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Research Article

Income, Financial Literacy, and Financial Management Behavior

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Abstract: Financial management plays a crucial role in individual financial planning, particularly in the context of increasingly unstable macroeconomic conditions. Effective financial management behavior enables individuals to allocate resources wisely, manage risks, and achieve financial sustainability in the long term. Therefore, identifying the key factors that influence financial management behavior is essential. This study aims to analyze the effect of income and financial literacy on financial management behavior (FMB). The population of this study consists of teachers and administrative employees aged 24 to 60 years from two educational institutions located in Bandar Lampung and Metro. Using a snowball sampling technique, a total of 93 respondents were obtained. Data were collected through an online survey questionnaire designed to measure income level, financial literacy, and financial management behavior. The collected data were then analyzed using a multiple regression model to test the proposed hypotheses. The results of the analysis indicate that both income and financial literacy have a positive and significant effect on financial management behavior. Individuals with higher income levels tend to demonstrate better financial management practices, while greater financial literacy enhances individuals' ability to plan, control, and make informed financial decisions. These findings highlight the importance of improving financial literacy and income management skills to strengthen financial management behavior, particularly among educators and educational staff.

Keywords: Educators; Employee; Financial Literacy; Financial Management Behavior; Income.

1. Introduction

The current unstable macroeconomic conditions create uncertainty across sectors of the economy (Karim et al., 2024). Indeed, it will undoubtedly increase financial risk (Pakhucha et al., 2021) faced by all institutions, including individuals (Salsabila et al., 2024). For individuals, financial management is one way to mitigate this risk through good planning. (Kumar, 2024). Moreover, this management aims to achieve economic independence (Jayanti et al., 2020).

The way people handle and make financial decisions is known as financial management behavior. Personal financial behavior includes a wide range of actions, such as debt management, savings and investment strategies, and financial planning and management. Comprehensive literature reviews have identified a number of predictors, including socioeconomic characteristics, psychological and personality traits, social dynamics, financial literacy, professional financial consultation, environmental considerations, technological advancements, situational circumstances, cultural influences, and financial experience (Goyal et al., 2021, 2022).

One of the determinants of financial management behavior is income (Lee et al., 2024; Rahmahsari & Fatmawati, 2024). For employees, income is compensation for working for the company (Giawa et al., 2025). Ideally, higher income is associated with better financial management behavior by employees, as demonstrated by Lee et al. (Lee et al., 2024), Rahmahsari and Fatmawati (Rahmahsari & Fatmawati, 2024). Unfortunately, not all people with income have good financial management behavior (FMB) (Jayanti et al., 2020). This statement is confirmed by Humaidi et al. (2020) and Bustami et al. (2025), who find no relationship between income and FMB.

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Besides, financial literacy becomes a determinant of financial management behavior (FMB). Therefore, the positive relationship between financial literacy and FMB exists, as shown by Humaidi et al. (Humaidi et al., 2020), Natan and Mahastanti (2022), Fazrin and Fathihani (2024), and Pratiwi and Fytaloka (2025). However, this tendency is not always supported. For example, Sumantri et al. (2024) and Butsami et al. (Bustami et al., 2025) demonstrate that financial literacy does not affect FMB.

Given this contrary evidence, this study aims to examine the impact of income and financial literacy on financial management behavior among teachers and administrative staff in educational institutions in Bandar Lampung and Metro (Lampung Province). Utilizing them as the object differs from the scholars employing the university students (Natan & Mahastanti, 2022; Pratiwi & Fytaloka, 2025; Sumantri et al., 2024), factory workers (Rahmahsari & Fatmawati, 2024), as well as people without a specified occupation, such as millennials (Bustami et al., 2025; Fazrin & Fathihani, 2024) and productive-age citizens (Humaidi et al., 2020).

2. Literature Review

Income and Financial Management Behavior

Currently, the development of the financial sector provides many conveniences in transactions, especially with the help of financial technology fintech (Carolina et al., 2025). Financial decisions about investing, saving, and consuming can be made using income (Arifin et al., 2018). Individuals with higher income levels tend to score higher on the future dimension, indicating a more focused orientation toward planning and commitment to the future (Herlina et al., 2026). Higher income groups will make investment and saving decisions, but they will have poor borrowing quality since they prefer to use credit cards (Biswas & Gupta, 2021). Kim et al. (2017) noted that when faced with financial difficulties like unemployment, lower income groups are unable to make sound financial decisions. Additionally, research by Rendrawati et al. (2023) and Pamella (2022) revealed a positive correlation between millennials' financial management practices and their income. Hence, the first hypothesis is expressed: H_1: Income has a positive influence on Financial Management Behavior.

Financial Literacy and Financial Management Behavior

To increase one's level of success in life, financial literacy is crucial when thinking about and making financial decisions. Financial literacy helps students manage their money so they can make wise financial decisions, avoid future financial difficulties, exhibit sound financial behavior, and identify needs rather than wants (Laily, 2016). Financial knowledge has an impact on adolescents' financial management behavior, which shows that the better adolescents' insight into financial management, the better their sense of responsibility towards personal financial decisions (Azizah, 2020). Financial literacy has a direct effect on financial behavior because there will be indications that the greater the knowledge and skills of people in managing finances, the people will be wiser and responsible in making decisions or behaving towards finances (Pamella & Darmawan, 2022). Hence, the second hypothesis is expressed: H_2: Financial Literacy has a positive influence on Financial Management Behavior.

3. Method

This study uses one dependent variable, i.e., financial management behavior (FMB), and two independent variables: (1) income, (2) financial literacy (FL). The items used to measure FMB, Income, and FL are based on Nabila et al. (2023), Sari and Azzafira (2021), and Yushita (2017), respectively (see Table 1).

Table 1. Variable Operationalization Definition.

Variable	Items	Source
Financial Management Behavior	I evaluate my expenditure by comparing one-month details with other-month details (FMB1) I have a budget for emergency funds (FMB2). I continually record financial transactions (FMB3). I have a budget for routine transactions (FMB4). I pay the bills punctually (FMB5)	Nabila et al. (Nabila et al., 2023)

	I allocate my income to investing in financial assets (FMB6).	
Income	I receive money from a fixed salary (INC1) I receive money from a variable salary (INC2) I receive money from another business side (INC3)	Sari and Azzafira (Sari & Azzafira, 2021)
Financial Literacy	I can generally understand some financial concepts (FL1) I can understand the role banks play in saving money (FL2) I know the benefits of insurance in my life (FL3) I understand the benefits of investment for my life (FL4)	Yushita (Yushita, 2017)

The population consists of teachers and administrative employees affiliated with educational institutions in Bandar Lampung and Metro. Samples are collected through snowball sampling within the network, as Hartono (Hartono, 2014) explains. Using this technique, 93 participants were obtained. To obtain their response, this study uses a survey via the distributed questionnaire link, as shown by Sudaryo et al. (2019). After that, validity and reliability testing are conducted on the collected responses, as Ghozali (Ghozali, 2021) declared.

In this study, the Pearson technique is used to compute item-to-total correlations as a validity test (Ghozali, 2021). After that, Nizar (2015) states that the t-statistic based on the 5% significance level, with degrees of freedom equal to the total number of observations minus 2, must be known. After knowing this information, the r-table can be obtained using the formula in Equation 1.

$$\text{r-table} = \frac{\boldsymbol{t-statistic}}{\sqrt{\boldsymbol{df+t^2}}} \quad \text{(Equation 1)}$$

Subsequently, the Pearson correlation is compared with the r-table. If this correlation value exceeds the r-table, the response to the item is valid. If it is the same as or lower than the r-table, the item's response is inaccurate (Ghozali, 2021). Finally, Ghozali (Ghozali, 2021) suggests using Cronbach's Alpha to detect reliability. The reliable answer is given when this Alpha is above 0.7.

After that, this research uses a multiple regression model to analyze the responses. Therefore, the classical assumptions must be achieved, such as normality, non-multicollinearity, and homoskedasticity. Citing Ghozali (2021), this study uses the Kolmogorov-Smirnov (KS) test for normality of residuals and the variance inflation factor (VIF). If the two-tailed probability of the Z statistic of KS is greater than 5% significance level (α), and VIF is below 10, the residual is normal, and multicollinearity does not exist, respectively. Following Gujarati et al. (2019), this study employs the Spearman Correlation (SC) to test for homoskedasticity. If the probability (2-tailed) of SC between the absolute residual and each independent variable is below $\alpha = 5\%$, the heteroskedasticity does not occur.

4. Results and Discussion

Results

Table 2 presents the respondent profiles from the March 2023 survey. In this survey, responses were obtained from 93 participants, grouped by gender, income, and expenditure range. The foremost respondents are female (79.57%), people with incomes between IDR 3 and 5 million (90.32%), and people with expenditures between IDR 2 and 4 million (86.02%). Meanwhile, the bottommost respondents are male (20.43%), people with income ranging from IDR 9 to 13 million (1.08%), and above IDR 13 million (1.08%), people with expenditure ranging from IDR 7 to 12 million (1.08%), and beyond IDR12 million (1.08%).

Table 2. Respondent Profiles.

Variable	Note	Total	%
Gender	Male	19	20.43
	Female	74	79.57
Income	IDR 3 to 5 million	84	90.32
	Above IDR 5 to 9 million	7	7.53
	Above IDR 9 to 13 million	1	1.08
	Above IDR13 million	1	1.08
Expenditure	IDR 2 to 4 million	80	86.02
	Above IDR 4 to 7 million	11	11.82
	Above IDR 7 to 12 million	1	1.08
	Above IDR 12 million	1	1.08

The total number of samples used in this study (N) is 93. Therefore, the relevant degree of freedom (df) is N-2 = 93-2 = 91 to calculate the t-table. At the 5% significance level for two-tailed testing, the t-table is 1.986. Furthermore, the r-table can be calculated by the formula of $\frac{t}{\sqrt{df+t^2}}$. Based on this formula, the r-table is $\frac{1.986}{\sqrt{91+1.986^2}} = \frac{1.986}{\sqrt{91+1.986^2}} = \frac{1.986}{\sqrt{94.945}} = \frac{1.986}{9.7440} = 0.2386 = 0.239$ (rounded up).

In Table 3, the Pearson Correlation for FMB1 ↔ FMB, FMB2 ↔ FMB, FMB3 ↔ FMB, FMB4 ↔ FMB, FMB5 ↔ FMB, FMB6 ↔ FMB, INC1 ↔ INC, INC2 ↔ INC, INC3 ↔ INC, FL1 ↔ FL, FL2 ↔ FL, FL3 ↔ FL, FL4 ↔ FL is above 0.239: 0.635, 0.491, 0.860, 0.833, 0.373, 0.873, 0.920, 0.743, 0.789, 0.749, 0.974, 0.977, and 0.937; hence, the accurate responses exist. In the same Table, Cronbach's Alpha for FMB, INC, and FL is higher than 0.7: 0.779, 0.757, and 0.931, respectively. Thus, the reliable answers.

Table 3. The Instrumental Testing Result.

Variable	Symbol	Validity Testing Result		Reliability Testing Result
		Pearson Correlation	r-table	Cronbach Alpha
Financial Management Behavior	FMB1 ↔ FMB	0.635	0.239	0.779
	FMB2 ↔ FMB	0.491		
	FMB3 ↔ FMB	0.860		
	FMB4 ↔ FMB	0.833		
	FMB5 ↔ FMB	0.373		
	FMB6 ↔ FMB	0.873		
Income	INC1 ↔ INC	0.920	0.239	0.757
	INC2 ↔ INC	0.743		
	INC3 ↔ INC	0.789		
Financial Literacy	FL1 ↔ FL	0.749	0.239	0.931
	FL2 ↔ FL	0.974		
	FL3 ↔ FL	0.977		
	FL4 ↔ FL	0.937		

Table 4 presents the normality test results using the Kolmogorov-Smirnov test, with a two-tailed p-value of 0.395, which is greater than α = 5%; thus, the residuals are normal. In a similar table, the variance inflation factors for INC and FL are 2.475 and 2.655, respectively. Because they are below 10, multicollinearity does not appear.

Table 4. The Testing Result of Normality and Multicollinearity.

The required Test	Description	Value
Normality	Z-statistic of Kolmogorov-Smirnov	0.134
	Probability (2-tailed) of Z-statistic	0.395
Multicollinearity	VIF for INC	2.475
	VIF for FL	2.655

Table 5 presents the Spearman correlation test results, with two-tailed p-values of 0.069 for the correlation between INC and absolute residual and 0.170 for the correlation between FL and absolute residual. Because these values are above $\alpha = 5\%$, heteroskedasticity does not happen.

Table 5. Spearman Correlation Testing Result.

Description	Spearman Rho	Probability (2-tailed)
INC ↔ ABS(Residual)	-0.185	0.069
FL ↔ ABS(Residual)	-0.140	0.170

Table 6 presents the regression model estimation results, with p-values of 0.000 for income and 0.000 for financial literacy. It means the first and second hypotheses are acknowledged. Therefore, income and financial literacy positively affect financial management behavior.

Table 6. The Estimation Result of the Regression Model.

FMB = f(Income and Financial Literacy).

Determintants	Unstandardized Coefficient		Standardized Coefficients	t-statistic	Probability
	B	Standard Error	Beta		
Constant	18.496	0.813		22.745	0.000
INC	0.343	0.093	0.381	3.671	0.000
FL	0.316	0.077	0.437	4.073	0.000

Discussion

In this study, income positively influences financial management behavior. Individuals with higher incomes from salaries and other activities can allocate their money according to their budgets. Consequently, this evidence supports Lee et al. (Lee et al., 2024), who investigated 150 Malaysian millennials; Rahmahsari and Fatmawati (2024), who studied 95 Indonesian factory workers in the MM2100 area.

Furthermore, this study reveals a positive effect of financial literacy on financial management behavior. With this literacy, people will save money and invest it in productive financial assets, such as stocks, bonds, and mutual funds. Accordingly, this finding confirms the study by Humaidi et al. (Humaidi et al., 2020) based on the perspective of 180 productive-age people in Surabaya, and the investigation by Natan and Mahastanti (2022), which examined the perceptions of 341 Indonesian undergraduate students at Satya Wacana Christian University. It is also supported by Fazrin and Fathihanin (Fazrin & Fathihani, 2024), who conducted a study of 100 Indonesian millennials in Jakarta; and by Pratiwi and Fytaloka (2025), who studied 385 undergraduate students from several universities in South Sumatra.

5. Conclusion

Based on the findings of this research, based on the perspective of 93 people, consisting of teachers and administrative employees in Bandar Lampung and Metro, it can be concluded that (1) income positively affects financial management behavior: The more income from salary, the higher the tendency of employees to manage their financial planning to meet their daily needs, and (2) financial literacy influences financial management behavior: The more financially literate, the more propensity to manage their financial planning to handle the shortage of money problems. Considering these facts, this research recommends that employees set aside a portion of their monthly salary in a reserve fund to cover emergency needs and invest it in a liquid capital market instrument, in addition to meeting routine expenses. Theoretically, this research suggests that subsequent scholars examine other determinants of financial management behavior, such as gender, age, self-efficacy, financial technology, locus of control, financial attitude, peer influence, and lifestyle.

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