

THE INFLUENCE OF DIGITAL FINANCIAL LITERACY ON FINANCIAL WELL-BEING WITH FINANCIAL BEHAVIOR AS A MODERATION VARIABLE: COMMUNITIES IN WEST SUMATRA

Amalda Aulia¹, Rita Rahayu², Asniati Bahari³

Faculty Of Economics and Business, Universitas Andalas

ARTICLE INFO

Article history:

Received: December 26th, 2022

Revised: February, 20th, 2023

Accepted: May 19th, 2023

Keywords:

Digital Financial Literacy

Financial well-being

Financial Behavior

Correspondence:

Amalda Aulia

amaldaauliaa@gmail.com

Rita Rahayu

ritarahayu@eb.unand.ac.id

Asniati Bahari

asniati@eb.unand.ac.id

ABSTRACT

This study aims to determine the relationship between digital financial literacy and financial well-being, and financial behavior moderates the relationship between the two. Digital financial literacy is a combined concept between financial literacy and digital aspects. Financial well-being is considered a benchmark or a person's level of satisfaction with his financial status, which can be seen from the amount and quantity. In this case, the limitation is that the data used in the research is limited to respondents from West Sumatra region only. The data obtained were 215 respondents spread throughout the West Sumatra region. Data collection uses a questionnaire distributed via Google Forms on several social media applications. The approach in this study is quantitative, and the design of this study is hypothesis testing which aims to examine the effect of each variable. The study results show a significant influence between digital financial literacy and financial well-being, and financial behavior significantly moderates the relationship between digital financial literacy and the financial well-being of people in West Sumatra. For future research recommendations, it is suggested to expand data collection to areas with larger populations, or even broader by adding respondents from other regions. Additionally, it is recommended to make the question indicators more specific.

How to cite (APA Style):

Aulia, Amalda (2023). The Influence Of Digital Financial Literacy On Financial Well-Being With Financial Behavior As A Moderation Variable: Communities In West Sumatra . Jurnal Akuntansi 141-149

INTRODUCTION

A person must have a good financial understanding, so they must understand more about financial products and services. understanding Anyone with a source of income generally wants to be in good financial standing. Nowadays, the subject of financial literacy is very appealing. Everyone aspires to have a sound financial situation today and keep it that way in the future. Financial literacy, however, is insufficient to shield society from financial goods and services. Every aspect of life, including financial aspects, has been digitalized as a result of the emergence of an era focused on technological development. Technology is combined with a financial product or service to create financial technology (Fintech), which eventually develops into a traditional-to-online business model. They carry a certain amount of cash and make their initial payment in person. Now, transactions can be finished remotely (Winarto, 2020).

The OJK lists several potential risks associated with fintech and its advantages, including cybercrime, non-payment, money laundering, and terrorism. Regrettably, the number of cases involving fintech firms has increased. Between 2019 and 2021, OJK collected 19,711 complaints against authorized P2P lending and illegal online lending service providers. Up to 47.03% of the cases involved heavy commanders, and the remaining 10,441 involved light violations. Disbursement of funds or loans without the applicant's consent, threats to reveal personal information, claims of terror or intimidation in all phone contacts, and accusations of abusive language and sexual harassment ranked as the top four complaints that appeared most frequently in the report. According to the most recent data, there will only be 104 licensed fintech lending companies registered with OJK as of October 15, 2021. This information suggests that several fintech lending businesses are already up and running, with some still awaiting approval.

Unfortunately, only a small number of those with close ties to the company have been identified among the numerous individuals who still need to be investigated legally.

Several factors, including the requirement for greater public comprehension of the use of digital platforms to manage and make financial decisions, influenced the context of this study. Prior research has mainly concentrated on financial literacy. In the modern world, everything is connected to digital media. To live peacefully, humans must respect the passage of time. The exciting thing about digital financial literacy is that it can directly impart information about online shopping, various online payment methods, and the online banking system (Prasad et al., 2018).

Digital financial literacy is necessary to prevent fintech crimes in the modern era, as financial literacy alone is insufficient to create a society free from fintech crimes. By educating the public about digital finance, more people will become capable of managing their own finances wisely and avoiding the dangers and drawbacks of financial technology.

Finding out what influences financial literacy is interesting to discuss, especially considering Indonesia's growing use of digital finance. According to the Indonesian National Strategy for Financial Literacy, several principles can act as benchmarks for economic growth by encouraging digital financial services, including Digital Strength and Financial Literacy and Awareness. According to the previous statement, digital financial literacy can be one of the key elements supporting a nation's economic development and prosperity. (OJK, 2017)

With the evidence of the events above, it can be concluded that whether a person is financially prosperous depends on the strength or weakness of their behavior or literacy toward digital finance. As a result, researchers are interested in examining the relationship between digital financial literacy and financial well-being using financial behavior as the indicator to be raised. The moderating variables are saving and spending behavior in the West Sumatra millennial generation.

THEORETICAL FRAMEWORK AND HYPOTHESES

Perceived Behavioral Control Theory

Perceived behavioral control theory explains that a person's commitment to taking action signals them to behave. It is the same as managing finances; with the intention or intention that is already in a person, then they can make good financial decisions. (Ajzen 2011)

The TPB theory was developed again in 2020, where several supporting things can explain the TPB theory more broadly to predict changes in behavior. Furthermore, it is also said that the development of this theory has resulted in much research using it, even by linking it to the use of technology. (Ajzen 2020)

Based on the elaboration of some of the previous studies above, it can be concluded that the TPB theory has become a very appropriate theory to use to measure a person's behavior, and the previous research above is proof that the TPB theory can be used to underlie research.

The concepts and definitions of financial literacy and digital literacy formed the basis for the creation of digital financial literacy. DFL is characterized as a synthesis of FL and DL, as well as fundamental financial literacy and numerical abilities (Lyons & Kass-Hanna, 2021). Until now, no theory underlies digital financial literacy. However, some studies have tried to use four measurement dimensions to explain this digital financial literacy. According to Morgan et al., (2019), there are four components that make up the idea of digital financial literacy: knowledge of consumer rights and compensation processes, understanding of digital financial products and services, awareness of the risks associated with those products and services, and knowledge of digital financial risk control (Morgan, Huang, and Trinh 2019).

Digital Financial Literacy and Financial Well-being

A person with good financial literacy is considered capable of managing and planning his finances well, which positively impacts a person's level of well-being. This is evidenced by

previous studies linking financial literacy with a number of matters related to financial well-being. Financial Well-being provides various benefits, including being able to work well without having to worry about retirement in the future, having good mental health, and providing a sense of security and comfort to individuals or families who have prepared it. (Niu et al., 2020). Someone with good financial literacy is considered capable of managing and planning finances well, which will impact good financial well-being. From this, a person's level of financial literacy will determine how well-prepared they are for the future.

Although prior research did not demonstrate a connection between digital financial literacy and financial well-being, it is still relevant. It can be used as a reference for this research because digital financial literacy has the same concept as ordinary financial literacy but is based digitally. As a result, the following is a hypothesis that is based on the assumption that digital financial literacy affects financial well-being:

H1: Digital financial literacy has a positive and significant effect on the financial well-being of the Millennial Generation in West Sumatra.

Financial Behavior and Financial Well-being

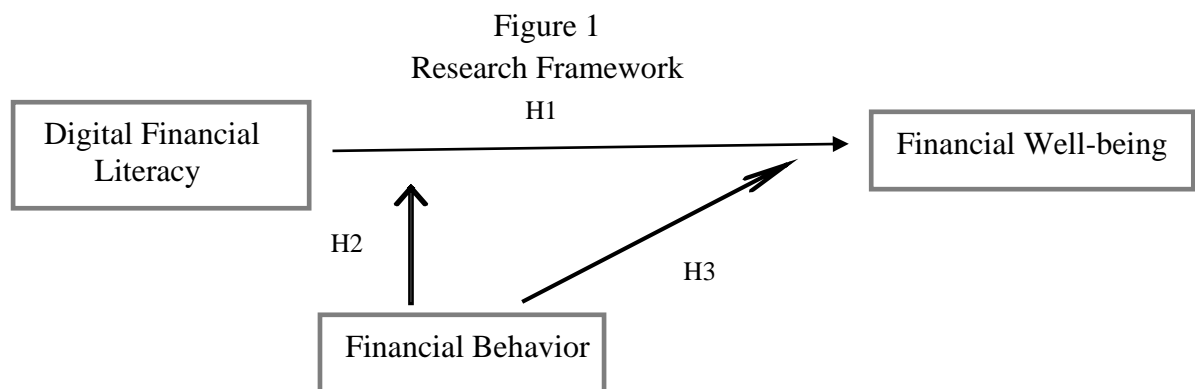
In financial well-being, knowledge of finance is a significant component. This also forms a perception that strengthens each individual to direct the individual to have awareness in having financial behavior and is an important component in forming financial well-being. (Wahyudi et.al, 2017). The following are the results of earlier studies on the relationship between financial behavior and financial well-being: According to Arlinda (2022), financial behavior has a significant and positive impact that can mediate financial well-being. Aside from loan approval, research by Chavali et.al (2021) demonstrated that all other financial behaviors, including future orientation, saving and investing credit discipline, and financial awareness, significantly impact a person's financial well-being. The following hypothesis is therefore made, presuming that financial actions have a significant impact on the financial position:

H2: Saving Behavior has a significant influence on the financial well-being of people in West Sumatra.

A person with good financial literacy is considered capable of managing and planning his finances well, which has a good impact on a person's level of well-being. This is evidenced by previous research linking Financial Literacy with Financial well-being. This is supported by the claim made by Strömbäck et al. (2017) that one of the key factors influencing financial behavior and well-being is self-control. Financial literacy and financial well-being have a positive relationship, according to research by (Kamakia, Mwangi, and Mwangi 2017), but other factors like financial decisions and demographics still have an impact. According to Kamakia's research, people who are financially literate have better financial outcomes because they have more behavioral control over their finances. Adam et al., (2017) also stated that to achieve financial well-being, financial literacy is needed. Thus it is suspected that spending behavior also influences digital financial literacy, so the hypothesis is as follows:

H3: Significant financial Behavior as a moderator of the relationship between digital financial literacy and financial well-being in people in West Sumatra

Based on the hypothesis above, the research framework is presented as follows:



Source: Data processed by researchers (2022)

RESEARCH METHODS

According to BPS West Sumatra data for 2021, there are 5.53 million people in the population used in this study, which includes everyone in West Sumatra. The entire population of West Sumatra, which reaches 5.53 million people, consists of various groups, ranging from infants, children, and productive age, to the elderly. Out of the total population of 5.53 million people in W Sumatra, 68.65% were of productive age from the same source. The total population in this study was 3,796,345 people. This study used a quantitative method by collecting online questionnaire-based survey data conducted for a month from July 2022 to August 2022. The collected data were processed using the SPSS and Smart-PLS applications. This research belongs to the explanatory quantitative analysis with the survey method.

Research Variable

Several previous studies have tried to identify the factors that influence the level of digital financial literacy. Some of them found that socio-demographic factors such as gender, age, area of residence, education level, marital status, educational background, income level were factors that influenced the level of financial literacy (Setiawan et al., 2020). The measurement for the social-economic factor variable in this study is a question of the characteristics of the respondents. Each question indicator on this variable is given a different answer choice. The age indicator is given a choice of 4 age categories consisting of young (15-24 years), early worker (25-34 years), middle-age (35-44 years), and pre-retired and retired (45-63 years). Educational background indicators are given a choice of answers consisting of the respondent's education level, consisting of up to junior high school, senior high school, diploma (I, II, and III), Bachelor (S1)/Diploma IV, Postgraduate (S2), Doctor (S3), and others. The income indicator is the respondent's income or for those who have not worked it can also be an allowance from parents, this indicator is grouped into several categories, these are 10 million.

Table 1.
Variable Summary and Operational Definition

Variable	Definition	Dimention	Indicators and measurement
Digital Financial Literacy (Exogeneous Variable)	Digital financial literacy is defined as a combination of financial and digital literacy, including basic financial knowledge and basic digital skills.	(1) 5 questions which are knowledge of digital financial products and services (2) 2 questions are experience in using digital financial products and services (3) 1 question is awareness of digital financial risk, and 2 (4) 3 questions are skills in control and managing assets	Setiawan et al.,2020, Prasad et al., 2018 and Morgan et al. al., 2019 (11questions indicator)
Financial Well-being (Endogenous Variable)	financial well-being is defined as an abstract concept used to explain the financial situation of individuals or families.	(1) 4 questions for the category that represent a person's level of financial feeling a (2) 3 question indicators for the category rthat eprents a person's reaction to their current state of financial well-being.	Prawitz, 2006 (7questions indicator)
Financial Behavior	Sejauh mana seseorang menganut agamanya keyakinan, nilai dan praktik yang diwujudkan dalam kehidupan	(1) 9 questions for knowledge about saving Behavior (2) 6 questions for knowledge about shopping behavior	Setiawan et al., 2020 (15 questions indicator)

Source: Data processed by researchers (2022)

Table 2.
Number of Research Questionnaires

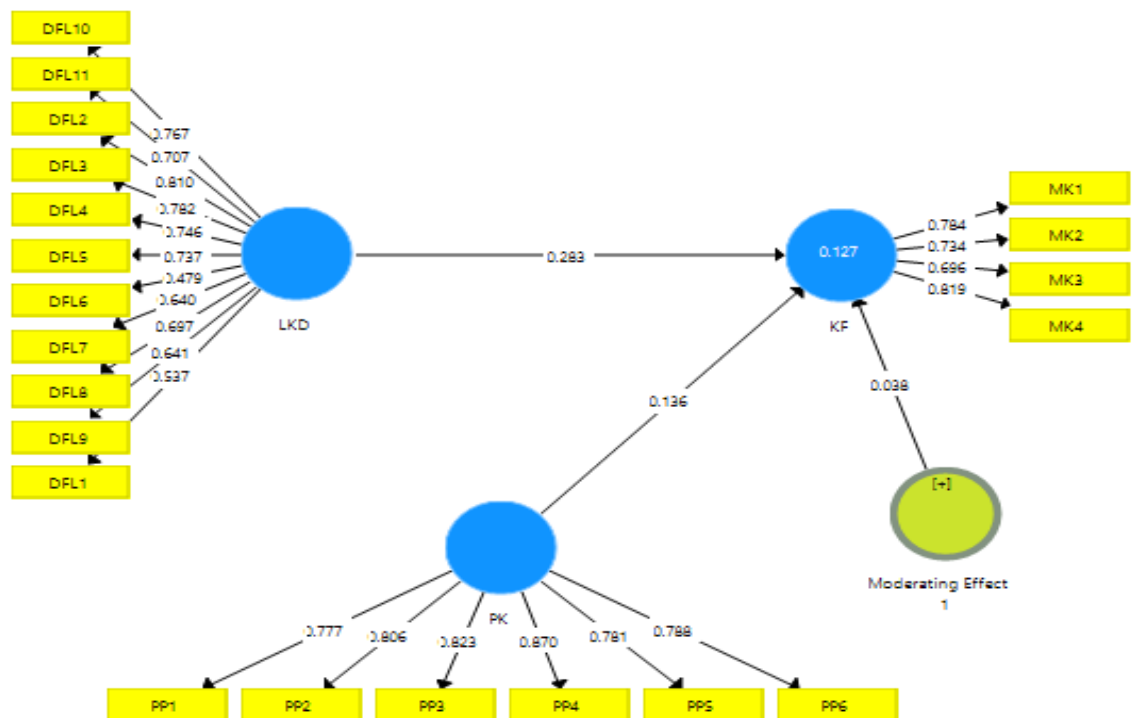
Description	Total Questionnaires
Accepted questioners	215
Invalid questioners	0
Valid and can use questionnaires	215

Source: Data processed by researchers (2022)

RESULTS AND DISCUSSION

Results of the significant test and model test for the inner model construct:

Figure 2
 Inner Model Construct



Source: Data processed by researchers (2022)

The inner model construction's test results image demonstrates that the dimension significantly affects the variables. Based on Figure 1, it can be seen that all of indicators have values above 0.5. This explains that indicator items whose values are below 0.5 are not appropriate to be used to measure variables. The indicator items with a value below 0.5 are not valid and removed from the analysis. After deleting and discarding the indicator items below 0.5, then the calculation is carried out again, the results show that all measurement items used are valid with a loading value > 0.5 .

Table 3
Validity and Reliability Test

Variable	Indicators	Loading Factors>0.4	Composite Reliability	CronbachAlpha >0.6	AVE>0.5
Digital financial literacy	DFL1	0.537	0.909	0.889	0.522
	DFL2	0.810			
	DFL3	0.782			
	DFL4	0.746			
	DFL5	0.737			
	DFL6	0.479			
	DFL7	0.640			
	DFL8	0.697			
	DFL9	0.641			
	DFL10	0.767			
	DFL11	0.707			
Moderating Effect			1.000	1.000	1.000
Financial Well-being	FW1	0.784	0.845	0.755	0.577
	FW2	0.734			
	FW3	0.696			
	FW4	0.819			
Financial Behavior	FB1	0.777	0.918	0.894	0.653
	FB2	0.806			
	FB3	0.823			
	FB4	0.870			
	FB5	0.781			
	FB6	0.788			

Source: Data processed by researchers (2022)

The validity and reliability testing requirements are all satisfied, as shown in Table 3. To test convergent validation, apart from looking at the value of the loading factor, information on the AVE value is needed. AVE is declared valid if $AVE > 0.5$ or above. All AVEs in this study are greater than 0.5 with each, Digital Financial Literacy (0.522), Financial Wellbeing (0.577), financial behavior (0.653), and moderating effect (1.000). In addition, the overall Composite Reliability obtained a value of > 0.7 . It can be concluded all variables are declared reliable. Based on testing by Cronbach's alpha, a good value is > 0.7 , but a reliable Cronbach's alpha ranges from 0.6-0.8 and is very reliable at 0.8-1.00. In the research obtained, it can be stated that all variables are valid and reliable. The results showed quite good results because in this study showed a value of more than 0.909 (DFL), 0.845 (Financial Wellbeing), and 0.918 (Financial behavior) in the very reliable category. Overall it can be stated that the evaluation of the feasibility of the measurement model (outer model) has been fulfilled, both the convergent validity test and the discriminant validity test.

Table 4
Hypothesis Testing

	Original Sample	T Statistics	P Values
DFL -> Financial Well-being	0.231	6.232	0.000
Financial behavior -> Financial Well-being	0.228	5.661	0.000
Moderating effect -> DFL-FW	0.338	5.096	0.000

Source: Data processed by researchers (2022)

Based on these results, it can be interpreted that the original sample 0.231 which means the positive effect. It indicated that the digital financial literacy has positive effect to financial well-being. On the significance test obtained result P-Value as much as 0.000 and the T-Statistical 6.232. It shown that digital financial literacy variable has significance effect because the value of P-Value <0.005 and the value of T-Statistical >1.96 . Based the result of testing It can be concluded that the **hypothesis 1 is accepted**. Next is financial behavior. The factor shows a positive impact of 2.3% and is marked with a statistic of 5,661 and a p-value of 0.00. Based the result of testing It can be concluded that the **hypothesis 2 is accepted**. For the last point with financial behavior as moderating effect also has significant effect to relationship between digital financial literacy and financial wellbeing, so **hypothesis 3 is accepted**.

The results indicate that there is an influence of understanding digital financial literacy on financial wellbeing in the people of West Sumatra. This is important for designing the financial future of each of the people of West Sumatra, moreover the development of the digital, including finance. It can be concluded, a good level of digital financial literacy is needed to support good financial wellbeing. It is useful to be prepared for the financial future and financial disasters. These results are by several relevant studies such as research from Haque & Zulfiqar (2016); Kamakia et al (2017); and Phetkam et al (2019) which found a positive and significant relationship between digital financial literacy and financial well-being, although in this study there was another influence from other factors (financial behavior and financial attitude). Also several other related studies found the same results but not as strong as other variables such as family support and retirement (A. M. Adam et al, 2017). This topic is also researched by Smithikrai & Phetkham (2019) that financial literacy has a significant direct impact on financial wellbeing although have another direct impact that is self control. Even without the support of other factors that influence DFL on financial wellbeing, the results of this study still prove that there is a significant relationship between digital financial literacy and financial wellbeing.

CONCLUSIONS AND SUGGESTION

The conclusion of the analysis was the hypothesis that digital financial literacy has a positive and significant impact on financial performance. This hypothesis was accepted based on the findings of the entire series of analyses conducted.

The results show how understanding digital financial literacy affects people's financial well-being in West Sumatra. This is important for designing the economic future of each of the people of West Sumatra and digital development, including finance. Maintaining good financial well-being requires a high level of digital financial literacy.

Financial behavior and social welfare have a significant relationship in West Sumatra. The findings of this study suggest that West Sumatran people have the propensity to think that behavior is required to support a healthy economic level.

West Sumatran residents think that to improve their well-being, they must behave appropriately so they can later receive support from a knowledge of digital financial literacy. A provision for good financial health is to be better equipped to handle future financial and financial disasters. This demonstrates strong public awareness of the benefits of digital financial literacy for people's financial well-being.

Due to the shortcomings mentioned earlier, additional research is advised to examine the effects of other socioeconomic factors, such as gender, investment, work experience, educational background, etc., on the digital financial literacy of people in West Sumatra. It is possible to determine whether every factor has the potential to affect how well a society practices digital financial literacy. This can act as the foundation for a thorough and precise search. Furthermore, it would be preferable if future researchers focused on remote regions of West Sumatra that had not been examined in earlier research.

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