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The Effect of Financial Education on the Financial Literacy of the Millennial Generation

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ABSTRACT

This study aims to analyze the influence of financial education on the financial literacy of the millennial generation. Millennials face increasingly complex financial challenges as access to digital financial products and consumptive lifestyles increases. Good financial literacy is needed so that they are able to make wise financial decisions, save, and invest for the future. This study uses a quantitative approach by collecting data through a survey involving 121 millennial respondents who have participated in financial education programs. Data analysis was carried out using SPSS version 25 software and linear regression methods to test the relationship between financial education and financial literacy levels. The results of the study show that financial education has a significant positive influence on millennial financial literacy. These findings underscore the importance of financial education programs in improving the financial understanding of millennials so that they are better prepared to face complex financial decisions. This research is expected to be a reference for policymakers and educational institutions in designing more effective financial literacy programs to support the financial well-being of the millennial generation.

Keywords: *Financial education, financial literacy, millennial generation, SPSS, financial decisions*

INTRODUCTION

Financial education is an important component in realizing a prosperous and financially independent society. In the modern era, people are faced with various choices and challenges in financial management, ranging from the use of credit cards, digital banking services, to investing in new assets such as crypto and stocks. The ability to understand and make good use of financial products is an essential part of financial literacy, which includes not only knowledge but also wise financial attitudes and behaviors (Rai., 2019). In recent decades, the emergence of financial technology (fintech) has changed the way people transact and manage finances. Fintech facilitates access to financial services more easily, such as electronic payments, peer-to-peer lending, and digital investment platforms (Agarwal., 2020). However, this transformation also brings new risks, especially for individuals with low financial literacy. This inability to understand the risks and opportunities of modern financial products can lead to errors in financial decision-making, such as excessive debt or immeasurable investments. A number of studies show that low levels of financial literacy have an impact on consumptive behavior and lack of long-term financial planning. This is especially evident in younger generations, such as millennials and Generation Z, who tend to be affected by the "You Only Live Once" (YOLO) lifestyle trend and often do not have an emergency fund or investment for the future. In Indonesia, this problem is even more crucial because the productive population has a strategic role in economic development (Sijaruddin., 2020). Therefore, increasing financial literacy through structured educationis an urgent need.

Financial education aims to equip individuals with the ability to make rational and informed financial decisions. This includes the ability to create a budget, manage savings, invest, and understand the importance of risk diversification and emergency funds(Hasting et al., 2023)). In addition, financial education also plays a role in reducing the level of financial stress that is often faced by low-income groups or people with limited access to economic resources. The efforts of the government and educational institutions in improving financial literacy are increasingly seen with the initiative to prepare a financial curriculum at the school level to public campaigns. This step is important to reduce the financial literacy gap in society and increase inclusive economic participation (Liu et al., 2021). Through effective financial education, it is hoped that people will not only be able to meet their daily needs, but also have good long-term financial planning for sustainable welfare.

With the understanding and application of financial education concepts, individuals can be better prepared to face global economic dynamics and future challenges. This education also allows people to be actively involved in economic development by becoming prudent consumers and investors, while reducing dependence on external financial assistance (Williams., 2020). In the end, good financial literacy will be the foundation for the creation of a financially intelligent and prosperous society. Financial literacy has become one of the essential competencies that every individual needs to have in this modern era. Financial literacy includes a person's ability to understand basic financial concepts such as money management, savings, investment, budget planning, and risk management (Remund., 2020). This ability is not only important for the success of personal financial management, but also affects the overall economic stability of the community. As technology develops and new financial products emerge, such as fintech services (financial technology), people are faced with increasingly complex choices and risks. Poor financial decisions, such as the use of consumptive debt without planning or speculative investments, often occur due to a low understanding of finance (Capuano., 2021). This is where the importance of financial literacy comes in as a foundation for making wise and measurable financial decisions.

Research shows that financial literacy is closely related to good financial management behavior, such as saving ability, controlled spending, and allocation of funds for investment (Dwiastanti., 2017). Among the younger generation, adequate financial literacy can prevent consumptive behavior and reduce the risk of being trapped in debt or other financial problems. Unfortunately, surveys in various countries, including Indonesia, show that the level of financial literacy is still relatively low, even among urban communities who have wider access to information. This low financial literacy also has an impact on the financial well-being of individuals and society. Individuals with limited financial knowledge tend to experience financial stress and difficulty in achieving long- term goals, such as having an emergency fund or preparing for retirement. Additionally, those who do not have sufficient financial literacy are more likely to be more vulnerable to fraud and non-transparent financial practices. For this reason, financial literacy education is an urgent solution. The government, educational institutions, and the private sector are expected to collaborate in developing financial education programs that are inclusive and easily accessible to all levels of society (Chibba., 2019).

This education is expected not only to equip individuals with basic financial knowledge, but also to instill healthy and responsible financial attitudes and behaviors.Through adequate financial literacy, people are expected to be able to face economic challenges and take advantage of opportunities wisely. In the end, financial literacy will play an important role in building a society that is financially intelligent, prosperous, and able to contribute positively to national and global economic growth. The millennial generation, born between 1980 and 2000, is currently in the productive age and plays an important role in the economy (Kurz et al., 2019). However, a consumptive lifestyle and the influence of trends such as "You Only Live Once" (YOLO) often make this generation vulnerable to financial problems. Many millennials do not have long-term financial planning, such as emergency funds or retirement savings, and instead are stuck in the use of consumptive credit, such as credit cards and installments without a well-thought-out plan.

Research shows that the level of financial literacy of the millennial generation still needs to be improved. Low financial literacy has an impact on consumptive behavior, lack of saving habits, and low interest in investing wisely (Alekam., 2018). In fact, good financial literacy can encourage positive financial behavior, such as discipline in saving and smart in managing expenses. In addition, financial literacy also plays an important role in reducing the level of financial stress that is often experienced by the younger generation due to difficulties in managing their finances. Digital transformation through fintech has opened access to various financial services, such as e-wallets, online investments, and peer-to-peer lending platforms (Yathiraju et al., 2023). However, without enough knowledge and literacy, millennials risk being trapped in financial products that do not match their abilities or needs. Therefore, increasing financial literacy through financial education is very urgent. Financial literacy education needs to start early, both through formal education curriculum and non-formal programs such as workshops and social campaigns. With good financial literacy, the millennial generation is expected to be better prepared to face global economic challenges and have financial stability in the future. This literacy also allows them to contribute to economic development positively, both as smart consumers and as wise investors. In the end, adequate financial literacy will create a young generation that is financially independent and able to achieve long-term prosperity.

METHOD

This study uses a quantitative approach with a survey design to collect data on financial literacy among the millennial generation. The research population consists of millennials aged between 18 and 35 years in the Jakarta area. The sample was taken using a purposive sampling technique, where respondents were selected based on certain criteria, namely those who have access to financial services and/or fintech products, and are willing to fill out a questionnaire voluntarily. It is expected that the number of samples will reach around 150 respondents so that the data obtained can be representative of the population studied. The instrument used to collect data is a questionnaire designed to measure the level of financial literacy, financial behavior, and demographic factors of respondents. This questionnaire includes questions about budget management, savings, investments, as well as an understanding of financial risks. In addition, respondents' spending and saving habits will also be measured, as well as demographic information such as age, gender, education level, and income. Before use, this questionnaire will be tested for validity and reliability to ensure that the instrument can provide accurate data.

Data collection will be done through the distribution of questionnaires online, using platforms such as Google Forms or SurveyMonkey. Respondents will be reached through social media, community groups, and student networks. This research is planned to take place in a period of two months. After the data was collected, the analysis was carried out using SPSS statistical software version 25. The analysis techniques to be used include statistical descriptive to describe the demographic characteristics of respondents and their level of financial literacy, correlation analysis to test the relationship between financial literacy and financial behavior, and linear regression to analyze the influence of demographic variables and other factors on financial literacy. In the analysis using SPSS, steps will be carried out starting from data input, data processing, to interpretation of the results. Each analysis will be presented in the form of tables and graphs to make it easier to understand. This research will also comply with ethical principles by maintaining the confidentiality of respondent data. Before filling out the questionnaire, respondents will be asked to give informed consent and be told that they can resign at any time without consequences. Through this approach, it is hoped that the research can provide significant insights into financial literacy among the millennial generation and its contribution to better financial management.

RESULTS AND DISCUSSION RESULT

The table presented shows the results of validity analysis for two main variables in this study, namely Financial Education and Financial Literacy. For the Financial Education variable, there are five items measured, and all of these items show a validity coefficient value above 0.70, with the highest value reaching 0.860. This indicates that the indicators used to measure Financial Education are very valid and reliable in the context of this study. Meanwhile, for the Financial Literacy variable, all five items also obtained a very high validity coefficient value, some even reached 0.932. This shows that the instrument used to measure Financial Literacy is not only valid, but also has a high level of reliability. Overall, the results of this validity show that both measurement instruments for these variables can provide accurate and representative data. The strong validity of this instrument is crucial, as it increases confidence in the results of the study and allows researchers to draw more valid conclusions regarding the influence of Financial Education and Literacy among respondents.

Tabel 1. Validity Test

Variable	Calculation	Information
Financial Education	0,816	Valid
	0,860	Valid
	0,793	Valid
	0,800	Valid
	0,853	Valid
Financial Literacy	0,871	Valid
	0,932	Valid
	0,900	Valid
	0,807	Valid
	0,897	Valid

Source : SPSS Data Processing, 2024

The table above presents reliability statistics using Cronbach's Alpha values for the two variables studied, namely Financial Education and Financial Literacy. For the Financial Education variable, the Cronbach's Alpha value obtained was 0.881 with a total of five items measured. This value indicates an excellent level of reliability, as a Cronbach's Alpha value above 0.80 is considered an indication that the instrument has a high internal consistency. This indicates that the indicators used in the measurement of Financial Education are interconnected and reliable to measure the concept. Furthermore, for the Financial Literacy variable, the Cronbach's Alpha value obtained was 0.925, also with a total of five items measured. This value shows a very high internal consistency, even better than the Financial Education variable. With a Cronbach's Alpha value above 0.90, this instrument shows that the items used to measure Financial Literacy are very reliable. Overall, these results confirm that both measurement instruments have a high level of reliability, so they can provide accurate and consistent data in this study. The good reliability of this instrument is important to ensure that the results of the study are trustworthy and provide valid insights into the influence of Financial Education and Literacy among respondents.

Test Realibility

Tabel 2. Test Realibility

Realibility Statistics	
Cronbach's Alpha	**N Of Items**
0,881	**5**
0,925	**5**

Source : SPSS Data Processing, 2024

The table above presents the results of the linearity test used to analyze the relationship between independent variables and dependent variables in this study. This test provides information regarding whether the proposed regression model has a significant linear relationship. In the model shown, the total variance described by the regression model is 186.368 with a degree of freedom (df) of 1, which results in a mean squares (Mean Squares) of 186.368. The F value obtained was 9.790, with a significance value (Sig.) of 0.002. A high F-value indicates that the tested regression model has a good ability to explain variations in data. Furthermore, a significance value of less than 0.05 (0.002) indicates that the relationship between the independent variable and the dependent variable is statistically significant. Thus, it can be concluded that there is a significant linear relationship between the variables tested, which supports the hypothesis that independent variables have an effect on the dependent variables in this study. Overall, the results of this linearity test confirm that the regression model applied in this analysis is appropriate and feasible to understand the relationship between variables in the context of research. The existence of this significant linear relationship suggests that further analysis of the influence of independent variables on dependent variables can be done using the proposed regression model.

DISCUSSION

Financial literacy is becoming increasingly important for millennials, who now dominate the workforce in many countries. In the midst of rapid economic change and increasingly widespread access to technology, the ability to manage personal finances is crucial (Bayuk et al., 2019). This generation, born between 1980 and 2000, is often trapped in a consumptive lifestyle and the influence of social media that encourages impulsive shopping behavior. Therefore, a good understanding of financial management will help them in making more thoughtful and responsible decisions. Research shows that high financial literacy is positively correlated with good financial behavior. Millennials who have knowledge of basic financial concepts tend to be better able to plan their budgets, save regularly, and make wise investments (Kim., 2019). In contrast, those who lack understanding of this concept are more susceptible to financial mistakes, such as being stuck in consumptive debt and not having an emergency fund. Improving financial literacy is an important step to help millennials avoid common financial pitfalls.

Technological developments, especially financial technology (fintech), have changed the way millennials interact with money and financial products (Pertiwi., 2021). Fintech services offer easy access to a variety of products, such as e-wallets, online loans, and digital investments. However, without adequate understanding, millennials can easily fall into financial risks, such as poorly managed debt. Therefore, it is important to educate this generation so that they can use financial technology wisely and responsibly.

One of the challenges in improving financial literacy among millennials is the lack of interest in financial education. Many of them find this topic boring or too complicated. In addition, the social environment that supports consumptive behavior is also a barrier factor. Therefore, an innovative and interesting approach in financial literacy education is urgently needed to attract the attention of the younger generation. Social media and digital platforms can be used to convey financial information in a more interactive and engaging way (Way., 2020)

Formal education in schools and colleges must integrate financial literacy curricula to equip millennials with the necessary foundational knowledge (Friedline., 2016). In addition, non-formal programs such as workshops, seminars, and awareness campaigns can be implemented to reach more individuals. Cooperation between educational institutions and financial organizations can result in relevant and applicable programs for students. Through this approach, the younger generation will be better prepared to manage their finances wisely. Financial literacy is not just knowledge, but also includes good attitudes and behaviors in financial management. The millennial generation needs to be taught to build the habit of saving and investing, as well as avoid unnecessary consumptive behaviour (Anastasya et al., 2024). Successful financial education programs must be able to form a positive mindset regarding money and investment, so that they can make better decisions in managing personal finances. Increasing financial literacy among millennials leads to better financial well-being. Financially savvy generations tend to have more savings, be able to deal with emergencies, and have solid retirement plans.

Financial well-being is not just about having money, but also about how to manage and plan finances to achieve long-term goals (Irving., 2022). With good literacy, millennials will be able to achieve their financial goals and live more peacefully. Financial literacy also has a significant impact on mental health. The millennial generation who do not have enough understanding of finance tend to experience higher stress due to financial problems. By educating them about money management, it is hoped that it can reduce anxiety and stress related to finances. This learning will help millennials to plan and manage their finances better, so that it can reduce the psychological burden that often arises due to financial problems. The government, educational institutions, and the private sector have an important role in increasing financial literacy among millennials (Normawati et al., 2021). The government can implement policies that support financial literacy programs, while educational institutions can develop relevant curricula. The private sector can also contribute by providing educational programs and resources that are useful for young consumers. This synergy between all parties will strengthen efforts to create a financially smart society.

Overall, financial literacy plays a crucial role in the lives of millennials. With the right knowledge and skills, they can make better financial decisions, achieve financial well-being, and reduce stress related to money. Efforts to improve financial literacy must continue to be carried out through various educational approaches, both in formal education and through initiatives in the community. Thus, the millennial generation will become individuals who are better prepared to face economic challenges and contribute positively to society. The millennial generation faces increasingly complex financial challenges, especially in the midst of the development of financial technology (fintech) and changes in more consumptive lifestyles (Rachman et al., 2024). Limitations in financial literacy are one of the main obstacles for them to make wise financial decisions. The rise of digital financial products such as e-wallets, peer-to-peer lending, and online stock investing provides millennials with easy access to financial services, although often without a deep understanding of the risks involved (Bhilawadikar., 2020). The phenomenon of "YOLO" or "You Only Live Once" which is popular among millennials encourages a consumptive lifestyle, which tends to prioritize current life experiences over long-term financial planning. This results in a lack of savings and investment for the future, which has the potential to cause financial pressure that affects their overall well-being.

Financial literacy plays an important role in helping millennials manage their finances more effectively, such as in terms of saving, investing, and managing debt (Cwynar., 2020). Positive financial attitudes and belief in personal control over finances also have a major contribution to creating healthy financial behavior. However, many millennials experience "lifestyle inflation" or an increase in lifestyle as income rises, causing expenses to continue to increase without any allocation for savings or investment. The support of the government and financial institutions is urgently needed to provide more structured financial education, which not only increases knowledge but also builds awareness of the importance of long-term financial planning (Lusardi., 2017). Increasing financial literacy for millennials is expected to be able to develop financial behaviors that support their financial well-being. The integration of financial education into the educational curriculum is an important first step, considering its benefits in forming positive financial attitudes and habits from an early age. Overall, financial literacy in millennials is not only important for individual financial security, but also contributes to national economic stability, given the significant role millennials play in the current and future economy.

CONCLUSION

The conclusion of the study entitled "The Effect of Financial Education on the Financial Literacy of the Millennial Generation" shows that financial education plays an important role in improving the financial literacy of the millennial generation. This study reveals that exposure to financial education not only improves basic knowledge of financial concepts, such as planning, savings, investment, and debt management, but also affects their practical skills in managing personal finances. With adequate financial education, the millennial generation becomes more able to make wise financial decisions, minimize financial risks, and plan for long-term finances. This has a positive impact on their economic stability, both in the short and long term, as well as reducing the chances of them being trapped in an uncontrolled debt situation or facing a financial crisis. In addition, the results of this study show that financial education tailored to the characteristics of the millennial generation – such as the use of technology, digital approaches, and interactive delivery – tends to be more effective in increasing their understanding and interest in financial management. Thus, this study emphasizes the importance of providing and developing relevant financial education programs, especially in the midst of rapid economic changes and high access to complex financial products.

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