

The Role of Financial Socialization and Psychological Factors in Shaping Personal Financial Management Behavior among Young Professionals

Eka Sri Wahyuni¹, Katiya Nahda²

¹Department of Management, Department of Management, Faculty of Business and Economics University of Islam Indonesia, Indonesia.

²Department of Management, Department of Management, Faculty of Business and Economics University of Islam Indonesia, Indonesia.

Abstract

Personal financial literacy acts as a crucial factor in shaping individual financial management behavior, primarily through financial socialization processes from various sources such as parents, peers, and media. This study aims to identify the extent to which financial socialization and psychological factors—such as financial attitudes, locus of control, and self-control—influence personal financial management among young professionals. Utilizing a quantitative approach and survey method, data were collected from young professionals aged 25 to 40 years using purposive sampling. Analysis employed Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine relationships among financial socialization, psychological factors, and financial behavior, with financial literacy assessed as a mediating variable. The findings suggest that both financial socialization from family, peers, and media, as well as psychological constructs, significantly impact financial management behavior, but the mediating effect of financial literacy is essential to translate these socializations into positive financial practices. Implications of this research bear relevance for theoretical development as well as practical initiatives by educators and policymakers aiming to foster healthy financial behaviors among young professionals.

Keywords: financial literacy, financial socialization, psychological factors, young professionals, financial management behavior



INTRODUCTION

The presence of young professionals in the labor market has become increasingly significant, with their contribution growing not only in workforce quantity but also in terms of technological skills and adaptability vital for navigating global economic changes (World Economic Forum, 2025; BPS, 2025). Despite stable incomes and career opportunities, many young professionals face challenges in managing their personal finances, as reflected in the rise of impulsive spending, consumer debt, and a lack of long-term savings (Luz, 2025; Nisa & Haryono, 2022; OJK, 2024). Studies have shown that these behaviors are often the result of technology-driven ease of access, peer and media pressure, and aggressive marketing, which fuel impulsive consumption and financial vulnerability among Millennials and Gen Z (Kompasiana, 2024).

Literature highlights the key role of financial socialization and psychological factors such as attitudes toward money, self-efficacy, risk tolerance, locus of control, and procrastination as determinants of responsible financial behavior (Goyal, Kumar, & Hoffmann, 2023; Baucells & Belleza, 2016; Manfr, 2016). Parental guidance, peer modeling, and media exposure are primary channels for transmitting financial values and habits, while personal traits shape one's ability to plan, save, and make prudent investment decisions (Shim et al., 2010; Antoni & Saayman, 2021).

Research shows that although financial literacy is recognized as essential, knowledge alone is not enough to predict positive financial behavior among young professionals (Rahmawati et al., 2024; Sajuyigbe et al., 2024). The impact of socialization and psychological factors must be evaluated in combination, since individuals' financial outcomes are mediated directly and indirectly by early learning experiences and personal traits (Fan & Park, 2021; Ameliawati & Setiyani, 2018).

This study aims to address knowledge gaps by simultaneously examining the direct and indirect influences of financial socialization and psychological characteristics on personal financial management behavior among young professionals aged 25–40 years in Indonesia. The findings are expected to offer practical insights for designing more effective financial education programs that accommodate the unique challenges and needs of this group (Koraag, 2024; Kasoga & Tegambwage, 2025).

Objectives

This article aims to

1. To examine the influence of financial socialization (parents, peers, and media) on the financial management behavior of young professionals.

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2. To assess the role of psychological factors (such as attitudes toward money and self-control) in shaping financial management behavior.
3. To analyze the mediating effect of financial literacy in the relationship between financial socialization, psychological factors, and financial management behavior.
4. To provide recommendations for interventions that enhance financial literacy and promote healthy financial habits among young professionals.

LITERATURE REVIEW

Financial management behaviors among young professionals have become a critical research focus due to their significant contribution to productivity and economic growth. However, despite stable income and career security, many in this group struggle with impulsive spending, rising consumer debt, and inadequate long-term savings. Studies highlight that these issues are often driven by easy access to technology, aggressive social media marketing, and peer influences, amplifying impulsive consumption patterns among millennials and Generation Z. Evidence from Nisa and Haryono (2022), Luz (2025), and Kompasiana (2024) confirms that impulsive purchases frequently stem from trend-driven anxiety and persuasive digital content, which also leads to higher use of "paylater" financial services, primarily among the younger population segment.

Literature consistently identifies financial socialization and psychological factors as central determinants of sound money management in young adults. The role of parents, peers, and media in transferring financial knowledge and shaping attitudes toward money is well established. Goyal, Kumar, and Hoffmann (2023) found that personal financial management behavior is most strongly influenced by early financial socialization and psychological traits, such as self-efficacy and money attitudes, in addition to financial literacy. Further, Hilgert et al. (2003) and Shim et al. (2010) documented that effective family-based financial education, peer-group modeling, and positive financial attitudes help foster responsible financial behaviors, indicating the need for integrated interventions.

Despite the clear links between financial socialization, psychological factors, and behavioral outcomes, recent findings indicate that financial literacy may not always play a strong mediating role. Kumar et al. (2023) and Rahmawati et al. (2024) observed that while financial literacy is positively associated with better decision-making, it alone is insufficient for explaining the diversity of money management practices among young professionals. Instead, robust psychological traits, such as self-control, and supportive

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socialization environments are seen as more critical for building healthy financial habits, especially in Indonesia's context, where rapid digitalization and cultural diversity demand multidimensional educational approaches.

METHODOLOGY

This study employs Partial Least Squares Structural Equation Modeling (PLS-SEM) as the primary analytical method, consistent with the guidelines of Hair et al. (2021), to analyze the relationships between financial socialization, psychological factors, financial literacy, and personal financial management behavior among young professionals. The research utilizes a quantitative approach by distributing Likert-scale questionnaires to respondents aged 25–40, with variable measurement reliability and validity rigorously evaluated through convergent and discriminant validity, as well as composite reliability, following the recommended threshold values. PLS-SEM is chosen due to its suitability for exploratory research, its ability to model complex relationships even with non-normally distributed data and relatively small sample sizes, and its predictive focus, as advised by Hair et al. (2021).

RESULT

All measurement indicators meet validity and reliability criteria: Outer loading values exceed 0.7, AVE for all constructs above 0.5, and Composite Reliability and Cronbach's Alpha both above 0.9, demonstrating strong internal consistency.

Collinearity testing shows all VIF values are below the threshold of 5.0, indicating no multicollinearity issues.

Hypothesis Testing Results:

H1a: Attitude towards money positively influences personal financial management behavior

Supported, path coefficient not stated, t-statistic = 2.538, p-value = 0.011 (significant).

H2a: Parental direct teaching positively influences personal financial management behavior

Supported, t-statistic = 1.988, p-value = 0.047 (significant).

H2b: Peers/media positively influence personal financial management behavior

Supported, t-statistic = 3.011, p-value = 0.003 (significant).

H1b–H1e, H3a–e, H4a–e, H5a–e, H6a–b: The influence of financial self-efficacy, financial risk tolerance, locus of control, procrastination, and all mediation effects via psychological

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characteristics or financial literacy on personal financial management behavior Not supported—t-statistics all below 1.96 and p-values above 0.05 (not significant).

R-squared (coefficient of determination) for personal financial management behavior: 0.175, indicating the model explains 17.5% of the variance in the dependent variable (classified as weak/moderate fit for behavioral research).

Effect sizes (f^2) for significant predictors:

- Attitude towards money: $f^2 = 0.017$ (small effect).
- Parental direct teaching: $f^2 = 0.037$ (small effect).
- Peers/media: $f^2 = 0.069$ (small effect).

DISCUSSION

The discussion highlights that among all variables examined, only attitude towards money, parental direct teaching, and peers/media showed significant positive effects on personal financial management behavior. This suggests that psychological characteristics associated with how individuals value money and direct socialization—both from parents and peer/media environments—are crucial drivers of positive financial habits in young professionals. Meanwhile, mediating roles of financial literacy and psychological factors such as self-efficacy, locus of control, risk tolerance, and procrastination were found to be statistically insignificant, indicating that they do not strengthen indirect effects within the tested model.

These findings reinforce the importance of targeting social and attitudinal influences through focused interventions in financial education, especially by encouraging active parental involvement and leveraging peer/media influence for the promotion of healthy financial management. The weak statistical effect of financial literacy as a mediator may reflect that knowledge alone is insufficient unless accompanied by strong socialization and positive attitudes. Therefore, educational programs and financial literacy policies should incorporate behavioral and social strategies, not just informational modules, to have a substantial impact on the financial behaviors of young professionals.

CONCLUSION

In conclusion, the study found that attitude towards money, parental direct teaching, and peer/media influence have significant positive effects on personal financial management behavior among young professionals. However, financial literacy and psychological factors such as self-efficacy, risk tolerance, locus of control, and procrastination did not show significant direct or mediating effects. These results indicate

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the importance of social and attitudinal factors in promoting healthy financial behaviors, suggesting that interventions should go beyond knowledge-based approaches and focus on strengthening positive socialization and attitudes towards money.

SUGGESTION

Efforts to improve personal financial management among young professionals should prioritize interventions that strengthen positive attitudes toward money and encourage active parental guidance. Financial education programs ought to leverage peer and media influences to promote healthy habits. Beyond increasing knowledge, curricula should integrate behavioral and social approaches for greater impact. Finally, future studies should explore innovative strategies to engage these key socialization agents effectively.

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