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The Effects of Financial Literacy, Pocket Money, and Lifestyle on Saving Behavior among Students of the Faculty of Economics and Business at Universitas Muhammadiyah Cirebon

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Abstract: *Saving behavior is an important indicator of personal financial management, particularly among university students who are beginning to become financially independent. However, students' limited saving habits indicate that their financial management skills remain underdeveloped. This study aims to analyze the effects of financial literacy, pocket money, and lifestyle on saving behavior among students of the Faculty of Economics and Business at Universitas Muhammadiyah Cirebon. The study employed a quantitative approach with an explanatory research design. Data were collected through questionnaires administered to 230 respondents selected using purposive sampling. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The findings show that financial literacy and pocket money have positive and significant effects on saving behavior. In contrast, lifestyle has no significant effect on students' saving behavior. These findings indicate that improving financial knowledge and the ability to manage pocket money are key factors in shaping students' saving behavior, whereas lifestyle is not a determining factor. The study contributes to the literature on students' financial behavior and provides practical implications for higher education institutions in improving financial literacy education and personal financial management.*
Keywords: *Financial Literacy; Pocket Money; Lifestyle; Saving Behavior.*

I. Introduction

Saving behavior is a form of financial behavior that reflects individuals' ability to manage income to meet both short-term and long-term needs. Developing saving habits from a young age plays an important role in building financial stability, reducing financial risks, and improving future well-being. As a working-age population, university students begin to face various financial decisions and therefore need to manage their finances wisely. Increasing digital consumption, convenient electronic transactions, and the influence of social media make students more susceptible to excessive consumption, making saving habits increasingly important (Alshebami & Aldhyani, 2022; Putry et al., 2025). This study focuses on students of the Faculty of Economics and Business at Universitas Muhammadiyah Cirebon and examines the effects of financial literacy, pocket money, and lifestyle on saving behavior.

Students' limited saving behavior was also evident in the preliminary survey conducted by the researcher. Most respondents had not developed a habit of setting aside money for savings or saving regularly, and they continued to prioritize current needs over future needs. These conditions indicate that students' personal financial management skills require further attention and that their saving habits are not yet well established.

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One factor expected to influence saving behavior is financial literacy. According to the Financial Services Authority of Indonesia (Otoritas Jasa Keuangan, OJK),

"Financial literacy is the knowledge, skills, and confidence that influence attitudes and behavior to improve the quality of financial decision-making and financial management in order to achieve well-being." (Otoritas Jasa Keuangan, 2022).

This definition indicates that individuals with good financial literacy are better able to prepare budgets, control expenses, and set aside part of their income as savings. Alshebami and Aldhyani (2022) also found that financial literacy positively affects saving behavior among young people.

In addition to financial literacy, pocket money is students' primary source of income for meeting daily needs. The amount of pocket money does not necessarily determine their ability to save; how students manage that money is more important. Students who can prioritize their expenses tend to exhibit better financial behavior than those who spend all their pocket money on consumption (Susilawaty & Dinhi, 2022; Alfius & Ivada, 2024). The preliminary survey indicated that some students considered their pocket money insufficient to meet their needs and had not yet developed effective pocket money management skills.

Another factor that has received considerable attention is lifestyle. The growth of social media has encouraged a culture of consumption through online shopping, digital entertainment, and the tendency to follow trends. Students often prioritize wants over needs, reducing their ability to set aside money for savings. The preliminary survey also indicated that most students continued to pay attention to current trends and popular lifestyles.

Previous research has produced inconsistent findings. Putry et al. (2025) found that financial literacy positively affects students' financial behavior, whereas Lufita et al. (2024) reported that its effect on saving behavior is not always significant. Susilawaty and Dinhi (2022) found that pocket money affects saving behavior, while other studies have reported different findings. These inconsistencies indicate a research gap and highlight the need for further investigation among students of the Faculty of Economics and Business at Universitas Muhammadiyah Cirebon.

II. Review of Literature

2.1 Behavioral Finance Theory

Behavioral finance theory explains that individuals' financial decisions are not always based on rational considerations but are also influenced by psychological, social, and emotional factors. The theory was developed to explain why individuals frequently make financial decisions that deviate from classical economic assumptions. In the context of saving behavior, students often face a conflict between meeting current needs and preparing for future financial needs. The ability to control excessive consumption is therefore a factor that determines the quality of individual financial management (Kahneman, 2011; Ricciardi & Simon, 2022).

Behavioral finance also explains that financial behavior is influenced by internal factors, such as financial knowledge, risk perceptions, and self-control, as well as external factors, including the social environment, technological developments, and lifestyle. Students' saving behavior is therefore determined not only by their financial capacity but also by their psychological characteristics and the environment in which they live.

2.2 Financial Literacy

Financial literacy is individuals' ability to understand financial concepts and apply them in everyday economic decision-making. According to the Financial Services Authority of Indonesia (Otoritas Jasa Keuangan, 2022),

"Financial literacy is the knowledge, skills, and confidence that influence attitudes and behavior to improve the quality of financial decision-making and financial management in order to achieve well-being."

This definition indicates that financial literacy involves not only knowledge but also the ability to translate that knowledge into responsible financial behavior. Individuals with good financial literacy are better able to prepare budgets, control expenses, manage income, and develop saving habits.

Alshebami and Aldhyani (2022) found that financial literacy positively affects saving behavior among young people. Similar findings were reported by Putry et al. (2025), who stated that students with high financial literacy have better financial management skills than those with low financial literacy. Conversely, low financial literacy makes individuals more susceptible to impulsive purchases and difficulties in managing income.

2.3 Pocket Money

Pocket money is the primary source of income students receive to meet their daily needs during their academic studies. The amount of pocket money is not the only factor determining saving behavior; students' ability to manage it is more important in developing sound financial behavior.

According to Susilawaty and Dinhi (2022), pocket money consists of funds provided by parents or other parties to students to meet their daily living needs. Effective pocket money management enables students to prioritize expenses, avoid wasteful spending, and set aside funds for savings.

Alfius and Ivada (2024) found that pocket money positively affects students' saving behavior. The better students manage their pocket money, the more likely they are to develop saving habits. However, Assah and Nurlailah (2022) found that the amount of pocket money does not always affect saving behavior because psychological factors and financial management skills also play a role.

2.4 Lifestyle

Lifestyle refers to a person's pattern of living, reflected in everyday activities, interests, and opinions. Developments in digital technology and social media have changed consumption patterns, particularly among Generation Z, whose members tend to follow emerging trends more readily.

According to Kotler, Keller, and Chernev (2022), lifestyle describes how individuals spend their time, allocate their income, and express themselves in everyday life. A lifestyle oriented toward excessive consumption can increase spending and reduce individuals' ability to set aside part of their income as savings.

Lufita et al. (2024) state that a consumption-oriented lifestyle affects saving behavior because individuals who tend to follow trends allocate more income to consumption than to

savings. However, other studies indicate that the effect of lifestyle on saving behavior is not always significant, highlighting the need for further empirical testing across different respondent groups.

2.5 Saving Behavior

Saving behavior refers to individuals' actions in setting aside part of their income to meet future needs. Saving habits reflect the ability to control expenses, plan finances, and anticipate future financial risks. The OECD (2023) explains that sound financial behavior is demonstrated through the ability to prepare budgets, manage expenses, and maintain consistent saving habits. Among university students, saving behavior is an important indicator of financial independence and readiness to meet future economic needs. Prempeh et al. (2024) found that saving behavior is influenced by various factors, including financial literacy, income, and financial management habits. Improving financial literacy and pocket money management skills is therefore expected to promote better saving behavior among students.

III. Research Methods

This study employed a quantitative approach with an explanatory research design, which aims to test causal relationships between independent and dependent variables through hypothesis testing. The quantitative approach was selected to explain the effects of financial literacy, pocket money, and lifestyle on students' saving behavior objectively through statistical analysis.

The study population comprised all active students of the Faculty of Economics and Business at Universitas Muhammadiyah Cirebon in the 2025/2026 academic year. The sample consisted of 230 respondents selected using purposive sampling. Eligible respondents were active students of the faculty who had managed their personal finances using pocket money received from their parents or other sources of income. The sampling procedure was intended to identify respondents who matched the study's objectives.

The study used primary data collected through questionnaires administered directly to respondents on a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. The research instrument was developed using indicators for each variable adapted from previous studies to align with the research objectives. The independent variables were financial literacy (X_1), pocket money (X_2), and lifestyle (X_3), while the dependent variable was saving behavior (Y). The operational definitions and indicators of each variable were based on relevant theories and empirical research.

The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4 software. PLS-SEM was selected because it can simultaneously analyze relationships between latent variables, accommodate complex research models, and does not impose a strict normality assumption. It is also suitable for research oriented toward prediction and theory development.

The analysis comprised two main stages: evaluation of the measurement model (outer model) and evaluation of the structural model (inner model). The measurement model was evaluated through convergent validity using outer loadings (> 0.70) and average variance extracted (AVE; > 0.50), discriminant validity using the Fornell–Larcker criterion and cross-

loadings, and construct reliability using Cronbach's alpha and composite reliability with a minimum value of 0.70. The structural model was then evaluated using R-Square (R^2) to assess its ability to explain the endogenous variable, effect size (f^2) to measure the effect of each exogenous variable, and hypothesis testing through bootstrapping. Hypotheses were accepted when the t-statistic exceeded 1.96 and the p-value was below 0.05 at the 5% significance level. This approach followed the PLS-SEM guidelines proposed by Hair et al. (2022).

IV. Result and Discussion

4.1 Measurement Model Evaluation (Outer Model)

The measurement model was evaluated to assess the validity and reliability of the research constructs. The assessment covered convergent validity, discriminant validity, and construct reliability

Table 1. Outer Loading Test Results

Variable	Indicator	Loading
Financial Literacy	X1.3	0.764
	X1.4	0.802
	X1.5	0.798
	X1.6	0.786
Pocket Money	X2.3	0.804
	X2.4	0.788
	X2.5	0.808
Lifestyle	X3.2	0.775
	X3.5	0.794
	X3.6	0.812
Saving Behavior	Y4	0.825
	Y5	0.875
	Y6	0.876

All indicators had outer loadings above 0.70 and were therefore considered valid measures of their respective constructs. The highest loading was recorded for indicator Y6 (0.876), while the lowest was recorded for indicator X1.3 (0.764). Based on the criteria proposed by Hair et al. (2022), all indicators met the requirements for convergent validity.

Table 2. Construct Reliability and Validity Test Results

Variable	Cronbach's Alpha	Composite Reliability	AVE
Financial Literacy	0.797	0.801	0.620
Pocket Money	0.723	0.732	0.640
Lifestyle	0.714	0.720	0.630
Saving Behavior	0.822	0.827	0.738

Cronbach's alpha values for all constructs exceeded 0.70, as did composite reliability values, which exceeded 0.70, while the average variance extracted (AVE) values for all variables exceeded 0.50. All constructs were therefore considered reliable and demonstrated convergent validity.

Table 3. Fornell–Larcker Criterion Test Results

Variable	X1	X2	X3	Y
Financial Literacy	0.788			
Pocket Money	0.488	0.800		
Lifestyle	0.400	0.396	0.794	
Saving Behavior	0.590	0.512	0.382	0.859

The square root of AVE for each construct exceeded its correlations with the other constructs. This indicates that the model met the requirements for discriminant validity, with each construct explaining its own variable better than the other constructs.

4.2 Structural Model Evaluation (Inner Model)

Table 4. R-Square Values

Variable	R^2	Adjusted R^2
Saving Behavior	0.424	0.416

The R^2 value of 0.424 indicates that financial literacy, pocket money, and lifestyle explained 42.4% of the variation in saving behavior, while the remaining 57.6% was influenced by variables not included in the research model. According to Hair et al. (2022), this value falls within the moderate category.

Table 5. Effect Size (f^2) Values

Relationship	f^2	Category
Financial Literacy → Saving Behavior	0.214	Medium
Pocket Money → Saving Behavior	0.087	Small
Lifestyle → Saving Behavior	0.017	Very Small

The results indicate that financial literacy had the largest effect on saving behavior compared with the other variables.

4.3 Hypothesis Testing

Table 6. Hypothesis Testing Results

Hypothesis	**Coefficient**	**t-statistic**	**p-value**	**Decision**
Financial Literacy → Saving Behavior	0.416	4.702	0.000	Accepted
Pocket Money → Saving Behavior	0.265	2.743	0.006	Accepted
Lifestyle → Saving Behavior	0.111	1.375	0.169	Rejected

The bootstrapping results showed that financial literacy and pocket money had positive and significant effects on saving behavior, with t-statistics above 1.96 and p-values below 0.05. In contrast, lifestyle did not significantly affect saving behavior, with a t-statistic of 1.375 and a p-value of 0.169.

4.4 Discussion

The Effect of Financial Literacy on Saving Behavior

The findings indicate that financial literacy had a positive and significant effect on students' saving behavior ($\beta = 0.416$; $p < 0.001$). This suggests that a better understanding of financial management strengthens students' ability to set aside part of their income as savings. Students who understand financial planning, budgeting, and risk management tend to exercise greater control over their expenses and adopt a long-term financial orientation.

These findings are consistent with behavioral finance theory, which explains that financial knowledge influences the quality of financial decision-making. The findings also support Alshebami and Aldhyani (2022), Putry et al. (2025), and Prempeh et al. (2024), who identify financial literacy as a key determinant of saving behavior among young people.

The Effect of Pocket Money on Saving Behavior

The findings indicate that pocket money had a positive and significant effect on saving behavior ($\beta = 0.265$; $p = 0.006$). This demonstrates that students' ability to manage their pocket money is important in developing saving habits. Students who allocate their pocket money proportionately between needs and savings exhibit better financial behavior than those who spend all their income on consumption.

This finding is consistent with Susilawaty and Dinhi (2022) and Alfius and Ivada (2024), who found that effective pocket money management can improve students' saving behavior.

The Effect of Lifestyle on Saving Behavior

The findings indicate that lifestyle had no significant effect on saving behavior ($\beta = 0.111$; $p = 0.169$). This suggests that lifestyle was not a primary determinant of saving decisions among students of the Faculty of Economics and Business at Universitas Muhammadiyah Cirebon. Although students follow current trends and modern lifestyles, this does not necessarily reduce their habit of setting aside part of their income as savings.

These results indicate that saving decisions are influenced more by internal factors, such as financial literacy and pocket money management skills, than by the external factor of lifestyle. The findings also suggest that students' saving behavior is driven more by an awareness of financial management than by social pressure or consumption trends.

V. Conclusion

This study aimed to analyze the effects of financial literacy, pocket money, and lifestyle on saving behavior among students of the Faculty of Economics and Business at Universitas Muhammadiyah Cirebon. The findings indicate that financial literacy positively affects saving behavior. A better understanding of financial management improves students' ability to manage expenses, plan their finances, and develop saving habits. Financial literacy is therefore an important factor in promoting responsible financial behavior.

Pocket money was also found to positively affect saving behavior. Students who manage their pocket money wisely are better able to distinguish between needs and wants and tend to set aside funds for savings. In contrast, lifestyle was not found to have a significant effect on saving behavior. This indicates that students' saving decisions are influenced more by financial management skills than by the tendency to follow particular lifestyles or consumption trends.

Overall, this study reinforces the view of behavioral finance theory that individual financial behavior is influenced more by the ability to understand and manage finances than by external factors. Improving financial literacy and pocket money management skills therefore warrants attention in developing sustained saving behavior among students.

The findings have practical implications for the Faculty of Economics and Business at Universitas Muhammadiyah Cirebon and other higher education institutions in strengthening financial literacy education. This can be achieved by integrating personal financial management content into teaching, seminars, training, and student activities. Such programs are expected to improve students' knowledge and skills in budgeting, controlling expenses, and developing saving habits from an early age.

Higher education institutions can also collaborate with banks, the Financial Services Authority of Indonesia (OJK), and other financial service institutions to provide financial education, facilitate the opening of student savings accounts, and promote a saving culture through digital platforms. Parents are also expected to guide students in managing their pocket money in a more planned manner to foster responsible financial behavior. For financial institutions, the findings can inform the development of savings products better suited to students' characteristics, including low initial deposit requirements, convenient digital access, and ongoing financial education programs.

Future research should expand the study to different higher education institutions and incorporate additional variables related to financial behavior, such as financial attitude, financial self-efficacy, self-control, financial technology, and peer influence. This would provide a more comprehensive understanding of the factors influencing students' saving behavior.

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