,760	0,616	<b>0,598</b>	0,645
X4.6	0,677	0,807	0,680	<b>0,685</b>	0,718
X4.7	0,723	0,847	0,722	<b>0,703</b>	0,752
X4.8	0,771	0,854	0,773	<b>0,747</b>	0,821
Y1.1	0,822	0,849	0,861	0,883	<b>0,892</b>
Y1.2	0,647	0,678	0,604	0,659	<b>0,706</b>
Y1.3	0,738	0,768	0,760	0,737	<b>0,851</b>
Y1.4	0,765	0,802	0,780	0,793	<b>0,871</b>
Y1.5	0,806	0,864	0,808	0,826	<b>0,925</b>
Y1.6	0,768	0,802	0,751	0,797	<b>0,879</b>

All indicators load higher on their respective constructs than on others. This confirms that each indicator distinctly measures its own construct, meeting discriminant validity requirements.

**Table 6. Discriminant Validity – Fornell-Larcker Criterion**

	Financial Literacy	Lifestyle	Income	Locus of Control	Financial Behavior
<b>Financial Literacy</b>	<b>0.810</b>				
<b>Lifestyle</b>	0.920	<b>0.807</b>			
<b>Income</b>	0.916	0.899	<b>0.909</b>		
<b>Locus of Control</b>	0.914	0.893	0.820	<b>0.828</b>	
<b>Financial Behavior</b>	0.892	0.887	0.930	0.917	<b>0.857</b>

Source: Processed Data

## Reliability Testing

Instrument reliability is assessed using Cronbach's Alpha **and** Composite Reliability. A value above 0.7 indicates good reliability. These results indicate that all variables are reliable for measurement

**Table 7. Reliability Test Results**

Variable	Cronbach's Alpha	Composite Reliability	Remark
Financial Literacy	0.925	0.938	Reliable
Lifestyle	0.923	0.937	Reliable
Income	0.930	0.943	Reliable
Locus of Control	0.923	0.938	Reliable
Financial Behavior	0.926	0.943	Reliable

Source: Processed Data

## Structural Model Testing (Inner Model)

The inner model evaluates the relationships between latent constructs using the “Coefficient of Determination ( $R^2$ ) and Path Coefficients”.

## Coefficient of Determination ( $R^2$ )

**Table 8. Coefficient of Determination**

Variable	$R^2$	Adjusted $R^2$
Financial Behavior	0.897	0.894

Source: Processed Data

“An  $R^2$  value of 0,897 means that 89,7% of the variance in Financial Behavior is explained by Financial Literacy (X1), Lifestyle (X2), Income (X3), and Locus of Control (X4)”.

## Path Coefficient Testing

Hypothesis testing is based on the values of T-statistics ( $> 1.96$ ) and P-values ( $< 0.05$ ) at a 5% significance level using a two-tailed test.

**Table 9 Path Coefficient Results**

Path	Original Sample (O)	T Statistics	P Values	Remark
Financial Literacy → Financial Behavior	0.498	3.819	0.000	Positive, Significant
Lifestyle → Financial Behavior	0.393	4.192	0.001	Positive, Significant
Income → Financial Behavior	0.350	3.306	0.001	Positive, Significant
Locus of Control → Financial Behavior	0.498	5.105	0.000	Positive, Significant

Source: Processed Data

Based on table 9, it can be concluded as follows:

- Hypothesis 1:** “The influence of financial literacy on financial behavior The T-statistic (3,819) exceeds the T-table value (1,96), and the p-value (0,000) is less than 0,05, these results indicate a positive and significant effect of financial literacy on financial behavior”.
- Hypothesis 2:** “The influence of lifestyle on financial behavior The T-statistic (4,192) is greater than the T-table value (1,96), and the p-value (0,001) is



below 0,05, this confirms a positive and significant influence of lifestyle on financial behavior”.

3. **Hypothesis 3:** “The influence of income on financial behavior With a T-statistic of 3,306 (greater than 1,96) and a p-value of 0,001 (less than 0,05), income is shown to have a positive and significant effect on financial behavior”.
4. **Hypothesis 4:** “The influence of locus of control on financial behavior The T-statistic (5,105) exceeds the T-table value (1,96), and the p-value (0,000) is below 0,05, indicating a positive and significant impact of locus of control on financial behavior”.

## CONCLUSION

Based on the analysis results, it can be concluded that financial literacy, lifestyle, income, and locus of control each have a positive and significant influence on financial behavior among Master of Management students at Universitas Mercu Buana. Financial literacy contributes to better decision-making and financial management, while lifestyle directly shapes spending and saving habits. Income plays a crucial role, as higher earnings tend to promote more stable financial behavior. Additionally, a strong internal locus of control supports responsible financial practices, indicating that individuals who believe they have control over their financial outcomes tend to manage their finances more effectively. In light of these findings, it is recommended that the university enhance financial education through seminars, guest lectures, and workshops focusing on topics such as financial literacy, self-discipline, saving, investing, and resisting consumerism. Students should also take initiative to deepen their financial knowledge by actively seeking information from both online and offline sources regarding financial planning and products. Future research is encouraged to broaden the study's scope by involving different populations, introducing mediating variables, increasing sample sizes, or incorporating additional independent variables to achieve more comprehensive and generalizable insights.

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