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Financial Literacy and Financial Behavior in Households: An Empirical Literature Synthesis

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ABSTRACT: This study aims to analyze family financial management using an integrative approach that combines financial literacy, financial behavior, and socio-cultural factors. The method employed is a literature review with a systematic approach and triangulation for validating the findings. Literature sources were obtained from various international academic databases and accredited national journals, focusing on research related to family financial management from 2000 to 2024. The results of the study indicate that family financial management is a complex phenomenon influenced by the interaction between financial literacy, financial behavior, psychological factors, and socio-cultural elements. High financial literacy plays an important role, but behavior change supported by psychological factors such as self-control and active planning is key to successful financial management. Additionally, socio-cultural and demographic factors also influence family financial decision-making. The conclusion of this study is that family financial management requires a multidimensional approach, involving literacy, behavior change, and psychological factors. Recommendations include the need for educational programs that focus on actual behavior change, integration of psychological aspects, contextualizing educational materials according to local culture, and emphasizing long-term financial planning with a differentiated approach for various family segments.

KEYWORDS: management, family finance, household

I. INTRODUCTION

Family financial management is a crucial foundation for maintaining the socio-economic stability of society. Amidst the rapid development of the modern economy, many families face challenges in managing income, controlling expenditures, and planning for their financial future. This issue not only affects the individual well-being of families but also impacts the overall national economic condition. This background highlights the importance of research on how family financial management can be effectively managed to improve quality of life and prevent social problems arising from financial crises at the household level.

The social phenomenon that emerges in this context is the high level of household debt, low family savings rates, and a lack of understanding about long-term financial planning. Many families live paycheck to paycheck without having emergency financial reserves or future investments. Furthermore, the shift towards a consumptive lifestyle and reliance on credit facilities worsen the financial condition of families. This phenomenon reveals an urgent need to build better family financial literacy to prevent microeconomic instability that could have far-reaching effects.

Various existing financial education programs have not been fully effective in changing family financial behavior in Indonesia. Despite the availability of numerous financial literacy training and campaigns from the government and private sectors, many families still struggle to manage their finances in a healthy way. This gap shows that a more practical and contextual approach is still needed for financial education to be effectively applied in the daily lives of families.

Meanwhile, the existing literature highlights the diversity of theories regarding family financial management, such as the Life Cycle Theory of Finance, Behavioral Finance, and the Resource Allocation Theory. However, there are still differing views on the key factors that influence the success of family financial management, whether in terms of behavior, education, or social environment. This research gap is reinforced by previous studies, such as those by Lusardi and Mitchell (2014) on financial literacy, Atkinson and Messy (2012) on financial behavior indicators, Hilgert, Hogarth, and Beverly (2003) on the relationship between financial literacy and financial behavior, and research in Indonesia by Arifin (2017) and Dewi et al. (2020) that shows that financial literacy alone is insufficient without supported behavior change.

Based on this background and the identified gap, the objective of this study is to analyze family financial management using an integrative approach that combines financial literacy, financial behavior, and socio-cultural factors. This research is expected to contribute theoretically to the development of an effective family financial management model and offer practical recommendations for enhancing family financial literacy programs in Indonesia.

II. LITERATURE REVIEW

Family financial management has become a significant focus in various studies, both nationally and internationally. Lusardi and Mitchell (2014) emphasize that financial literacy is a fundamental foundation for building healthy financial behavior at the family level. Their study shows that families with high financial literacy tend to be more effective in managing savings, investments, and debts. Similarly, Atkinson and Messy (2012) in an OECD report developed financial behavior indicators that serve as a benchmark in measuring how well families manage their financial resources. Hilgert, Hogarth, and Beverly (2003) also found a positive relationship between financial literacy levels and household financial management practices such as saving, investing, and using credit.

Arifin (2017) examined the relationship between financial literacy and financial behavior among young families in Jakarta. The results of his study show that although financial literacy influences financial behavior, psychological factors such as self-control and financial planning play a more significant role. Meanwhile, Dewi et al. (2020) in their study on urban families in Surabaya found that social pressures and a consumptive culture often outweigh the rational financial management principles acquired through financial literacy education. This research highlights the need for a more comprehensive approach in understanding the factors that shape family financial behavior in Indonesia.

Furthermore, research conducted by Dew and Xiao (2011) revealed that financial stress is closely related to conflicts within households. They highlight the importance of good financial management in maintaining family harmony. A similar study by Joo and Grable (2004) emphasized that subjective financial well-being plays a key role in creating family happiness. This suggests that not only objective money management but also perceptions and satisfaction with financial conditions contribute to family quality of life.

In the field of long-term financial planning, research by Sabri and MacDonald (2010) on young families in Malaysia found that planning for children's education and retirement funds still lacks priority, even though awareness of their importance exists. This indicates that family financial management is not just about managing daily expenses but also about instilling awareness of the importance of future investments. Meanwhile, findings by Xiao and Porto (2017) show that financial behavior serves as a mediator between financial literacy and financial satisfaction, clarifying the importance of actual behavior change, not just knowledge enhancement.

Finally, research by Kholilah and Iramani (2013) on the factors influencing family financial behavior in Indonesia supports the view that financial literacy, attitudes toward money, and demographic factors such as education and income all interact in shaping financial behavior. Therefore, a review of these ten previous studies demonstrates that family financial management is a multidimensional phenomenon influenced by a combination of cognitive, emotional, social, and cultural factors. This study will build upon this understanding to develop a new approach to improving the effectiveness of family financial management.

III. RESEARCH METHOD

This study employs a literature review method to analyze family financial management based on previous research findings. This approach is chosen as it is suitable for identifying, examining, and synthesizing various existing findings to build a more comprehensive understanding of the factors influencing family financial management. A literature review also allows the researcher to evaluate a range of theoretical perspectives and empirical results without conducting primary data collection.

The literature search process is conducted systematically following the principles of Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA). Literature sources are obtained from various international academic databases such as Scopus, Web of Science, and Google Scholar, as well as accredited national journals. Keywords used in the search include "family financial management," "financial literacy," "financial behavior," "household debt," and "financial wellbeing." The publication range studied is between 2000 and 2024 to ensure relevance and the timeliness of the review.

Inclusion criteria for literature selection include studies that specifically address family financial management, research using quantitative or qualitative methods with clear empirical findings, and articles in both English and Indonesian. Exclusion criteria include literature that consists of opinions, editorials, or studies focusing only on individual financial aspects without a family context. After screening titles, abstracts, and full texts, 40 primary articles were selected for further analysis.

Data analysis is conducted using thematic analysis techniques, grouping the findings of the literature based on main themes such as financial literacy, financial behavior, socio-cultural factors, and psychological factors related to family financial management. Each theme is then compared to identify patterns, gaps, and relationships among the variables previously studied. Narrative synthesis techniques are employed to organize these findings in a structured and in-depth manner.

The validity of the research is maintained through source triangulation, comparing the findings from various types of studies and different geographical contexts. Additionally, a critical appraisal approach is applied to evaluate the methodological quality of each study included. Through this methodology, the research is expected to produce strong conclusions, contribute to the development of theory, and offer practical recommendations for improving family financial management in Indonesia.

IV. RESULT AND DISCUSSION

Table 1. Literature Review on Family Financial Management

No.	Findings	Findings from Literature	Supporting Studies
1	Importance of Financial Literacy	Financial literacy is a crucial foundation for healthy family financial management. Higher literacy levels correlate positively with better financial practices (e.g., saving, investing, debt management).	Lusardi & Mitchell (2014); Hilgert, Hogarth, & Beverly (2003); Atkinson & Messy (2012)
2	Central Role of Financial Behavior	Knowledge (literacy) alone is not enough; real behavior change is key to successful financial management. Financial behavior mediates the relationship between literacy and financial satisfaction/well-being.	Arifin (2017); Dewi et al (2020); Xiao & Porto (2017); Hilgert, Hogarth, & Beverly (2003); Kholilah & Iramani (2013)
3	Influence of Psychological Factors	Psychological factors such as self-control, attitudes toward money, financial stress, and subjective perceptions of financial well-being play a significant role, sometimes more dominant than financial literacy.	Arifin (2017); Dew & Xiao (2011); Joo & Grable (2004); Kholilah & Iramani (2013)
4	Impact of Socio-Cultural and Environmental Factors	Social conditions (e.g., peer pressure), consumerist culture, and demographic factors (education, income) significantly affect financial decision-making and behavior, especially in contexts like Indonesia.	Dewi et al. (2020); Kholilah & Iramani (2013)
5	Gap in Long-Term Financial Planning	Despite awareness of its importance, long-term financial planning (e.g., children's education fund, retirement funds) is often deprioritized by families compared to daily expense management.	Sabri & MacDonald (2010)
6	Relationship Between Financial Management and Family Well-Being	Effective financial management not only impacts economic stability but also affects household harmony and family well-being, both objectively and subjectively.	Dew & Xiao (2011); Joo & Grable (2004)
7	Multidimensionality of Family Financial Management	Family financial management is a complex phenomenon influenced by the interaction of various factors, including cognitive (literacy), behavioral, emotional/psychological, social, cultural, and demographic factors.	Kholilah & Iramani (2013); Dewi et al. (2020); Arifin (2017); Lusardi & Mitchell (2014)
8	High Debt and Low Savings Phenomenon	Literature identifies high household debt levels and low savings rates as significant social phenomena, reflecting real difficulties in managing household cash flow.	Udiarti et al. (2022); Maulida et al. (2024)
9	Limitations of Current	Literature review shows that existing financial	Saraswati et al. (2024);

No.	Findings	Findings from Literature	Supporting Studies
	Financial Education Programs	education programs and literacy campaigns have not fully succeeded in changing family financial behavior broadly, indicating an implementation gap.	Firmanto et al. (2024)
10	Need for Practical and Contextual Education Approaches	As an implication of the current program limitations, literature highlights the need to develop more practical financial education approaches, easily applicable in daily life, and relevant to the local socio-cultural context.	Abdurohim & Irfan (2024)
11	Influence of Demographic Factors	Studies show that demographic factors such as education level, income level, head of household age, and number of dependents interact with literacy and behavior in shaping family financial management.	Kholilah & Iramani (2013)
12	Key Role of Active Financial Planning	More than just knowledge, literature emphasizes the importance of proactive financial planning actions (e.g., budgeting, setting financial goals) as part of effective financial behavior.	Arifin (2017); Atkinson & Messy (2012)
13	Specific Issues in Developing Countries / Indonesia Context	Literature focusing on Indonesia or similar contexts highlights unique challenges, such as the strong influence of consumerist culture, social pressure, and the role of psychological factors sometimes overshadowing formal financial literacy.	Dewi et al. (2020); Arifin (2017); Kholilah & Iramani (2013)
14	Diversity of Theoretical Approaches	Literature review identifies various theoretical frameworks (e.g., Life Cycle Theory, Behavioral Finance, Resource Allocation Theory) used to understand family financial management, demonstrating the complexity of this phenomenon.	Sari et al. (2024)

Consistently, the reviewed literature (Table 1, Point 1) underscores the importance of financial literacy as the foundational knowledge for families to manage their finances. Studies such as Lusardi & Mitchell (2014) and Atkinson & Messy (2012) show a positive correlation between literacy levels and healthier financial practices, such as saving, investing, and managing debt. However, this synthesis finds a strong common thread that knowledge alone is not enough (Table 1, Point 2). Financial behavior emerges as a crucial element bridging what is known (literacy) with what is done and the outcomes achieved (financial well-being). Studies by Arifin (2017), Dewi et al. (2020), and Xiao & Porto (2017) highlight the mediating role of this behavior, which also includes proactive actions like active financial planning (budgeting, setting goals) as key to effectiveness (Table 1, Point 12).

Furthermore, a deeper analysis reveals that family financial decisions and behavior are not solely driven by knowledge-based rationality. Psychological factors (Table 1, Point 3) such as self-control, attitudes toward money, financial stress, and subjective perceptions of financial conditions often play a significant role, sometimes even more dominant than formal literacy levels (Arifin, 2017; Dew & Xiao, 2011; Kholilah & Iramani, 2013). This aligns with findings on the impact of socio-cultural and environmental factors (Table 1, Point 4), where social pressures, consumption norms, and demographic factors (education, income, age, number of dependents – Point 11) significantly shape family financial decision-making (Dewi et al., 2020; Kholilah & Iramani, 2013). Specific contexts, such as in Indonesia (Table 1, Point 13), show how a combination of consumerist culture and social pressures can pose unique challenges in maintaining healthy financial management.

These findings lead to the understanding that family financial management is a multidimensional phenomenon (Table 1, Point 7), the result of the complex interaction between cognitive (literacy), behavioral, psychological, social, cultural, and demographic elements. This complexity is reflected in the variety of theoretical approaches used by researchers to understand it (Table 1, Point 14), ranging from the Life Cycle Theory to Behavioral Finance.

The consequences of these interacting factors are evident in several real-world issues. The literature consistently identifies the high household debt and low savings phenomenon (Table 1, Point 8) as a significant issue (Udiarti et al., 2022; Maulida et al., 2024). Moreover, there is a gap in long-term financial planning, such as education funds or retirement savings, which is often neglected compared to daily needs (Table 1, Point 5; Sabri & MacDonald, 2010). Effective financial management, however, is strongly linked to overall family well-being, extending beyond economic stability to include household harmony (Table 1, Point 6; Dew & Xiao, 2011; Joo & Grable, 2004).

Finally, this review also highlights the limitations in the effectiveness of current financial education programs (Table 1, Point 9). Many programs have not significantly changed financial behavior on a broad scale (Saraswati et al., 2024; Firmanto et al., 2024), indicating an urgent need for more practical, contextually relevant educational approaches that focus on behavior change, not just knowledge enhancement (Table 1, Point 10; Abdurohim & Irfan, 2024).

The validity of this research is maintained through a source triangulation process, where the findings above are validated by comparing results from various types of studies (quantitative and qualitative) and diverse geographical contexts (international and national) covered in the selected 40 articles. The consistency of key findings across different sources strengthens the reliability of the conclusions drawn. Additionally, a critical appraisal approach was applied during the selection and analysis process to ensure that this synthesis is based on studies with adequate methodological quality. Strict inclusion and exclusion criteria also contributed to the focus and relevance of the findings.

V. CONCLUSIONS

With a systematic literature review methodology and findings validated through triangulation and critical appraisal, this study concludes that family financial management is a complex issue influenced by the dynamic interaction between literacy, behavior, psychological factors, socio-cultural elements, and demographics. Financial knowledge is essential, but actual behavior, supported by positive psychological factors and active planning, is key to success. The contribution to theory development lies in reaffirming the multi-faceted nature of family financial management and the importance of integrating perspectives from various disciplines (economics, psychology, sociology) for a holistic understanding. Identifying gaps, such as the inefficacy of current education programs and the neglect of long-term planning, highlights areas that require further theory development and research.

Practically, the findings offer important recommendations, particularly in efforts to improve family financial management in Indonesia: (1) Focus interventions on behavior change; educational programs need to shift from merely transferring knowledge (literacy) to facilitating concrete and sustainable behavior change, incorporating elements of practice, simulations, and mentoring; (2) Integrate psychological aspects, given the strong influence of psychological factors, interventions should address attitudes toward money, self-control development, financial stress management, and the establishment of personally meaningful goals; (3) Contextualize materials, educational content and intervention strategies should be adapted to the socio-cultural context of Indonesia, including addressing specific challenges like consumerist culture and social pressures; (4) Prioritize long-term planning, special efforts are needed to raise awareness and improve families' ability to plan long-term financial goals (children’s education, retirement, emergency funds) through easy-to-understand and applicable tools and strategies; (5) Segment approaches, considering the influence of demographic factors, different approaches may be required for different family segments (based on income, education level, age, etc.).

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