Jurnal Bisnis, Ekonomi, Manajemen dan Kewirausahaan

| ISSN (Online) 2797-1988 | ISSN (Print) 2797-2003 |

DOI: https://doi.org/10.52909/jbemk.v4i2.182

Study Financial Behavior Among Lecturers at Universidade da Paz (UNPAZ)

Leonardo Bele Bau Amaral[1], **Rr.Iramani**[2]
[1] Hayam Wuruk Perbanas University, Indonesia
[2] Hayam Wuruk Perbanas University, Indonesia

Corresponding Author: leonardob2a@gmail.com [1]

Abstract: ***Purpose:*** *This study aims to explain the direct and indirect effects of financial experience on the financial behaviour of lecturers at Universidade da Paz (UNPAZ).* ***Methods:*** *The study employed a quantitative approach with data collected through questionnaires. The sample consisted of 101 lecturers from DaPaz University, Timor Leste. The observed variables include: financial behavior as the dependent variable and financial experience as the independent variable and financial self-efficacy as the mediating variable. Analysis was conducted using Structural Equation Modelling—Partial Least Squares (SEM-PLS) through the WARP-PLS 8 applicatio* ***Results****: These findings show that financial experience has a direct and indirect influence on financial behavior. In addition, financial self-efficacy acts as a mediator in the relationship between financial experience and financial behavior. These results can be explained that self-confidence is indispensable for improving financial behavior.* ***Implications :*** *To improve financial behavior, Unpaz lecturers need to improve their financial experience and self-efficacy. Future researchers are suggested to add other variables, such as financial knowledge, financial education in the family and others so that the financial behavior model obtained is more comprehensive.* ***Additional materials****: There are fourteen references, four tables, one figure, one appendix in the paper*.

Keyword: Financial Behavior, Financial Literacy, Financial Self-Efficacy, Financial Experience

INTRODUCTION

Financial behaviour refers to an individual's actions in managing their daily finances, including planning, budgeting, monitoring, managing, controlling, seeking, and saving (Kholilah & Iramani, 2013). One of the main drivers of financial behaviour is the need to meet daily living expenses according to one's income or available funds (Arifa & Setiyani, 2020). Thus, effective financial management behaviour reflects a person's responsibility for their finances. This financial responsibility includes attitudes toward managing both finances and assets (Ida & Dwinta, 2010), ultimately helping individuals make better financial decisions. According to Silvy & Yulianti (2013), individuals can avoid uncontrollable desires or consumerism if they manage their finances well. This implies that lecturers at Universidade da Paz need to manage and allocate their monthly income wisely. Lecturers who follow current trends but lack proper financial management tend to be wasteful and unable to control their spending according to needs.

One factor influencing financial behaviour is an individual's financial experience. Financial experience plays a critical role in ensuring sustainable financial management. It refers to an individual's knowledge and experience with savings, loans, investments, bookkeeping, and emergency funds (Silvy & Yulianti, 2013). Lusardi & Tufano (2009) assert that financial experience can reduce debt habits, as it provides an understanding of the excessive risks associated with debt and late payments. Research by Silvy & Yulianti (2013), Brilianti & Lutfi (2020), and (Iramani & Lutfi, 2021) demonstrates that financial experience positively impacts financial management behavior. The more extensive an individual's financial experience, the more precise they are in managing their finances. Strong financial experience will enable lecturers at Universidade da Paz to manage their finances more effectively. Despite limited income, lecturers with good financial experience can still achieve their life goals and maintain control over their finances.

Financial self-efficacy refers to an individual’s belief in their ability to manage finances (Putri & Pamungkas, 2019). It is a form of self-confidence that aids individuals in making positive decisions. According to (Rimper & Kawet, 2014), self-efficacy is a form of self-knowledge that greatly influences daily life. Individuals with high self-efficacy tend to be more confident and responsible when making financial decisions for their families (Arofah & Kurniawati, 2021; Lubis, 2020; Suwatno et al., 2020). Those with substantial financial experience are likely to enhance their self-confidence, which in turn leads to better financial management behavior. Hence, self-efficacy mediates the relationship between financial experience and financial behaviour.

Universidade da Paz (UNPAZ) is a B-accredited private university in Timor Leste, established on March 9, 2004, by Prof. Dr. Lucas da Costa, SE., M.Si, under the Neon Metin Foundation. Currently, UNPAZ lecturers save their money in various banks in Timor Leste, such as Bank Mandiri, BRI, and BNCTL. This research is essential for several reasons: (1) To improve the financial well-being of lecturers by exploring factors that influence financial behaviour; (2) To optimise salary management to help lecturers avoid consumerism; (3) To enhance financial experience in family financial management; (4) To boost financial self-efficacy in lecturers for better decision-making; and (5) To serve as a basis for developing policies that support the financial well-being of UNPAZ lecturers.

The aim of this study is to examine the impact of financial experience on financial behaviour, both directly and indirectly, through self-efficacy as a mediating variable. Similar studies have been conducted in Indonesia and elsewhere, but no such research has yet been conducted in Timor-Leste. This motivates the author to explore the topic of the influence of financial experience on the financial behaviour of UNPAZ lecturers, with self-efficacy as the intervening variable.

METHOD

This study employs a quantitative approach utilizing secondary data. Primary data were collected through direct completion of questionnaires in physical form (hardcopy). The study population consists of all lecturers at Universidade da Paz (UNPAZ) in Timor-Leste. The sampling technique used is random sampling or probability sampling, which ensures that each element of the population has an equal chance of being selected as a sample. A total of 101 lecturers from Universidade da Paz (UNPAZ) were sampled for this research.

The study utilizes Financial Experience (X) as the independent variable, Financial Behavior (Y) as the dependent variable, and Financial Self-Efficacy (Z) as the mediating variable. The assessment of the variables of Financial Behavior, Financial Experience, and self-efficacy is conducted using a 1-5 Likert scale, where higher scores indicate a greater level of each variable. Below is the questionnaire framework used in this research:

Table 1. Research Instrument Items

Variabel	Indicator	Referensi
Financial Behavior	Tracking daily expenses	Kholilah & Iramani (2013)
	Recording all expenditures in detail	
	Setting aside an emergency fund	
	Having a long-term financial plan through a Pension Fund	
	Having a long-term financial plan through Insurance	
	Saving after receiving income	
	Comparing prices at stores with those at supermarkets	
Financial Experience	Experience in managing investment risks	Sriwidodo (2015)
	Experience in calculating ROI on Land Investments	
	Experience using pension fund products	
	Experience participating in pension fund programs	
	Experience with investment products from other financial institutions	
	Experience using savings products from other financial institutions	
Financial Self-Efficacy	Ability to plan for long-term finances	Lown (2011)
	Ability to budget finances regularly and systematically	
	Ability to achieve financial goals	
	Ability to measure and evaluate progress in financial management	
	Ability to analyze unexpected situations	
	Habit of setting aside funds for unforeseen events	
	Ability to make sound decisions in unexpected situations	
	Ability to manage personal finances	
	Ability to achieve future financial stability	

Source: Previous research

In this study, the inferential analysis utilized as a testing tool is Partial Least Squares (PLS), a component-based or variance-based Structural Equation Modeling (SEM). PLS serves as an alternative approach that shifts from covariance-based SEM to variance-based methods. According to Ghozali (2011), PLS assists researchers in obtaining latent variable values for predictive purposes. The analytical tool employed in this research is supported by the Warp PLS 8.0 program, which encompasses model measurement (outer model), structural model (inner model), and hypothesis testing. A hypothesis is accepted if the p-value is less than 0.05

RESULTS AND DISCUSSION

Respondent Profile

This study involves respondents who are lecturers at Universidade da Paz (UNPAZ) in Timor-Leste. The characteristics of the respondents include gender, marital status, income, age, occupation, and education level. In terms of gender, 75% of the respondents, or 76 individuals, are male, while female respondents account for only 25%, or 25 individuals. Regarding marital status, the majority of the respondents are married, comprising 87%, while the remaining respondents are single. In terms of income, the largest group is those earning between $300 and $500, representing 57%, followed by those with incomes between $500 and $700 at 33%, and only two respondents earn over $900. Most respondents, specifically 99%, work as lecturers at Universidade da Paz, with one respondent also holding a position in the rectorate staff. Additionally, the majority of respondents hold a Master's degree (S2), comprising 73%, while 16% have a Doctorate (S3) among the total respondents.

Validity and Reliability Test

The validity test results show that all questionnaire items have a loading factor value and Average Variance Extracted (AVE) has a value above 0.5. Therefore, the indicators in this study are considered valid and meet the criteria for convergent validity. Furthermore, the reliability test results for each variable show a Cronbach alpha value exceeding 0.60 and a composite reliability above 0.70. This means that the research instrument is reliable because it provides consistent results when measuring the variables under study. Thus, this research instrument can be said to be reliable. The results of the validity and reliability tests are presented in the appendix

Hypothesis Testing

The hypothesis test was conducted by analyzing the direct effects of all exogenous variables on the endogenous variable, as well as evaluating their effects through the intervening variable (financial self-efficacy). The following is a figure showing the results of the hypothesis testing in this study:

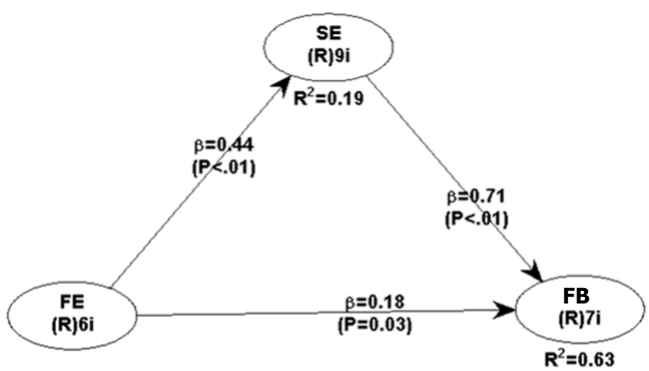

Figure 1. Hypothesis Test Results

The above figure shows the results of the hypothesis testing of the research presented in detail as shown in the following table:

Table 2. Hypothesis Test Results

Variabel Relationship	Coefficient	P-Value	f^2
FE → SE	0.440	<0.001	0.194
FE → FB	0.175	0.034	0.082
SE → FB	0.706	<0.001	0.549
FE → SE →FB	0.311	<0.001	
R-Squared of SE	0.194	Adj. R-Squared of SE	0.186
R-Squared of FB	0.630	Adj. R-Squared of FB	0.623

Source: survey result, data processed

Remarks : FE=financial experience, SE= self-efficacy; FB = financial behavior

Based on Figure 1 and Table 2, financial experience has a significant impact on financial behavior (coefficient 0.175, P-value 0.035). Therefore, the first hypothesis (H1) is accepted. Self-efficacy exerts a significant positive influence on financial behavior (P-value < 0.001, coefficient 0.706), and financial experience also has a significant positive effect on self-efficacy (coefficient 0.440, P-value < 0.0001). The results of the indirect effect testing indicate that financial self-efficacy successfully mediates the relationship between financial experience and financial behavior (coefficient 0.311, P-value < 0.001). This suggests that financial experience contributes both directly and indirectly to financial behavior.

Furthermore, Table 2 reveals an R-squared value for financial self-efficacy of 0.194 (indicating weak predictive power) and an R-squared for financial behavior of 0.630 (indicating moderate predictive power). Financial self-efficacy exhibits the highest f^2 value (0.549), underscoring its significant role in influencing financial behavior. This indicates that confidence in managing finances is crucial in shaping financial behavior, with high self-efficacy mediating the effect of financial experience on financial behavior.

DISCUSSION

The Influence of Financial Experience on Financial Behavior

The first hypothesis of this study is substantiated, as the testing results demonstrate that financial experience positively and significantly affects financial behavior. This indicates that financial experience can enhance an individual's financial behavior. Financial experience assists individuals in managing their finances more efficiently, making wiser decisions, and reducing the risk of errors (Brilianti & Lutfi, 2020). In this study, UNPAZ lecturers with considerable financial experience in utilizing financial services such as savings, insurance, and pawnshops can enhance their effectiveness in financial management. Positive experiences in managing finances can be derived from social environments and attitudes toward saving, which play a crucial role in financial management within family financial behavior in the future (Silvy & Yulianti, 2013). The findings of this study corroborate the research of Pritazahara & Sriwidodo (2015) and Purwidianti & Mudjiyanti (2016), which found that financial experience significantly influences financial behavior. Financial experience aids individuals in better understanding financial situations and improving their skills in financial decision-making. However, the results of this study do not support the findings of Susdiani (2017), Safitri & Kartawinata (2020), and Dewanti & Asandimitra (2021), which failed to establish a significant influence of financial experience on financial behavior.

The Role of Financial Self-Efficacy in Mediating the Influence of Financial Experience on Financial Behavior

Based on the testing results presented in Table 2, financial self-efficacy is shown to have a positive and significant effect on financial behavior. This suggests that an increase in UNPAZ lecturers' confidence in their financial management abilities will positively impact their financial behavior. Financial self-efficacy is the belief that one can achieve financial goals, influenced by various factors such as personality, skills, social environment, and others. When an individual possesses high self-efficacy in financial management, they tend to perceive financial challenges as manageable rather than as obstacles (Farrell et al., 2016). A high level of self-efficacy also encourages individuals to take greater responsibility for their financial management, thereby helping them avoid financial problems (Arofah & Kurniawati, 2021). By possessing financial self-efficacy, an individual not only feels more confident in their financial knowledge but also assumes greater responsibility for making sound financial decisions (Suwatno et al., 2020). This underscores the significant role of financial self-efficacy in reinforcing positive financial behavior and assisting individuals in managing their finances more effectively. This research aligns with the findings of Putri & Pamungkas (2019), Lubis (2020), Suwatno et al (2020), and Arofah & Kurniawati (2021), which indicate that financial self-efficacy influences financial behavior.

Furthermore, the hypothesis testing results reveal that financial experience positively and significantly impacts self-efficacy in financial management (financial self-efficacy). This means that the more financial experience UNPAZ lecturers possess, the higher their confidence in their ability to manage finances and achieve financial goals. Extensive financial experience provides practical skills and a better understanding of various financial aspects, ultimately enhancing their confidence in making financial decisions. As their experience grows, UNPAZ lecturers become more assured in facing financial challenges and more confident in managing personal and professional finances. These findings are consistent with the research of Lone & Bhat (2024), which also found that financial experience significantly affects financial self-efficacy. Financial experience helps individuals build a foundational understanding of financial management. However, financial experience is not the only factor determining the increase in confidence in financial decision-making.

The results of this study indicate that financial self-efficacy mediates the relationship between financial experience and financial behavior. An individual's confidence in managing finances (financial self-efficacy) plays a vital role in linking financial experience with financial behavior. Lecturers with good financial experience tend to be more confident in managing finances, which ultimately significantly influences how they organize their finances. If financial experience enhances financial self-efficacy, and financial self-efficacy influences financial behavior, then it is evident that financial self-efficacy effectively mediates the relationship between financial experience and financial behavior. Direct experience with financial products can bolster an individual's confidence in effective financial management (Lone & Bhat, 2024). Although lecturers at Universidade da Paz (UNPAZ) may have limited experience with insurance products, their experiences with other financial products have significantly shaped their financial behavior. Individuals with greater financial experience tend to exhibit better financial behavior (Pritazahara & Sriwidodo, 2015). This study aligns with the findings of (Pritazahara & Sriwidodo, 2015), Purwidianti & Mudjiyanti (2016), Arofah & Kurniawati (2021), and Lone & Bhat (2024), which state that financial experience has a positive and significant impact on financial behavior through enhanced financial self-efficacy.

CONCLUSION

An individual's financial behavior is influenced by various factors, including financial experience and self-efficacy in financial management. This study demonstrates that financial experience affects financial behavior both directly and indirectly through financial self-efficacy. Financial self-efficacy plays a crucial role in bridging the relationship between financial experience and financial behavior. This indicates that an individual's confidence in managing finances is key to maximizing the potential of their financial experience. The practical implications for lecturers at Universidade da Paz (UNPAZ) emphasize the importance of enhancing experience in utilizing various financial services or products to make wiser choices and avoid traps from unbeneficial offers. Additionally, strengthening self-confidence in financial management is essential to ensure that the financial decisions made are more accurate, thereby achieving long-term financial stability. This study has several limitations, as the model identified is classified as a moderate model, and the sample is limited to one institution, leading to respondent homogeneity. Therefore, further research is recommended to explore additional factors influencing financial behavior, including attitudes, financial knowledge, and employing more diverse methodologies, such as qualitative approaches. With an increased variation in samples and methods, it is hoped that future research findings will provide deeper and more relevant insights regarding the factors affecting financial behavior.

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