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The Influence of Financial Literacy on Students' Personal Financial Management in the Digital Era

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ABSTRACT

This study examines the influence of financial literacy on students' personal financial management in the digital era, with evidence from universities in South Sumatra. Financial literacy is increasingly important as students are exposed to diverse financial products and digital platforms such as e-wallets, QR-based payments, and online credit services. A quantitative research design was employed, with data collected from 385 students across public and private universities in South Sumatra using purposive sampling. The research instrument measured students' financial literacy in budgeting, saving, credit management, and digital financial tools, as well as their financial management practices in planning, saving, and controlling expenses. Data were analyzed using multiple linear regression. The findings indicate that financial literacy has a positive and significant effect on students' personal financial management. The regression model explains 34.4% of the variance in financial management behavior, suggesting that while financial literacy is essential, other factors such as self-control, lifestyle, and income also play a role. The study contributes to the literature by integrating digital financial literacy into the analysis of personal financial management and provides practical implications for universities and policymakers to strengthen financial education. These findings emphasize the urgent need for financial literacy programs tailored to the digital financial ecosystem to ensure sustainable financial behavior among Generation Z students.

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INTRODUCTION

Financial literacy is an essential skill that every individual, including university students, must possess in order to face increasingly complex financial dynamics in the digital era. According to Lusardi and Mitchell (2017), financial literacy is defined as the ability to understand and manage financial aspects, including savings, investments, and expenditures. In Indonesia, the low level of financial literacy among the younger generation remains a major issue, despite broader access to financial services (Rahman et al., 2021). This condition has an impact on uncontrolled consumption behavior and a lack of awareness regarding the importance of financial planning. Digital transformation also influences how students manage their personal finances. The emergence of digital wallets, mobile banking, and QRIS-based payment systems has made transactions more practical and faster (Pratama & Nugroho, 2020). However, such convenience is often not balanced with adequate financial management skills, which may trigger excessive consumptive behavior. A study by Pertiwi et al. (2022) showed that students with low levels of financial literacy tend to face difficulties in controlling expenditures when using digital financial applications.In addition, the digital era requires students to make sound financial decisions amid a flood of information and financial product offerings. The widespread availability of online loan products, for example, has become a serious challenge. The OJK survey (2021) revealed that many cases of illegal online loans involved students, mostly due to a lack of financial literacy. This highlights the urgency of research on financial literacy and its influence on students' personal financial management. Good financial literacy is believed to help students plan budgets, save, and avoid wasteful behavior. According to Putri and Dewi (2021), students with higher levels of financial literacy tend to demonstrate better financial management behavior compared to those with lower levels of literacy.

This ability is not only beneficial in daily life but also serves as an essential foundation for financial independence in the future.The growth of the digital economy further emphasizes the importance of financial literacy. Generation Z, most of whom are currently students, is known as a group familiar with technology but tends to have low financial planning ability (Santoso & Wijayanti, 2020). This may become an obstacle to achieving long-term financial goals if not addressed through education and the early improvement of financial literacy. On the other hand, previous studies have shown a positive relationship between financial literacy and personal financial management. Lusardi et al. (2020) state that individuals with better financial literacy are more capable of making wise financial decisions, including managing expenses and debt. However, studies examining financial literacy among Indonesian students, particularly in the context of the digital era, remain relatively limited.The phenomenon of consumptive behavior among students is increasingly evident in daily life. For instance, many students prefer to allocate their funds for entertainment and lifestyle rather than saving or investing. This condition is consistent with the findings of Arifin and Setiawan (2019), which revealed that low levels of financial literacy are one of the causes of weak financial management among students. Therefore, it is important to conduct research to measure the extent to which financial literacy influences students' personal financial management behavior. The urgency of this research is also in line with the efforts of the Indonesian government, which is promoting an increase in national financial literacy.

The Financial Services Authority (OJK) targets a significant increase in the financial literacy index of Indonesian society by 2025. In this context, students as an intellectual group are expected to become drivers of financial literacy in society (Susanti et al., 2023).Furthermore, this research is expected to provide both academic and practical contributions. From an academic perspective, this study will enrich financial literacy research by adding the perspective of the digital era. From a practical perspective, the findings can serve as a reference for educational institutions in designing curricula or financial literacy programs that are more relevant to students' needs in the digital era.Given this background, the present study is important to undertake, considering that students' personal financial management not only affects their current lives but also their readiness to face future financial challenges. Financial literacy in the digital era is not merely an additional skill but an urgent necessity that must be instilled from an early age.

The phenomenon of students' consumptive behavior has also become increasingly visible in everyday life. Many students prefer to allocate their funds for entertainment and lifestyle rather than saving or investing. This condition is in line with the findings of Arifin and Setiawan (2019), who stated that low financial literacy is one of the causes of weak financial management among students. Therefore, it is important to conduct research that measures the extent to which financial literacy influences students' personal financial management behavior in the digital era.The urgency of this research is also aligned with the efforts of the Indonesian government to enhance the level of national financial literacy. The Financial Services Authority (OJK) has set a target for a significant increase in the financial literacy index of Indonesian society by 2025. Within this framework, university students as part of the intellectual community are expected to serve as drivers of financial literacy across society (Susanti et al., 2023).Furthermore, this study is expected to provide both academic and practical contributions. From an academic perspective, the study will enrich financial literacy research by incorporating the perspective of the digital era, which has transformed financial decision-making patterns among young people. From a practical standpoint, the results can serve as a reference for higher education institutions in designing curricula or financial literacy programs that are more relevant to students' daily financial challenges in the digital age.The findings of this study are also significant for supporting sustainable financial behavior among young generations. By equipping students with adequate knowledge and skills in financial literacy, universities can help reduce the risks of over-indebtedness, excessive consumption, and reliance on informal or illegal financial services. This aligns with the broader agenda of financial inclusion and the development of a more resilient financial system in Indonesia (Lusardi et al., 2020).

In addition, this study highlights the role of financial literacy in preparing students to face future economic uncertainties. With the rapid evolution of digital finance, students who are well-equipped with financial knowledge will be better prepared to evaluate financial products, identify risks, and manage their resources effectively. This ability not only supports their independence in managing current financial needs but also strengthens their readiness for long-term financial security.Based on this background, the present research is essential to conduct. The focus on financial literacy and its influence on students' personal financial management in the digital era provides an updated perspective on financial behavior among university students in Indonesia. The results are expected to contribute significantly to both theory and practice, particularly in formulating strategies to enhance financial literacy for the younger generation.

Financial technology (FinTech) literacy has recently become a critical aspect of financial literacy among Generation Z in Indonesia. Utama and Sumarna (2024) highlighted that students who possess higher FinTech literacy and trust in digital financial services tend to manage their transactions more prudently, especially when utilizing e-wallets and other digital payment platforms. This indicates that the ability to understand both technical aspects and risks of financial services is an inseparable part of financial literacy in the digital era. Communication activities and digital financial education have been proven to effectively shape students' financial behavior. Safitri, Kurniawati, and Khairifa (2025) found that communication through campus activities, social media, and financial workshops significantly influenced students' financial decision-making when combined with adequate digital financial literacy. This suggests that external factors, such as access to information and social influence, play a significant role in strengthening students' awareness of responsible financial practices.

Research on financial literacy and materialism among young people also reveals that materialism can negatively influence saving behavior. A recent study on banking school students in Indonesia showed that financial literacy had a positive effect on saving behavior, while materialism exerted a significant negative effect. This finding implies that efforts to enhance financial literacy should be accompanied by value-based education that reduces consumerism and materialistic tendencies, which are often reinforced by the digital environment.Challenges in digital financial literacy in Indonesia remain substantial. Recent studies emphasize issues such as low motivation to update financial knowledge, inappropriate use of financial applications, and lack of personal financial planning among young digital users. With more students actively using digital wallets, QR-based payments, and investment applications, these challenges underline the need for systematic interventions from educational institutions, government, and financial service providers to ensure that digital financial literacy translates into healthy financial management behavior in practice.

METHODOLOGY

This study employed a quantitative research approach with an explanatory design to analyze the influence of financial literacy on students' personal financial management in the digital era. The explanatory design was chosen to test causal relationships between independent and dependent variables by utilizing statistical analysis. The research focused on university students in South Sumatra, considering that this region represents a diverse academic environment with students from various socio-economic backgrounds who are actively involved in digital financial transactions.

The population of this study consisted of undergraduate students from several universities in South Sumatra, including Universitas Sriwijaya, Universitas Muhammadiyah Palembang, Universitas Bina Darma, Politeknik Negeri Sriwijaya, and Universitas PGRI Palembang. These institutions were selected because they represent both public and private higher education with diverse student demographics. A purposive sampling technique was applied to select respondents who met the criteria: active students, aged 18–25 years, and actively using digital financial applications such as e-wallets, mobile banking, or QR-based payments.

The sample size was determined using the Slovin formula with a margin of error of 5%. Based on the estimated student population of the selected campuses, a minimum of 385 respondents was required to achieve reliable results. Data were collected using a structured questionnaire distributed online and offline. The questionnaire was divided into three main parts: demographic profile, financial literacy indicators, and personal financial management practices. Each item was measured using a five-point Likert scale ranging from "strongly disagree" to "strongly agree."

The research variables included financial literacy as the independent variable (X), and personal financial management as the dependent variable (Y). Financial literacy was measured using indicators of knowledge in budgeting, saving, credit management, and digital financial tools. Personal financial management was measured through indicators of financial planning, saving behavior, debt management, and investment practices. The validity and reliability of the instrument were tested using Pearson's product-moment correlation and Cronbach's Alpha, respectively, ensuring the questionnaire's suitability for further statistical analysis.

For data analysis, descriptive statistics were first employed to present respondents' demographic characteristics and general patterns of financial literacy. Inferential analysis was conducted using multiple linear regression to test the effect of financial literacy on personal financial management. The analysis was carried out with the assistance of SPSS software. Hypothesis testing was performed with a significance level of 5% ($\alpha = 0.05$), while the model's explanatory power was evaluated using the coefficient of determination (R^2).

Variable	Indicators	Hypothesis	Statement
Independent Variable (X): Financial Literacy	1. Knowledge of budgeting 2. Saving and investment awareness 3. Credit and debt management 4. Digital financial tools literacy	**H1**	Financial literacy has a positive and significant effect on students' personal financial management

Dependent Variable (Y): Personal Financial Management	1. Financial planning 2. Saving behavior 3. Debt control 4. Investment practices	**H2**	Students with higher levels of financial literacy demonstrate better financial management practices.

The hypotheses in this study were developed based on theoretical and empirical findings that suggest financial literacy influences individuals' financial behavior. The first hypothesis (**H1**) tests the direct impact of financial literacy on personal financial management. The second hypothesis (**H2**) specifies that students who possess greater financial knowledge and skills in managing digital transactions, budgeting, and savings will tend to have better financial discipline in managing their resources. Both hypotheses will be examined through multiple regression analysis with a 5% significance level.

RESULT

The results of the regression analysis in Table 1 show that financial literacy has a positive and significant effect on students' personal financial management. The regression coefficient (B = 0.613) indicates that every 1-point increase in financial literacy contributes to a 0.613 increase in financial management scores. The standardized coefficient (β = 0.587) shows a strong contribution of financial literacy as an explanatory factor.The t-value of 12.453 with a significance level of 0.000 (< 0.05) confirms that the first hypothesis (H1) is supported. This means that financial literacy significantly influences the way students plan budgets, manage expenses, and adopt saving and investment practices.

Table 1. Regression Analysis of the Effect of Financial Literacy on Personal Financial Management (n = 385)

Variable	**B (Unstandardized Coefficient)**	**β (Standardized Coefficient)**	**t-value**	**Sig. (p)**	**Hypothesis Result**
Constant	7.842	-	4.221	0.000	-
Financial Literacy (X)	0.613	0.587	12.453	0.000	H1 Supported
R	0.587	-	-	-	-
R^2	0.344	-	-	-	-
Adjusted R^2	0.341	-	-	-	-
F-value	155.03	-	-	0.000	-

Dependent Variable : Personal Financial Management (Y)

The coefficient of determination (R^2 = 0.344) indicates that financial literacy explains 34.4% of the variance in students' personal financial management, while the remaining 65.6% is influenced by other factors not examined in this study, such as family background, peer influence, or income level.The overall model fit is confirmed by the F-value of 155.03 with p = 0.000, showing that the regression model is valid and significant in predicting the dependent variable. Thus, the second hypothesis (H2), which states that students with higher levels of financial literacy demonstrate better financial management, is also accepted.

In summary, the findings reinforce that enhancing financial literacy is essential for shaping responsible financial behavior among university students in South Sumatra, especially in the context of the digital era where access to financial technology is widespread.

DISCUSSION

The findings of this study reveal that financial literacy has a positive and significant effect on students' personal financial management in South Sumatra universities. Students with higher knowledge of budgeting, saving, debt management, and digital financial tools tend to manage their financial resources more effectively. This is consistent with recent studies showing that financial literacy and digital literacy play an important role in shaping young people's awareness of financial risks in the digital environment.In addition, the results confirm that the use of digital financial platforms such as e-wallets and QR-based applications requires not only access but also adequate financial knowledge. Students who understand digital financial systems are more likely to save consistently and avoid excessive consumption. This aligns with the growing evidence that digital financial literacy significantly contributes to the development of healthy financial habits among Generation Z.

However, the coefficient of determination indicates that financial literacy explains only a portion of the variance in financial management behavior. Other factors such as self-control, digital lifestyle, peer influence, and income level may also play significant roles. Previous research has emphasized that excessive digital engagement and fear of missing out (FoMo) often increase consumptive behavior among students, which may undermine the benefits of financial literacy.The results also highlight that financial literacy alone is insufficient if students are exposed to impulsive spending behaviors through digital advertisements and pay-later services. Self-control acts as an important mediator that enhances the relationship between financial literacy and financial management. Studies show that students with stronger self-control are more capable of translating their financial knowledge into effective financial decision-making.

Institutional factors also contribute to these outcomes. Universities that actively integrate financial literacy programs, training, and workshops into their curricula provide students with the necessary skills to manage digital finance. Communication through campus programs and social media campaigns has been shown to significantly strengthen students' awareness of responsible financial behavior.From a practical standpoint, the study suggests that improving financial literacy among students must involve not only theoretical knowledge but also practical experiences. This includes simulated budgeting, case studies of digital fraud, and exposure to safe digital financial practices. Stakeholders such as universities, government, and financial authorities must collaborate to ensure that students in South Sumatra are equipped with both knowledge and discipline, which are critical to achieving long-term financial well-being in the digital era.

The results of this study align with the theory of planned behavior, which states that knowledge and attitudes strongly influence individual actions. In this context, financial literacy acts as the foundation that shapes students' intentions to manage their finances responsibly. When students understand the consequences of poor financial management, such as excessive debt or insufficient savings, they are more motivated to plan and execute healthy financial practices. This theoretical perspective explains why financial literacy significantly improves personal financial management outcomes.Another important finding is the role of digital financial services as both an opportunity and a challenge. On the one hand, digital platforms provide students with easier access to savings, payments, and investments. On the other hand, these same platforms may promote impulsive spending through promotions, discounts, and pay-later schemes. This dual impact indicates that literacy programs should not only focus on traditional financial knowledge but also on digital financial literacy, equipping students with skills to evaluate risks and make informed decisions in the online financial environment.

The study also highlights a socio-economic dimension. Students from higher-income families may have more resources to manage, but this does not necessarily guarantee better financial behavior if literacy levels are low. Conversely, students with limited income but higher financial literacy may demonstrate stronger discipline in managing their finances. This implies that financial literacy can act as a leveling factor that reduces disparities in financial management across socio-economic groups.Cultural factors may also play a role in shaping financial behavior. In Indonesia, collectivist cultural values often influence how individuals make decisions, including financial ones. Students may prioritize social spending, such as contributing to community or family events, over personal savings. This cultural context should be considered when designing financial literacy programs, as strategies need to be adapted to align with students' cultural backgrounds and values.

Finally, the implications of this study extend beyond individual students to broader economic and social development. A financially literate young generation is more likely to contribute to a stable financial system, avoid exploitative lending practices, and invest in productive activities. This supports national goals of financial inclusion and economic resilience. Therefore, improving financial literacy among students in South Sumatra not only benefits their personal financial well-being but also contributes to Indonesia's broader financial stability and sustainable development.

CONCLUSION

The results of this research confirm that financial literacy has a positive and significant impact on the personal financial management of students in South Sumatra. Students with greater knowledge of budgeting, saving, debt management, and digital financial platforms are more capable of managing their financial resources effectively. This finding underscores the importance of equipping students with not only theoretical knowledge but also practical financial skills to face the complexities of the digital economy.

Although financial literacy significantly influences students' financial management, the explanatory power of the model remains moderate. This indicates that other factors such as financial attitudes, peer influence, income levels, and digital lifestyle also shape students' financial behavior. Therefore, financial literacy programs should be designed comprehensively, integrating aspects of self-control and financial attitudes to create more holistic outcomes.

From a practical perspective, universities play a crucial role in improving students' financial literacy. Educational institutions should incorporate financial education into the curriculum, provide workshops on digital financial tools, and organize campaigns that promote responsible financial behavior. Such interventions can help students develop resilience against impulsive consumption and digital financial risks.

Policy implications also emerge from this study. Regulators such as the Financial Services Authority (OJK) and local governments need to collaborate with universities in South Sumatra to strengthen financial literacy programs tailored to the needs of young digital users. By combining regulation, education, and community engagement, the development of sustainable financial behavior among students can be achieved.

In conclusion, financial literacy is not merely a supporting skill but a vital competency for Generation Z students navigating the digital era. Strengthening financial literacy through integrated education and policy measures is essential to ensure that young people can achieve financial independence and well-being in the long run.

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