CHAPTER V
CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Based on the SEM-PLS analysis, the following conclusions can be drawn regarding the relationships between Financial Knowledge, Financial Attitude, Financial Culture, Financial Behavior, and Financial Literacy among Indonesian government scholarship recipients studying abroad:

1. The results of the SEM-PLS analysis show that Financial Knowledge significantly and positively influences Financial Behavior among Indonesian government scholarship recipients studying abroad. The T-statistic of 4.389 and a P-value of 0.000 indicate a robust and statistically significant relationship between these two variables. This suggests that individuals with a higher level of financial knowledge tend to exhibit better financial behaviors, such as responsible budgeting, saving, and investing. Financial knowledge provides individuals with the essential tools and understanding to navigate financial decisions effectively. Those who grasp the principles of money management, including understanding financial products, interest rates, and the implications of debt, are more likely to make informed decisions that lead to sound financial behavior. In the context of scholarship recipients, this may also mean that students who have a deeper understanding of personal finance are better able to manage the financial resources provided by their scholarships, as well as handle the complexities of studying abroad. Thus, the positive effect of financial knowledge on financial behavior highlights the importance of financial education and literacy programs. By improving students' understanding of key financial concepts, universities and scholarship programs can foster behaviors that are aligned with long-term financial stability and well-being. This finding underscores the critical role of financial knowledge in encouraging responsible financial decision-making among students studying abroad.

2. In contrast to the strong relationship observed between Financial Knowledge and Financial Behavior, the results indicate that Financial Attitude does not significantly influence Financial Behavior among Indonesian scholarship recipients. The T-statistic for this relationship is 0.682, and the P-value is 0.248, both of which fail to meet the conventional thresholds for statistical significance ($T > 1.65$ and $P < 0.05$). This suggests that, while financial attitudes—such as one's beliefs, values, and perceptions toward money—may affect certain aspects of financial decision-making, they do not directly translate into observable financial behaviors among the participants in this study. One possible explanation for this finding is that Financial Attitude alone is insufficient to prompt tangible financial actions without the presence of financial knowledge or a clear understanding of how to apply that knowledge in real-world scenarios. For example, individuals may believe in the importance of saving or budgeting but may lack the practical knowledge of how to execute these practices effectively. As such, the findings indicate that a positive financial attitude, while valuable, must be coupled with sufficient financial literacy and behavior to influence financial practices effectively.
3. The SEM-PLS analysis shows that Financial Culture significantly and positively impacts Financial Behavior among Indonesian government scholarship recipients. The T-statistic for this relationship is 1.840, with a P-value of 0.033, which meets the required significance thresholds, demonstrating that cultural factors, including social norms and shared values about money, have a strong influence on financial behavior. Individuals who are socialized into cultures that emphasize the importance of financial responsibility, prudent spending, and saving are more likely to engage in these behaviors themselves. Financial culture, shaped by factors such as family practices, community expectations, and societal norms, plays an essential role in guiding individuals' financial decision-making. In the case of Indonesian scholarship recipients, many students come from backgrounds where financial practices such as saving and budgeting are emphasized, which likely influences their behavior abroad. The results suggest that individuals

immersed in such a financial culture are more inclined to make informed and responsible financial decisions, even when faced with the complexities of managing finances in a foreign environment. Therefore, financial culture provides a crucial foundation for fostering positive financial habits among students studying abroad.

4. The results indicate a strong and statistically significant relationship between Financial Behavior and Financial Literacy. The T-statistic for this relationship is 4.399, and the P-value is 0.000, both of which confirm that individuals who exhibit better financial behaviors tend to possess higher levels of financial literacy. This suggests that engaging in sound financial practices, such as budgeting, saving, and managing debt, not only improves an individual's financial management skills but also contributes to a deeper understanding of financial concepts. Financial behavior plays a critical role in the acquisition and reinforcement of financial knowledge. By engaging in everyday financial activities, individuals have the opportunity to apply and internalize the financial principles they learn, thus improving their overall financial literacy. For example, students who actively manage their finances through budgeting or who seek out information about personal finance may deepen their understanding of financial terms and strategies, ultimately improving their financial literacy. Therefore, practicing good financial habits provides a pathway to enhancing financial knowledge, which is crucial for long-term financial stability.
5. Financial Behavior mediates the relationship between Financial Knowledge and Financial Literacy among Indonesian scholarship recipients. The analysis shows that Financial Knowledge has both a direct and an indirect effect on Financial Literacy, with the indirect effect mediated by Financial Behavior. The T-statistic of 3.165 and P-value of 0.001 indicate that the indirect relationship is statistically significant. This means that individuals who have a strong understanding of financial concepts are not only more likely to engage in positive financial behaviors, but these behaviors, in turn, contribute to their overall financial literacy. This mediation effect suggests that financial

knowledge does not solely lead to higher financial literacy; rather, it is through the practical application of that knowledge in everyday financial behavior that individuals gain a deeper understanding of financial concepts. For example, students who know about budgeting but also put that knowledge into practice by actively budgeting and managing their scholarship funds are likely to become more financially literate. Therefore, Financial Behavior mediates the relationship by transforming theoretical knowledge into actionable financial practices, thereby enhancing financial literacy over time.

6. The analysis suggests that Financial Behavior does not significantly mediate the relationship between Financial Attitude and Financial Literacy. The T-statistic of 0.627 and P-value of 0.265 indicate that the mediating effect of financial behavior is not statistically significant. While financial attitude, such as a positive belief in the importance of saving and managing money, may influence financial behavior, it does not necessarily lead to improved financial literacy through behavior alone. This lack of mediation could be explained by the fact that positive attitudes towards finance may not translate into practical actions without the necessary financial knowledge or external influences. While a person may believe in the importance of budgeting, without the requisite knowledge of how to implement a budget effectively, their attitude alone may not improve their financial literacy. Therefore, financial behavior does not significantly mediate this relationship, suggesting that other factors, such as financial knowledge or external financial pressures, are more influential in enhancing financial literacy.
7. Finally, the analysis shows that Financial Behavior marginally mediates the relationship between Financial Culture and Financial Literacy, but this effect is not strong enough to reach the required significance threshold. The T-statistic of 1.513 and P-value of 0.065 suggest that while there is some evidence of a mediating effect, it does not meet the strict criteria for confirmation. This indicates that while financial culture may influence financial behavior, its indirect effect on financial literacy through behavior is weak. This finding suggests that cultural influences may not directly translate

into enhanced financial literacy through behavior alone. Other factors, such as personal financial knowledge or the pressures of managing finances abroad, may play a more significant role in shaping financial literacy. Additionally, students may be more likely to rely on their personal experiences or external sources of financial guidance, rather than solely relying on cultural norms, to improve their financial literacy.

This study provides valuable insights into the relationships between Financial Knowledge, Financial Attitude, Financial Culture, Financial Behavior, and Financial Literacy among Indonesian government scholarship recipients studying abroad. One of the key contributions of this research is its confirmation that Financial Knowledge significantly influences Financial Behavior, which, in turn, positively affects Financial Literacy. This establishes the importance of financial education programs that equip students with practical financial knowledge before they embark on their studies abroad. The study further highlights that Financial Culture, particularly cultural values and family influences, does play a role in shaping financial behavior, though its indirect influence on financial literacy is not as strong as initially hypothesized. In contrast, Financial Attitude did not show a significant direct effect on financial behavior, suggesting that other factors, such as knowledge and culture, may have a more prominent role in shaping students' financial decisions.

The implications of these findings can be implemented in a lot of things. The Indonesian government's scholarship programs, such as LPDP, IISMA, and BIM, play a critical role in financially supporting students. However, the study suggests that these programs could significantly benefit from integrating more comprehensive financial literacy training into their curricula, particularly during the Pre-Departure Series that prepares students for studying abroad. Financial education initiatives should go beyond basic topics like budgeting and saving to address more practical issues that students will encounter in their new environments, such as managing foreign currency, understanding varying living costs, and budgeting for long-term goals. By equipping students with this practical knowledge before departure, scholarship programs can better ensure that students make informed financial decisions, reduce the risk of overspending or mismanaging funds, and ultimately use their scholarships effectively throughout their academic journey.

Furthermore, the study underscores the importance of Financial Behavior in shaping Financial Literacy. As the findings show that students who engage in better financial behaviors tend to have higher financial literacy, it is crucial to incorporate practical activities into financial literacy programs. This could include exercises such as creating financial plans, managing scholarship funds, and tracking expenses. Simulated financial challenges, such as dealing with unexpected expenses or adjusting budgets in case of emergencies, could help students develop strong financial habits that they can apply both during their studies and in their future careers. While Financial Attitude did not show a direct effect on financial behavior, fostering a positive financial attitude is still important. Encouraging students to develop a proactive mindset towards financial responsibility, even without a strong background in finance, could help them seek out financial tools and resources that can improve their decision-making and self-discipline.

In addition, the study points out the necessity of accounting for cultural influences on financial decision-making. Although Financial Culture did not directly mediate the relationship between financial behavior and literacy, it remains an important factor in shaping how students perceive and manage their finances. Embedding elements of Indonesian cultural values—such as those related to saving and prudent spending—into financial literacy programs could make them more relatable and effective. This cultural dimension, combined with practical financial education, would enhance students' engagement and ability to manage their finances effectively while abroad. Financial literacy programs tailored to the unique financial challenges faced by Indonesian students abroad—such as managing the rising costs of living and handling financial pressures—could also mitigate financial stress, which is often associated with academic challenges. By addressing these financial concerns, scholarship recipients would not only improve their financial literacy but also reduce anxiety, allowing them to focus on their studies and achieve better academic outcomes.

In conclusion, this study highlights the crucial role of financial literacy in ensuring the success of Indonesian students under government scholarship programs studying abroad. By integrating comprehensive financial education into these programs, particularly targeting areas such as financial knowledge, behavior, and cultural understanding, the government can help students manage their finances more effectively, reduce stress, and improve their academic performance. Ultimately, these improvements will enhance the long-term success of the scholarship programs, contributing to the development of a more financially literate and capable generation of Indonesian students.

5.2 Recommendation

Based on the results of the research conducted, the author offers several suggestions or recommendations to ensure that this study can be beneficial to the relevant companies and to future researchers interested in exploring the same phenomenon and topic. The primary aim is to achieve broader and more in-depth findings.

5.2.1 Recommendations for Scholarship Providers

Based on the findings of this research, there are several valuable insights that can help improve the design and implementation of financial literacy programs for Indonesian students under government scholarship programs such as LPDP, IISMA, and BIM. These programs play a crucial role in supporting students financially, and they provide an ideal platform for integrating comprehensive financial education, especially during the Pre-Departure Series, which is part of the preparatory process for students heading abroad. Given the significant impact of financial knowledge on financial behavior, it is essential to prioritize enhancing students' understanding of financial management.

1. Focus on Practical Aspects of Financial Management

While students may be familiar with basic budgeting and saving techniques, financial literacy programs should extend beyond these fundamentals. Programs should emphasize practical skills students will directly use while studying abroad. This could include managing foreign currency, understanding living costs in different countries, and budgeting for long-term financial goals. By equipping students with these skills, scholarship providers can help them make smarter financial decisions, minimize financial mismanagement, and ensure that the scholarship funds last throughout their academic journey.

2. **Incorporate Behavioral Exercises and Real-World Scenarios**

   Since the study found that financial behavior directly impacts financial literacy, integrating behavior-focused workshops and practical exercises into the curriculum is essential. Students should be encouraged to practice creating financial plans, tracking expenses, and managing scholarship funds through hands-on activities. These could simulate real-world financial challenges such as dealing with unexpected financial emergencies or adjusting to changes in living costs. Engaging students in these activities will help them build better financial habits that will benefit them both during their studies and in their future careers.

3. **Cultivate Positive Financial Attitudes**

   Although financial attitude did not show a direct impact on financial behavior in this study, it is still crucial to nurture a positive mindset toward financial responsibility. Scholarship providers should focus on fostering a growth mindset regarding money, helping students understand the importance of financial knowledge and self-discipline. Students with a proactive approach to managing finances are more likely to seek financial resources and use financial tools effectively. Additionally, incorporating cultural values related to finance could help make the programs more relatable and effective.

4. **Address the Broader Economic Context of Studying Abroad**

   Given the increasing costs of living abroad and the financial pressures that students face, the curriculum should also address broader economic factors such as managing financial stress, balancing academic performance with personal well-being, and understanding how to navigate financial challenges while studying in a foreign environment. Financial stress can negatively impact academic performance and emotional well-being, so providing students with the tools to manage their finances and reduce stress will lead to better outcomes both academically and financially.

5.2.2 Recommendations for Future Research

Based on the findings of this study, there are several key areas where future research on financial literacy among Indonesian students studying abroad could provide further insights. These areas could help refine financial literacy programs and ensure that they better cater to the unique needs of these students. Below are some recommendations for future research, along with the limitations that may help shape the direction of these studies.

1. **Focus on Specific Regions**

   Future research could examine the impact of financial literacy programs on students from different regions within Indonesia. Regional cultural differences and varying levels of financial awareness might influence how students perceive and apply financial knowledge. By focusing on specific regions, researchers could identify regional variations and tailor financial literacy programs to better meet the needs of students from those areas. However, the limitation of this approach is that the diversity of regions in Indonesia might make it difficult to draw generalized conclusions applicable to all students. Nevertheless, the goal of such research would be to improve the effectiveness of financial literacy programs by addressing the unique challenges and needs of students from various regions, ensuring that the programs are more relevant and accessible.

2. **Examine Specific Scholarship Programs**

   Future studies could focus on specific scholarship programs such as LPDP, IISMA, or BIM, to evaluate the effectiveness of financial literacy initiatives within each program. These programs have distinct characteristics and target different groups of students, meaning their financial literacy needs may vary. A limitation of focusing on a single scholarship program is the potential lack of generalizability to other programs, given that each may have different support structures and student demographics. However, such research could provide valuable insights into how financial literacy programs can be tailored to the particular needs of students in each program, improving the quality of the financial education provided and ensuring it addresses the specific challenges faced by those recipients.

3. **Investigate Different Student Categories**

   Another valuable avenue for future research is investigating specific categories of students, such as exchange students or master's degree students. These groups may encounter distinct financial challenges and have varying levels of financial experience, and studying them separately could reveal valuable insights into how financial literacy programs can be customized for each category. A limitation here is that focusing on one category may limit the scope of the study, potentially overlooking common financial challenges faced by students in other categories. Nonetheless, the aim of such research would be to understand the unique financial needs of each group, enabling the development of more targeted interventions that address the particular financial concerns of exchange students versus postgraduate students.

4. **Explore the Role of Economic Background**

   Future studies could also explore how students' economic backgrounds influence their financial behavior and literacy. Students from different economic backgrounds may approach financial management in unique ways, and understanding these differences could lead to more effective and inclusive financial literacy interventions. A limitation of this approach could be the difficulty in categorizing students' economic backgrounds and ensuring that these categories accurately reflect the range of financial challenges faced by students. Despite this, the research would help identify how financial literacy programs can be tailored to meet the specific needs of students from lower-income families, who may face additional financial pressures while studying abroad. Such targeted research could lead to more equitable financial education initiatives.

5. **Longitudinal Studies on Financial Behavior and Literacy**

   Lastly, future research could benefit from longitudinal studies that track the financial behavior and literacy of students over time, from the moment they receive their scholarship to after they return to Indonesia. This would allow researchers to assess the long-term effectiveness of financial literacy programs and identify any changes in students' financial behavior and literacy post-study. The limitation of this approach is the long-term nature of the study, which requires sustained engagement with participants and may face challenges in retaining a consistent sample. However, the goal would be to provide a deeper understanding of how financial behavior and literacy evolve over time, and how these changes can be used to refine financial literacy programs for future cohorts of students. Longitudinal studies would offer valuable data to assess the lasting impact of financial education, thus helping policymakers enhance scholarship programs.