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What Shapes Students' Financial Behavior? Examining Income, Financial Literacy, and Lifestyle

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Abstract

Financial behavior has become increasingly important among university students as they assume greater financial independence and face more complex financial decisions. Empirical evidence concerning its determinants among students in vocational higher education institutions outside major urban areas remains limited, despite their distinct socioeconomic characteristics. The research examines the effects of income, financial literacy, and lifestyle on the financial behavior of students at Politeknik Negeri Tanah Laut. A quantitative design was employed using probability sampling with a simple random sampling technique. Data were collected from 275 active students and analyzed using PLS-SEM. The results show that income positively and significantly affects financial literacy, lifestyle, and financial behavior, while financial literacy and lifestyle also positively and significantly influence financial behavior. By integrating these variables within a single structural model, the analysis provides a more comprehensive understanding of the economic and behavioral factors underlying students' financial behavior. The findings suggest that vocational higher education institutions should strengthen applied financial literacy programs, including budgeting, financial planning, expenditure management, and guidance on lifestyle choices aligned with students' financial capacity. Such initiatives may promote more responsible financial behavior and support long-term financial well-being.

Keywords:
Financial Behavior; Income; Financial Literacy; Lifestyle.

1. INTRODUCTION

Financial behavior has received increasing attention in financial research because it reflects an individual's ability to manage economic resources effectively. Sound financial behavior enables individuals to allocate income wisely, control expenditures, and make informed financial decisions that support long-term financial well-being. This issue is particularly relevant for university students, who are entering a stage of greater financial independence and are increasingly responsible for managing their own financial resources. Consequently, understanding the factors that shape students' financial behavior has become an important concern for both researchers and higher education institutions.

Previous studies have identified several determinants of financial behavior (FB), among which income (INC), financial literacy (FL), and lifestyle (LS) are the most frequently examined. INC represents the financial resources available to individuals for meeting daily needs and allocating expenditures (Dewi & Darma, 2021). Nevertheless, greater financial resources do not necessarily lead to better FB if individuals lack the ability to manage their finances effectively (Handrijaningsih et al., 2024). FL has also been recognized as a critical factor because it equips individuals with the knowledge and skills required to understand financial concepts, develop financial plans, manage assets, and make appropriate financial decisions (Wahyuni et al., 2023). In addition, LS influences FB through consumption patterns, personal preferences, and spending habits, all of which shape how individuals utilize their financial resources (Azizah et al., 2024). Collectively, these studies suggest that financial behavior is not determined by a single factor but rather by the interaction of multiple economic and behavioral dimensions (Hermawan et al., 2025).

Despite this growing body of literature, previous research has also highlighted persistent challenges in students' financial management. Limited financial experience, inadequate financial knowledge, and strong social influences continue to hinder students from making rational financial decisions (Suwardi et al., 2024). Although students generally possess basic financial management capabilities, maintaining financial discipline, particularly in saving and controlling expenditures, remains a recurring challenge (Mulyadi et al., 2022). Furthermore, insufficient financial knowledge increases students' vulnerability to poor spending decisions and inadequate long-term financial planning (Anggriyanti & Hwihanus, 2024). These findings indicate that improving students' FB requires a broader understanding of the interrelationships among the factors that influence their financial decision-making.

Although previous studies have established the importance of income, FL, and LS in explaining FB, these variables have predominantly been examined as separate predictors of students' FB. Consequently, relatively limited attention has been given to understanding how INC simultaneously influences FL, LS, and FB within a single analytical framework. Addressing this issue, the present study investigates the effects of INC on FL, LS, and FB, as well as the effects of FL and LS on the FB of students at Politeknik Negeri Tanah Laut. By examining these relationships simultaneously, this study seeks to provide a more comprehensive understanding of the determinants of students' FB while offering practical implications for higher education institutions in designing more effective financial literacy initiatives.

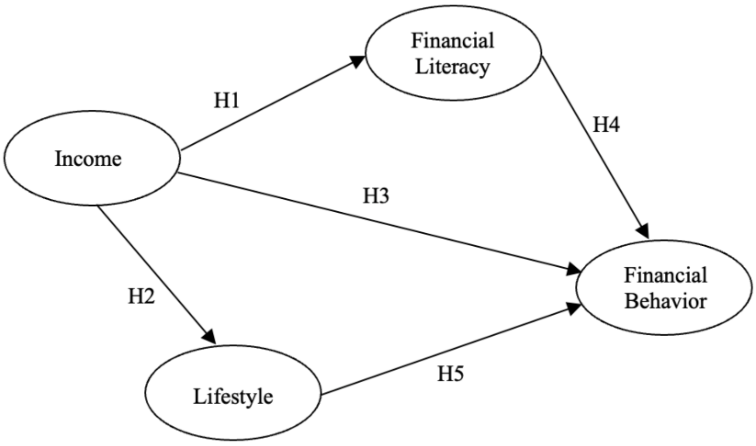

Figure 1. Conceptual Framework

2. RESEARCH METHOD

The investigation was conducted within a quantitative methodological framework to examine the relationships among INC, FL, LS, and FB among students at Politeknik Negeri Tanah Laut. The study population comprised 877 active students from the 2023 and 2024 cohorts. The required sample size was estimated using the Taro Yamane equation, resulting in a minimum sample of 275 respondents. Participants were recruited through a probability sampling approach with a simple random sampling procedure, ensuring that every eligible student had an equal probability of selection (Yamane, 1967). Primary data were collected using a structured questionnaire comprising four constructs: INC, FL, LS, and FB. Measurement items for the INC construct were adopted from the scales developed by Putri et al. (2023) and Mulyadi et al. (2022), whereas those for FL, LS, and FB were adapted from Widyakto et al. (2022). Responses were recorded on a four-point Likert scale ranging from 1 (strongly disagree) to 4 (strongly agree).

Table 1. Operationalization of Research Constructs

Construct	Code	Item
Income	INC1	My income is stable from month to month.
	INC2	My income frequently fluctuates from month to month.
	INC3	My income is sufficient to meet my monthly living expenses.
	INC4	My income has improved my quality of life compared with previous years.
	INC5	My income enables me to meet my living needs comfortably.
	INC6	My income allows me to meet my daily needs without creating financial strain.
Financial Literacy	FL1	I clearly understand how my money is spent.
	FL2	I always set aside money for my personal needs before making other purchases.
	FL3	I establish a monthly budget for personal expenses to manage spending.
	FL4	I avoid borrowing money to purchase items that I want.

	FL5	I believe that saving is essential for meeting future financial needs.
	FL6	I realize that managing finances effectively involves planning for both the short and long term.
	FL7	I understand that financial literacy helps protect me from financial fraud, including digital fraud.
Lifestyle	LS1	I spend my money wisely on my daily needs.
	LS2	I tend to follow current fashion and lifestyle trends.
	LS3	I am interested in purchasing new or premium products when they meet my needs.
	LS4	I carefully select products that match my interests before making a purchase.
	LS5	I believe that maintaining a simple lifestyle contributes to better financial well-being in the future.
	LS6	I believe that my lifestyle should be aligned with my financial capability.
Financial Behavior	FB1	I pay my bills on time (e.g., accommodation, utilities, or other financial obligations).
	FB2	I prepare budgets for my daily, weekly, and monthly expenses.
	FB3	I regularly save money for unexpected future expenses.
	FB4	I strive to maintain a balance between my income and expenditures.
	FB5	Price comparisons influence my purchasing decisions for products and services.

The proposed hypotheses were evaluated using PLS-SEM implemented in SmartPLS 4. The analysis began with an assessment of measurement model adequacy to assess the reliability and validity of the measurement constructs through the examination of indicator loadings, Cronbach's alpha, composite reliability, average variance extracted, and discriminant validity based on the Fornell–Larcker criterion. Following confirmation of measurement model adequacy, the relationships specified in the structural model were examined by evaluating the coefficient of determination, predictive relevance, and the magnitude of each effect, followed by a bootstrapping procedure with 5,000 subsamples to estimate the significance of the proposed relationships. All statistical decisions were made using a significance threshold of $p < 0.05$ (Hair et al., 2021).

3. RESULTS AND DISCUSSION

3.1. Results

The results are presented through a series of sequential analyses, including indicator reliability, construct validity, explanatory and predictive capabilities, effect size estimation, and hypothesis testing.

Table 2. Reflective Measurement Model Assessment

Code	OL	α	CR	AVE	Decision
INC1	0.758	0.865	0.899	0.597	Retained
INC2	0.794				
INC3	0.777				
INC4	0.746				
INC5	0.813				
INC6	0.744				
FL1	0.787	0.878	0.905	0.578	Retained
FL2	0.777				
FL3	0.747				
FL4	0.771				
FL5	0.730				
FL6	0.753				
FL7	0.754				
LS1	0.775	0.869	0.901	0.604	Retained
LS2	0.775				
LS3	0.787				
LS4	0.765				
LS5	0.756				
LS6	0.804				
FB1	0.829	0.885	0.915	0.684	Retained
FB2	0.832				

FB3	0.827
FB4	0.827
FB5	0.820

Indicator loadings ranged from 0.730 to 0.832, demonstrating adequate indicator reliability. Cronbach's alpha coefficients varied between 0.865 and 0.885, composite reliability coefficients ranged from 0.899 to 0.915, and AVE scores fell between 0.578 and 0.684, with all metrics exceeding the recommended thresholds. These results indicate satisfactory internal consistency and convergent construct validity, suggesting that the measurement framework was appropriate for subsequent structural model assessment (Hair et al., 2021).

Table 3. Fornell–Larcker Assessment

Code	FB	FL	INC	LS
FB	0.827			
FL	0.321	0.760		
INC	0.424	0.503	0.772	
LS	0.390	0.275	0.533	0.777

Construct distinctiveness was demonstrated among the latent constructs. The square root of AVE varied between 0.760 and 0.827, consistently exceeding the corresponding inter-construct coefficients, which ranged from 0.275 to 0.533. These results suggest that each construct accounted for a greater proportion of variance in its respective indicators than in the remaining constructs, providing evidence that the latent variables were empirically distinguishable (Hair et al., 2021).

Table 4. Evaluation: R^2 and Q^2

Code	R^2	Q^2
FB	0.224	0.172
FL	0.251	0.244
LS	0.281	0.276

The estimated R^2 values varied between 0.224 and 0.281, showing that the proposed model accounted for 22.4% of financial behavior, 25.1% of financial literacy, and 28.1% of lifestyle. Furthermore, Q^2 values ranging from 0.172 to 0.276 indicate that the model retained predictive relevance for all endogenous constructs (Hair et al., 2021).

Table 5. Effect Size (f^2) Assessment

Relationship	f^2
FL -> FB	0.020
INC -> FB	0.041
INC -> FL	0.339
INC -> LS	0.396
LS -> FB	0.049

The effect size analysis showed considerable variation across the proposed relationships. INC → LS exhibited a large effect (f^2 = 0.396), while INC → FL demonstrated a medium effect (f^2 = 0.339). Meanwhile, FL → FB, INC → FB, and LS → FB produced small effect sizes of 0.020, 0.041, and 0.049, respectively, suggesting relatively limited contributions to the endogenous constructs (Hair et al., 2021; Poseng, Y. et al., 2026).

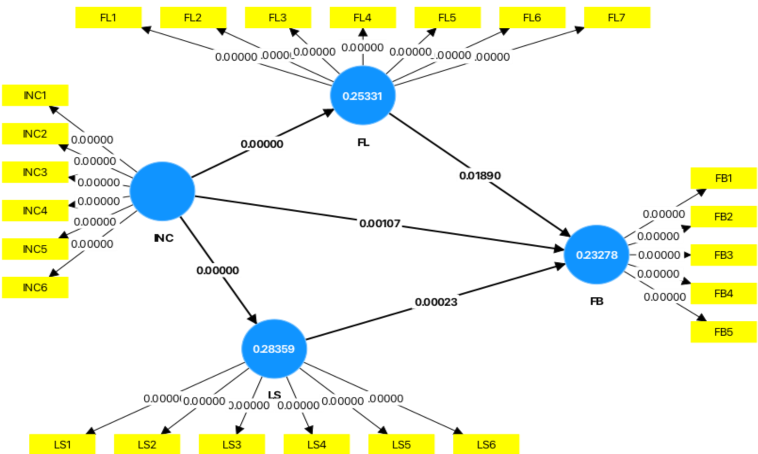

Figure 2. Bootstrapping Results

Table 6. Hypothesis Testing Results

Relationship	O	M	STDEV	T-Stat	p-value	Decision
INC -> FL	0.503	0.507	0.048	10.484	<0.001	Supported
INC -> LS	0.533	0.536	0.042	12.698	<0.001	Supported
INC -> FB	0.232	0.232	0.071	3.274	0.001	Supported
FL -> FB	0.142	0.144	0.060	2.348	0.019	Supported
LS -> FB	0.228	0.230	0.062	3.686	<0.001	Supported

The hypothesis testing results showed that all proposed relationships were positive and statistically significant. The strongest effect was observed for INC → LS ($\beta = 0.533$, $t = 12.698$, $p < 0.001$), followed by INC → FL ($\beta = 0.503$, $t = 10.484$, $p < 0.001$). Meanwhile, INC → FB ($\beta = 0.232$, $t = 3.274$, $p = 0.001$), LS → FB ($\beta = 0.228$, $t = 3.686$, $p < 0.001$), and FL → FB ($\beta = 0.142$, $t = 2.348$, $p = 0.019$) also exhibited positive and significant effects. Accordingly, all proposed hypotheses were supported (Hair et al., 2021).

3.2. Discussion

Income positively and significantly influenced the financial literacy of students at Politeknik Negeri Tanah Laut. Students with higher income are more likely to gain practical experience in managing financial resources, including budgeting, saving, and expenditure allocation, which enhances their understanding of financial concepts and financial decision-making. These findings suggest that financial literacy is strengthened not only through education but also through direct financial experience. Vocational higher education institutions should therefore provide financial management activities that allow students from different income levels to practice budgeting, saving, and allocating limited financial resources. This result supports Wahyuni et al. (2023), who emphasized that financial literacy equips individuals with the knowledge and skills required to make appropriate financial decisions.

Income also exerted a positive and significant effect on students' lifestyles. Higher income increases purchasing power, allowing students to adjust their consumption patterns and lifestyle choices according to their preferences and financial capacity. Lifestyle should not merely reflect higher consumption but also the ability to balance personal preferences with available financial resources. Institutions may respond to this finding by incorporating guidance on needs-based consumption and lifestyle planning into student financial education programs, particularly for students experiencing changes in disposable income. This finding is consistent with Azizah et al. (2024), who highlighted that income and consumption patterns jointly shape individual lifestyles.

The findings further indicate that income positively affects students' financial behavior. Students with greater financial resources tend to demonstrate better financial management practices, including budgeting, saving, and expenditure control. Nevertheless, the relatively small effect size implies that financial behavior depends not only on the amount of income but also on how effectively financial resources are managed. Financial education initiatives should consequently focus not only on the availability of income but also on students' ability to allocate, monitor, and control their expenditures responsibly. This finding reinforces the argument of Handrijaningsih et al. (2024) that higher income alone does not guarantee sound financial behavior.

Financial literacy was found to positively influence students' financial behavior. Students with better financial knowledge are more capable of planning expenditures, controlling spending, and making rational financial decisions. Adequate financial literacy enables individuals to evaluate financial alternatives more carefully while reducing the likelihood of poor financial decisions. Vocational higher education institutions should strengthen applied financial literacy programs through budgeting exercises, personal financial planning, saving strategies, and simulations of everyday financial decisions. These findings support Wahyuni et al. (2023) and Anggriyanti and Hwihanus (2024), who emphasized the importance of financial literacy in improving financial decision-making.

Lifestyle also had a positive and significant effect on students' financial behavior. Students whose lifestyles are aligned with their financial capacity are more likely to manage their finances responsibly than those whose spending is primarily driven by consumption trends. This finding indicates that lifestyle represents an important behavioral dimension influencing financial management. Student development programs should therefore encourage consumption patterns that correspond with available financial resources and promote greater awareness of the financial consequences of trend-driven spending. The result is consistent with Azizah et al. (2024), who argued that consumption patterns and spending habits play an important role in shaping financial behavior.

Empirical evidence from students at Politeknik Negeri Tanah Laut indicates that income, financial literacy, and lifestyle jointly shape financial behavior. Unlike previous studies that mainly examined these variables independently, the present analysis integrates them within a single structural model, providing a broader understanding of the economic and behavioral dimensions associated with students' financial behavior. The integrated findings indicate that effective institutional interventions should address financial knowledge, income management, and lifestyle choices as interconnected components of students' financial well-being.

4. CONCLUSION

This study investigated the effects of income, financial literacy, and lifestyle on the financial behavior of students at Politeknik Negeri Tanah Laut. The results indicate that income positively influences financial literacy, lifestyle, and financial behavior, while financial literacy and lifestyle also positively contribute to students' financial behavior. These findings provide a more comprehensive understanding of students' financial behavior by demonstrating the interconnected roles of economic resources, financial capability, and lifestyle within a single structural model. Practically, the results suggest that vocational higher education institutions should strengthen financial literacy programs by providing practical budgeting education, financial planning activities, and guidance on responsible expenditure management, while promoting lifestyle patterns that align with students' financial capacity to foster more responsible financial behavior. This study is limited by its cross-sectional design and its focus on students from a single institution, which may restrict the generalizability of the findings. Future research is encouraged to include more diverse populations, consider additional determinants of financial behavior, examine the potential roles of mediating or moderating variables, and adopt longitudinal, qualitative, or mixed-method designs to provide a deeper understanding of changes in financial behavior over time. Despite these limitations, this study offers useful insights for developing strategies to improve students' financial well-being through integrated financial education and behavioral interventions.

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