

Financial Management Behavior of Millennials

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ABSTRACT

Finance is an important aspect of our daily lives. Managing our finances well can help us achieve our financial goals, face financial challenges, and build a more financially stable future. Financial management in the millennial generation is not yet optimal, there are still many problems faced, including high levels of debt, consumer lifestyle, lack of understanding about investment, changes in lifestyle and consumption patterns. This research study uses qualitative methods. This research study involved 3 informants to provide information related to the study carried out. The findings from this research are that the millennial generation has a diverse understanding of financial management, investment and debt management, the millennial generation shows a combination of internal and external locus of control in financial management and the COVID-19 pandemic has brought significant changes in expenditure, income, and the financial habits of the millennial generation. They are more careful in managing their finances, prioritizing important expenses, and strengthening long-term financial preparations.

Keywords:

Behavior,
Financial
Management,
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Generation.

INTRODUCTION

Finance stands as a crucial facet of everyday life, where adept management can facilitate the attainment of financial objectives, resilience against economic challenges, and the construction of a more financially secure future (Kurnaeli, 2016). Effective financial management encompasses various considerations. Primarily, the establishment of a robust budget plays a pivotal role. A budget aids in tracking income and expenses, while also orchestrating the allocation of funds towards daily necessities, savings, and investments. With a meticulously planned budget, one can steer clear of unnecessary debt and administer finances more efficiently. Millennials, constituting the age bracket between 25 to 40 years old in 2021, encounter distinctive hurdles in financial management. The financial conduct of millennials garners significant attention owing to their immersion in the milieu of digital technological advancements and profound societal transformations.

A paramount challenge confronting millennials is the elevated levels of debt, particularly in the forms of student loans and mortgages. Many millennials grapple with substantial debt burdens from early on, impinging upon their capacity to manage finances effectively (Faramitha, 2021). Furthermore, millennials contend with the pressures of a consumerist lifestyle and societal expectations to project success. They are often enticed to splurge on luxury items, vacations, or extravagant experiences, often neglecting the imperative of earmarking funds for long-term savings or investments.

Millennials also exhibit a propensity towards riskier investment attitudes (Astuti, 2023), often gravitating towards innovative and high-risk investment avenues such as cryptocurrencies or technology stocks. However, their inadequate grasp of risk and lack of experience in investment management render them susceptible to substantial financial losses. Additionally, shifts in lifestyle and consumption patterns influence the

financial conduct of millennials. They tend to favour experiences and services over the ownership of tangible goods, thereby impacting their decisions regarding the allocation of funds for daily needs, savings, and long-term investments (Mandey, 2018).

In the backdrop of the COVID-19 pandemic, millennials confront significant economic ramifications. Many have experienced job losses or income reductions, thereby impeding their ability to manage finances effectively. The pandemic has heightened millennials' awareness regarding the significance of personal finance and risk management (Tahang, 2023). In light of these challenges, financial literacy assumes paramount importance for millennials. Proficiency in financial literacy can empower them to comprehend fundamental financial concepts, manage debt prudently, make astute investment decisions, and cultivate sound money management habits.

Research pertaining to the financial conduct of millennials is imperative to furnish insights and recommendations conducive to enhancing their financial management practices. A nuanced understanding of the factors influencing millennials' financial behaviour can inform the development of pertinent financial education strategies and programmes aimed at fostering long-term financial stability.

Aligned with the context provided earlier, the problem formulation of this study revolves around several key inquiries. Firstly, it investigates whether millennials possess sufficient knowledge regarding financial management, investment practices, and debt management. Secondly, it delves into whether millennials tend to demonstrate an internal or external locus of control concerning their financial management approaches. This aspect pertains to understanding whether millennials perceive themselves as primarily responsible for their financial outcomes or if they attribute these outcomes more to external factors. Lastly, the study explores the shifts in millennials' expenditure patterns, income stability, and overall financial behaviors in reaction to the COVID-19 pandemic. By addressing these inquiries, the research aims to offer insights into millennials' financial literacy levels, their psychological orientation towards financial decision-making, and the impact of external events such as the pandemic on their financial practices. Such understanding is pivotal for informing tailored strategies, interventions, and policies aimed at enhancing millennials' financial well-being and resilience in the face of economic uncertainties.

METHOD

This research adopts a qualitative approach as an appropriate method for delving into social phenomena (Sugiyono, 2019; Creswell & Poth, 2018; Merriam, 2009). This method enables researchers to explore the meaning, interpretation, and context of collected data more deeply, which may not always be achievable through quantitative approaches (Sugiyono, 2019). Prioritizing interview techniques, this study aims to directly elicit individual perspectives, providing a richer understanding of the subject under investigation (Creswell & Poth, 2018).

Key steps in conducting qualitative interviews, such as thorough preparation before the interview and the use of open-ended questions, are emphasized to ensure the accuracy and depth of the data obtained (Merriam, 2009; Sugiyono, 2019). This approach allows researchers to explore diverse perspectives from participants, enriching the understanding of the complexity of social phenomena (Creswell & Poth,

2018). Considering this complexity, qualitative research is expected to provide more comprehensive and contextual insights into the subject under study (Merriam, 2009; Bryman, 2016).

RESULTS AND DISCUSSION

The researcher conducted in-depth interviews with 3 informants related to the topic under study. Here is a summary of the answers from informants related to the interview questions asked, Interview Questions:

Understanding the financial habits and behaviors of millennials is crucial in today's economic landscape. Through a series of interview questions, we aim to delve deeper into their financial management strategies and attitudes towards various aspects of personal finance. Firstly, we inquire about how millennials manage and allocate their income. This encompasses whether they adhere to a structured budget or tend to spend impulsively. Understanding their approach to budgeting provides insights into their financial discipline and decision-making processes. Next, we explore the factors influencing millennials' decisions to take on loans or debt and how they navigate debt management. This sheds light on their attitudes towards borrowing, financial responsibility, and the strategies they employ to handle debt effectively. We then investigate millennials' attitudes towards investing, including their level of interest, preferred investment types, and their awareness of investment risks and benefits. This helps gauge their financial literacy and their propensity to engage in long-term wealth-building activities.

Furthermore, we examine their perspectives on the importance of savings and long-term financial planning, such as retirement or homeownership. This allows us to assess their saving habits, financial goals, and preparedness for future financial milestones. Finally, we explore the impact of the COVID-19 pandemic on millennials' financial behaviors. This includes changes in their spending patterns, income stability, and overall financial habits prompted by the pandemic-induced economic uncertainties. By addressing these interview questions comprehensively, we aim to gain a nuanced understanding of millennials' financial management behaviors, their attitudes towards debt, investing, savings, and how external factors like the COVID-19 pandemic shape their financial decisions. Such insights are invaluable for devising tailored financial products, services, and educational initiatives to support millennials in achieving their financial goals and building long-term financial security.

Table 2 Summary of Interview Results

No.	Name of informant	Interview Summary
1		<p>"Millennials have diverse approaches to managing and allocating their income. Some millennials have adopted good financial management practices by having a planned budget. They actively track their income and expenses, prioritize basic needs such as food, shelter, and transportation, and allocate a portion of their income to savings and investments. However, not all millennials have a planned budget. Some tend to spend money impulsively, especially when it comes to lifestyle and entertainment. This can be due to social pressure, a desire to look successful in the eyes of others, or a lack of understanding of the importance of good financial management."</p> <p>"There are several factors that influence millennials' decision to take out a loan or debt. One of the main factors is the need for further education, such</p>

No.	Name of informant	Interview Summary
	Nafisa	<p>as education loans. Millennials also tend to take out loans for home ownership, such as mortgage loans. In addition, lifestyle and consumption factors can also influence their decision to take out debt, such as vehicle loans or consumer credit. In managing debt, many millennials strive to pay their debts regularly and consistently. They make payment plans and manage their budgets in order to meet their debt repayment obligations. Some also look for ways to consolidate debt or reduce the interest they have to pay."</p> <p>"Millennials generally have a high interest in investing. They realize the importance of investing to grow their wealth in the future. Many millennials are interested in taking advantage of existing investment opportunities. Some common types of</p> <p>"Millennials in general realize the importance of savings and long-term financial preparation. They realize that saving is an important step towards achieving long-term financial goals, such as buying a house or preparing for retirement. Many millennials are in the habit of saving regularly and prioritizing the allocation of funds for savings. Some have also created a well-thought-out financial plan by identifying their financial goals, setting a budget, and managing financial risks. However, not all millennials have mature saving habits or structured financial planning. Some still need to improve their understanding of the importance of long-term savings and develop more consistent savings habits."</p> <p>"The COVID-19 pandemic has had a significant impact on the financial management behavior of millennials. Many millennials have experienced changes in spending, income or other financial habits as a result of the pandemic. Some millennials have seen their income drop or lost their jobs, so they have had to change their lifestyles and reduce spending. They are more careful in managing their finances and prioritizing important expenses. The pandemic has also raised awareness of the importance of having a backup emergency fund and being more financially prepared. Many millennials have started prioritizing emergency savings and changing their financial habits to deal with the economic uncertainty caused by the pandemic. In addition, the pandemic has also accelerated the adoption of financial technology, such as digital payments and online investments, among millennials."</p>
2	Zahra	<p>Some have a well-planned budget with regular attention to spending and saving. However, there are also those who tend to spend money impulsively. Factors that influence millennials' decision to take out loans or debt include immediate needs and social pressure. They manage their debt by paying regularly and looking for ways to reduce interest.</p> <p>Millennials are generally interested in investing. They choose different types of investments such as stocks, mutual funds and cryptocurrencies. However, the level of knowledge about the risks and benefits of investing varies among them.</p> <p>Millennials realize the importance of savings and long-term financial preparation. Many have well-established savings and financial planning habits, but others need to improve their understanding.</p> <p>The COVID-19 pandemic is affecting the financial behavior of millennials. Many have experienced changes in spending and income, as well as increased awareness about long-term financial planning.</p>
3		Not all millennials have a planned budget. Some of them are more likely to spend money impulsively. Factors such as social pressure, consumptive lifestyles, and the

No.	Name of informant	Interview Summary
	Fahri	<p>urge to fulfill immediate desires may influence their decisions in allocating income. Some millennials may focus more on immediate gratification rather than long-term financial planning.</p> <p>Millennials have various factors that influence their decision to take out a loan or debt. They manage their debt by doing careful financial planning, budgeting, prioritizing payments, and seeking help if needed. Good financial education and awareness of prudent financial management are key to managing debt effectively.</p> <p>Millennials have diverse attitudes towards investing. Many of them are interested and realize the importance of investing to prepare for their financial future. They choose different types of investments, both conventional and alternative, according to their preferences and financial goals. However, there are still those who need to improve their knowledge of the risks and benefits of investing through education and experience.</p> <p>Many millennials are working to develop good saving habits and financial planning. They are looking for ways to manage their spending wisely, reduce debt, and increase their income. Some millennials use financial tools such as financial apps or spreadsheets to help them track expenses and create budgets. They also strive to improve their financial literacy through education and available resources.</p> <p>The pandemic has forced millennials to change their spending priorities. They are focusing more on basic needs such as food, shelter, and health. Spending on entertainment, vacations, or eating out has been reduced or even stopped completely. Millennials realize that it is important to allocate funds wisely and prioritize the most essential needs. During the pandemic, many millennials have also realized the importance of having an emergency fund and financial stability in this difficult time. They have started</p>

Discussion

1. Knowledge about financial management, investment, and debt management among millennials

Based on the findings of interviews with millennials, there are several things that can be concluded about their knowledge of financial management, investment, and debt management (Waruwu, 2022):

a. Financial Management

Some millennials have adopted good financial management practices by having a planned budget. They actively track their income and expenses, prioritize basic needs, and allocate a portion of their income for savings and investments.

b. Debt Management

Factors that influence millennials' decision to take out a loan or debt include immediate needs, social pressure, and a consumptive lifestyle.

c. Investment

Millennials generally have a high interest in investing. They realize the importance of investing to grow their wealth in the future. Many millennials are interested in taking advantage of existing investment opportunities, such as stocks, mutual funds, cryptocurrencies, and property.

d. Savings

Millennials are generally aware of the importance of savings and long-term financial preparation. They realize that saving is an important step towards achieving long-term financial goals, such as buying a house or preparing for

retirement.

e. Impact of COVID-19 Pandemic

The COVID-19 pandemic has affected the financial behavior of millennials. Many have experienced changes in spending and income, as well as increased awareness about long-term financial planning. The pandemic has also raised awareness of the importance of having an emergency fund and being more financially prepared. Many millennials have started to prioritize emergency savings and change their financial habits to deal with the economic uncertainty caused by the pandemic.

2. Internal or external locus of control in terms of financial management in the millennial generation

From the interview findings, it appears that millennials have diverse approaches to managing their finances. In the context of locus of control, internal locus of control refers to individuals who believe that they have control over their lives and financial decisions, while external locus of control refers to individuals who tend to believe that external circumstances or luck determine finances (Sipayung, 2023). In terms of financial management, some millennials have adopted an internal locus of control by having a planned budget, tracking their income and expenses, and prioritizing basic needs such as food, shelter, and transportation. They also allocate a portion of their income to savings and investments. This shows that they believe they have control over their financial management and take responsibility for financial decisions.

Not all millennials have an internal locus of control in their financial management. Some tend to spend money impulsively, especially when it comes to lifestyle and entertainment. This can be due to social pressure, a desire to look successful in the eyes of others, or a lack of understanding of the importance of good financial management. They tend to rely on external factors such as social demands or immediate desires in making financial decisions. In debt management, many millennials take an internal locus of control approach. They strive to pay their debts regularly and consistently by making payment plans and setting budgets. Some also look for ways to consolidate debt or reduce the interest they have to pay (Sapnawati, 2022). Millennials believe that they have control over their debt management and are responsible for paying their debt repayment obligations.

When it comes to investing, millennials generally have an internal locus of control. They realize the importance of investing to develop wealth in the future and are keen to take advantage of existing investment opportunities. They choose different types of investments such as stocks, mutual funds, cryptocurrencies and property. Although the level of knowledge about the risks and benefits of investments varies among them, many are active in seeking information and learning about investments. They believe that they can take control of their investment decisions and manage risks well. In terms of savings, millennials generally have an internal locus of control. They realize the importance of saving and having long-term financial preparation. Many have the habit of saving regularly and prioritizing the allocation of funds for savings (Khairiyah, 2019). Some have also made sound financial plans by identifying their financial goals, setting budgets

and managing financial risks. While some still need to improve their understanding of the importance of long-term savings, they believe that they have control over their financial decisions and are responsible for achieving their financial goals.

The COVID-19 pandemic has affected the financial management behavior of millennials. Many have experienced changes in spending, income or other financial habits as a result of the pandemic. However, millennials in general have shown an internal locus of control in dealing with this situation. They are more prudent in managing their finances, prioritizing essential spending, and strengthening long-term financial preparation. The pandemic has also accelerated the adoption of financial technologies, such as digital payments and online investments, which shows that millennials believe that they can take control of their financial decisions through the utilization of technology.

3. Changes in millennials' spending, income, and financial habits as a result of the pandemic

The COVID-19 pandemic has had a significant impact on the spending, income, and financial habits of millennials. Some of the changes that have occurred as a result of the pandemic are (Arpizal, 2022):

a. Change in Expenditure

Many millennials are experiencing a change in their spending patterns. Spending on entertainment, vacations, or eating out has been reduced or even stopped completely. They are focusing more on basic needs such as food, shelter, and health. This is due to social restrictions, business closures, and economic uncertainty caused by the pandemic. Millennials have also changed their shopping habits during the pandemic. They tend to shop online to avoid the risk of virus transmission.

b. Change in Revenue

Many millennials have experienced a drop in income or job loss as a result of the pandemic. Business closures, reduced working hours, or layoffs have left many millennials facing financial uncertainty. This has changed their ability to allocate income and influenced their financial decisions.

c. Changes in Financial Habits

The pandemic has raised millennials' awareness of the importance of having an emergency fund and being more financially prepared. Many have started prioritizing emergency savings and changing their financial habits to deal with economic uncertainty. They realize that having an emergency fund can provide financial security and protect them from unexpected situations. The adoption of financial technology has also accelerated during the pandemic. Millennials are using more digital payments, such as e-wallets or online transfers, to avoid physical contact with cash. They are also more interested in online investments and use financial apps to track expenses and create budgets. This shows that millennials are adapting to technological changes and utilizing them in their financial management.

CONCLUSIONS

In accordance with the explanation in the discussion points above, the conclusions for this research study are:

1. Millennials have a diverse understanding of financial management, investment and debt management. Some have adopted good practices in financial management, while others still need to improve their financial literacy. The impact of the COVID-19 pandemic has also affected millennials' financial behavior, with changes in spending, increased awareness of the importance of savings, and faster adoption of financial technology.
2. Millennials show a combination of internal and external locus of control in their financial management. While there are some who tend to rely on external factors in making financial decisions, many have an internal locus of control and believe that they have control over their financial decisions.
3. The COVID-19 pandemic has brought significant changes in the spending, income and financial habits of millennials. They are more cautious in managing their finances, prioritizing essential spending, and strengthening long-term financial preparation. The pandemic has also accelerated the adoption of financial technology and changed the way millennials shop and invest.

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