

CHAPTER I

INTRODUCTION

1.1 Research Background

In recent years, there has been a significant increase in the number of students choosing to pursue education abroad. This trend is driven by a desire to gain advanced knowledge and skills not readily available in their home countries, while simultaneously experiencing diverse cultures and environments. International student mobility has become a key feature of global education, with students seeking to broaden their academic horizons and develop personally. Indonesia is no exception to this global shift, with a notable rise in the number of its students studying abroad, positioning the country as a growing player in the global education sector (ICEF Monitor, 2019).

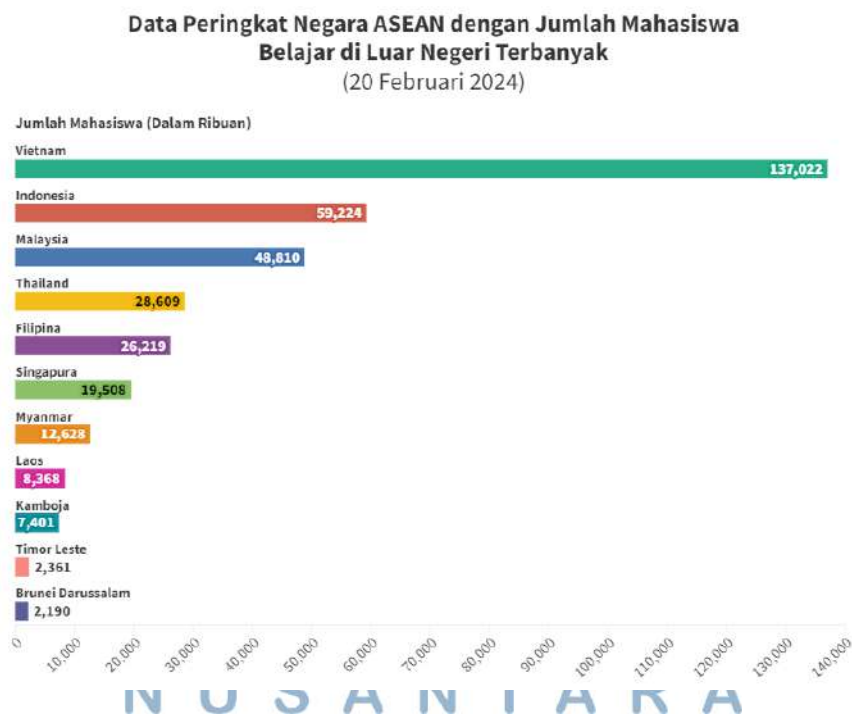


Figure 1. 1 Ranking of ASEAN Countries by the Number of Students Studying Abroad

Source: GoodStats, 2024

As illustrated in Figure 1.1, Indonesia ranks second among ASEAN countries in terms of international student mobility, with a total of 59,224 Indonesian students

currently studying abroad. Among the leading destinations for Indonesian students are Australia and Malaysia, where 11,683 and 9,682 students, respectively, are pursuing higher education (Marietha, 2024). The importance of this mobility is underscored by Indonesia's Minister of Education, Culture, Research, and Technology, Nadiem Makarim, who emphasizes the dual role of these students as both scholars and ambassadors for Indonesia, contributing to the nation's global presence and image.

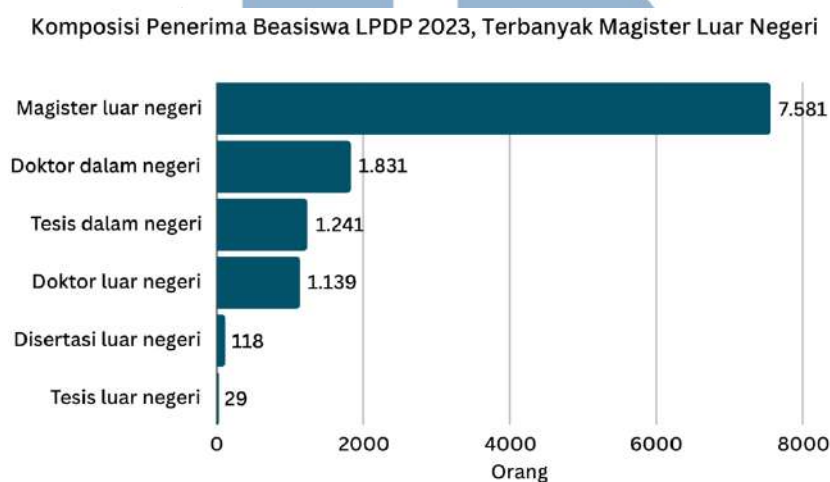


Figure 1. 2 Composition of LPDP Scholarship Recipients 2023

Source: DataBoks, 2024

The Indonesian government has further supported international student mobility through scholarship programs like the Indonesian International Student Mobility Awards (IISMA) and the Lembaga Pengelola Dana Pendidikan (LPDP). These programs aim to reduce the financial barriers to studying abroad by providing crucial funding for students. As Figure 1.2 shows, the LPDP program alone supported 7,561 master's students and 1,139 doctoral students studying abroad in 2023 (Santika, 2024), while IISMA provided scholarships to 1,692 students, including undergraduate and vocational students (Ernis, 2023). These initiatives are vital in developing a highly skilled workforce that can contribute to Indonesia's development.

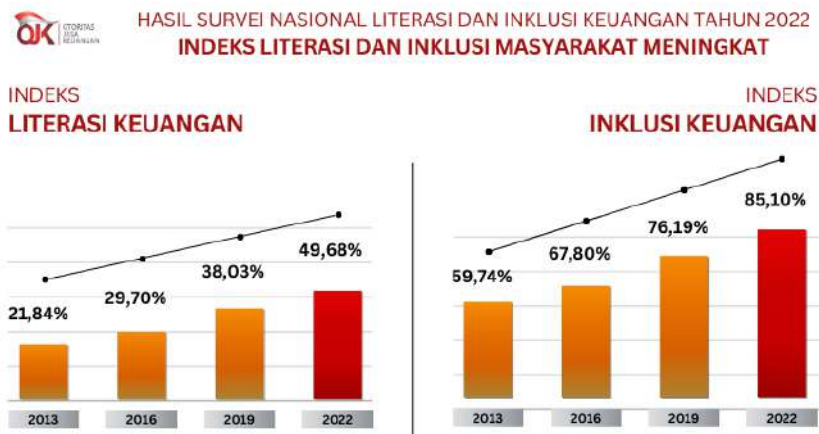


Figure 1. 3 2022 National Survey on Financial Literacy and Inclusion by OJK

Source: Otoritas Jasa Keuangan, 2022

Despite the financial assistance provided by these scholarship programs, Indonesian students abroad still face significant financial challenges. Many rely entirely on these scholarships as their primary source of income, making effective financial management essential. However, studies have shown that there is a widespread gap in financial literacy among Indonesian students, which exacerbates their financial difficulties while studying abroad (Puspitasari, 2021). As seen in Figure 1.3, the National Survey on Financial Literacy and Inclusion (OJK, 2022) indicates that while Indonesia's financial literacy index improved from 38.03% in 2019 to 49.68% in 2022, the gap between financial literacy and financial inclusion remains substantial. This means that while more Indonesians have access to financial services, many lack the knowledge necessary to manage their finances effectively, particularly in an international setting. The importance of financial knowledge, which includes understanding essential financial concepts such as budgeting, interest rates, and inflation, cannot be overstated. These concepts enable individuals to make informed financial decisions (Bajaj & Kaur, 2021).

Indonesian students studying abroad often face financial stress due to the high cost of living and the complexities of managing funds in foreign currencies. This issue is exacerbated by the relatively low levels of financial literacy in the country compared to other ASEAN nations. For instance, only 21.7% of Indonesians

demonstrate adequate financial literacy, which refers to the ability to apply financial knowledge and skills effectively in managing personal finances, including budgeting, borrowing, and investing (Koçoğlu, 2021). In comparison, countries such as the Philippines report levels above 30%, and Malaysia shows rates ranging from 60% to 70% (Yulianto & Widjarnako, 2018). Financial mismanagement can lead to overspending, running out of funds mid-semester, and even accumulating debt. In fact, studies show that 32% of students overspend their financial aid within the first two months, leaving insufficient resources for essential expenses like rent and utilities (Grabova et al., 2018).

The relationship between financial behavior, such as budgeting, saving, and borrowing practices, and financial literacy is well-documented. Poor financial literacy often leads to poor financial decisions, such as excessive spending and failure to budget effectively. A study by Dwyer et al. (2021) found that 42% of students receiving financial aid accrued more debt than expected due to inadequate financial planning, with 34% reporting difficulty in covering basic living expenses. Moreover, financial stress is linked to academic performance issues, as 25% of students in this study had to withdraw from courses due to financial difficulties. This is further supported by Dev et al. (2023), who found that 30% of students facing financial challenges experienced a GPA drop of 0.5 points or more. The impact of financial stress on students' well-being and academic success emphasizes the importance of financial attitude—the mindset and beliefs about money management that shape students' approaches to financial planning, saving, and spending (Chaulagain, 2021).

This study specifically focuses on Indonesian government scholarship recipients studying abroad because this group faces unique financial challenges. While scholarship programs provide much-needed financial assistance, the adequacy of these funds often depends on effective financial management, which many students lack. This research is particularly relevant because previous studies on financial literacy and behavior among international students have largely overlooked the specific context of scholarship recipients. While existing research

(e.g., Heriyati et al., 2024) has explored how financial knowledge, attitudes, and culture influence financial behavior and literacy among Indonesian students studying abroad, it does not specifically focus on those receiving financial aid. This creates a gap in understanding the unique financial challenges faced by scholarship students, who may require different financial strategies compared to self-funded students.

1.2 Problem Formulation and Research Question

As the number of Indonesian students studying abroad continues to rise, financial literacy has become a crucial factor in ensuring both their academic and personal success. While scholarships like the Indonesian International Student Mobility Awards (IISMA) and Lembaga Pengelola Dana Pendidikan (LPDP) provide significant financial support for these students, managing finances in a foreign country remains a considerable challenge. Despite receiving financial aid, many students struggle to manage their funds effectively due to the high cost of living and the complexities associated with navigating different financial systems and currencies abroad (Santika, 2024). This issue becomes even more pressing when considering that many of these students rely exclusively on scholarships as their primary source of income, making them especially vulnerable to financial mismanagement if they lack proper financial skills.

Financial literacy is essential for these students as it directly impacts their ability to make informed decisions regarding budgeting, saving, and spending. The limited financial literacy levels among Indonesian students studying abroad can lead to a series of financial challenges, from overspending to accumulating debt (Puspitasari, 2021). Given the critical role that financial literacy plays in managing their scholarships and ensuring academic success, it becomes imperative to understand the factors that influence financial behavior among Indonesian scholarship recipients. Previous studies suggest that financial knowledge, attitudes, and cultural factors significantly shape financial behavior, which in turn influences financial literacy (OJK, 2022).

A study by Heriyati et al. (2024) on Indonesian students abroad highlighted the important role of financial knowledge, financial attitudes, and financial culture in shaping financial behavior. It was found that financial literacy among students is significantly influenced by their financial behavior, and that financial behavior mediates the relationship between financial knowledge, attitudes, and financial literacy. However, the scope of this study was broad, encompassing all Indonesian students studying abroad, without specifically focusing on those receiving financial aid through government scholarships. This is a critical gap, as students on scholarships, particularly those with fixed financial support, face unique challenges that may affect their financial behavior and literacy.

Moreover, the previous studies, including Heriyati et al. (2024), generally examined financial literacy in the context of international students as a whole. While financial knowledge, attitude, and culture were identified as influential factors, the specific role of government scholarship recipients, who often experience the dual challenges of high living expenses and fixed scholarship funds, was not adequately explored. This presents both a theoretical and practical gap. The theoretical gap lies in the limited research on the financial behavior of scholarship recipients and how their unique financial situations may affect their financial literacy. On a practical level, there is a lack of tailored financial literacy programs or interventions designed specifically for scholarship students, who may require different approaches compared to self-funded students.

Addressing these gaps, this research focuses specifically on Indonesian students who are recipients of government scholarships (LPDP, IISMA, etc.), as this group faces unique financial challenges despite the availability of financial support. By exploring the relationship between financial knowledge, attitudes, culture, and financial behavior, and how these factors collectively influence financial literacy, this study aims to offer insights into how scholarship recipients can better manage their finances and avoid financial stress during their studies abroad.

Thus, the primary research questions guiding this study are as follows:

1. What is the impact of financial knowledge on financial behavior among Indonesian scholarship recipients?
2. What is the impact of financial attitude on financial behavior among Indonesian scholarship recipients?
3. What is the impact of financial culture on financial behavior among Indonesian scholarship recipients?
4. What is the effect of financial behavior on financial literacy among Indonesian scholarship recipients?
5. How does financial behavior mediate the relationship between financial knowledge and financial literacy among Indonesian scholarship recipients?
6. How does financial behavior mediate the relationship between financial attitude and financial literacy among Indonesian scholarship recipients?
7. How does financial behavior mediate the relationship between financial culture and financial literacy among Indonesian scholarship recipients?

1.3 Research Objectives

Based on the problem formulation and the research questions outlined above, the objectives of this research are as follows:

1. To examine and analyze the impact of financial knowledge on financial behavior.
2. To examine and analyze the impact of financial attitudes on financial behavior.
3. To examine and analyze the impact of financial culture on financial behavior.
4. To examine and analyze the impact of financial behavior on financial literacy.
5. To investigate whether financial behavior mediates the relationship between financial knowledge and financial literacy.
6. To investigate whether financial behavior mediates the relationship between financial attitudes and financial literacy.
7. To investigate whether financial behavior mediates the relationship between financial culture and financial literacy.

1.4 Research Benefits

The results of this study are expected to provide both academic and practical benefits for various stakeholders. Below are the expected benefits of this research:

1.4.1 Academic Benefits

This research is expected to contribute to the academic field by enhancing the understanding of financial literacy, particularly regarding the factors influencing financial behavior, such as financial knowledge, attitudes, and culture. It can serve as a reference for future studies focusing on financial literacy, especially among scholarship recipients studying abroad. Moreover, this research adds to the literature on financial management in an international education context, providing insights into the relationship between financial behavior and literacy.

1.4.2 Practical Benefits

This research can provide valuable insights for educational institutions, scholarship providers, and government agencies in designing more effective financial literacy programs for students. By understanding the factors that influence financial behavior, institutions can offer targeted interventions to improve financial literacy and help students better manage their scholarships and personal finances. Additionally, the findings can be used to improve financial planning support systems for students studying abroad, reducing financial stress and enhancing their academic performance.

1.5 Scope and Limitations

This research is confined by certain boundaries to ensure that the analysis remains focused and relevant to the research questions. The scope and limitations of this study are as follows:

1. The study will target Indonesian students who are currently studying abroad or have recently completed their studies abroad. This is to ensure that participants have firsthand experience with studying abroad. Additionally, only students who have received financial aid from Indonesian government

institutions will be included. Students supported by foreign or private sponsors will be excluded from this study.

2. The research will be limited to examining the impact of four specific variables: financial knowledge, financial attitudes, financial culture, and financial behavior. The study will investigate how these variables influence financial literacy, with a focus on understanding their direct and mediated effects.
3. The study will cover data collected from September 2024 to December 2024. This time frame ensures that the research captures the current experiences and financial management challenges faced by Indonesian scholarship recipients studying abroad.
4. This research will concentrate on analyzing the relationships between the identified variables and their influence on financial literacy. The study will not delve into detailed factor analysis or explore variables outside the defined scope.

1.6 Writing System

This thesis is organized into five chapters, each of which is interrelated and builds upon the previous chapters. The structure of the thesis is outlined as follows:

Chapter I: Introduction

This chapter presents the background of the study, discussing the relevance of researching financial literacy among Indonesian government scholarship recipients studying abroad. It includes the problem formulation, research questions, objectives, benefits of the study, scope and limitations, and the writing system of the thesis.

Chapter II: Theoretical Framework

This chapter provides an overview of the theories and concepts that underpin the research. It includes definitions and theoretical perspectives related to financial knowledge, attitudes, culture, and behavior. Additionally, it discusses the relationships between these variables and financial literacy, reviews relevant

literature, presents previous research findings, and outlines the hypotheses and model used in the study.

Chapter III: Research Methodology

This chapter details the research design and methodology, including the object of study, research approach, and operational definitions of variables. It describes the data collection methods, with Google Forms being used to gather responses, and outlines the data analysis techniques, specifically the use of SmartPLS for data analysis.

Chapter IV: Analysis and Discussion

In this chapter, the findings from the data collected are presented and analyzed. It includes descriptive statistics, discussions of statistical tests, and interpretations of the data. The chapter also provides insights into the implications of the findings for financial management among Indonesian scholarship recipients studying abroad.

Chapter V: Conclusions and Recommendations

The final chapter summarizes the key findings of the research, draws conclusions based on the results, and offers recommendations for improving financial literacy programs for students. It also suggests areas for future research to further explore the issues identified in the study.

U N I V E R S I T A S
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