

# FINANCIAL LITERACY AS THE KEY TO THE FINANCIAL BEHAVIOR OF RETIRED CIVIL SERVANT: A STUDY OF LOCUS OF CONTROL MEDIATION

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**Abstract.** *This study aims to analyze the influence of Islamic financial literacy and financial self-efficacy on the financial management behavior of retired Civil Servants (ASN) in the Jabodetabek area, and to examine the mediating role of locus of control in this relationship. Employing an explanatory quantitative approach, the research involved 100 purposively selected retired ASN respondents. Primary data was collected using structured questionnaires and analyzed via the Structural Equation Modeling (SEM) method. The results indicate that Islamic financial literacy, financial self-efficacy, and locus of control partially have a positive and significant influence on financial management behavior. A crucial finding of this study confirms that locus of control plays a dominant and key mediating role in translating the influence of financial literacy and financial self-confidence into the retired servants' financial management behavior. These findings bear important implications for relevant institutions in designing retirement education programs that focus not only on Sharia knowledge but also on the psychological reinforcement of financial self-control.*

**Keywords:** *Islamic Financial Literacy, Financial Self-Efficacy, Locus of Control, Financial Management Behavior, Retired Civil Servants.*

## Introduction

Retirement is often considered a crucial transitional phase of life, where individuals shift from being productive with active income to being pension recipients with potential lifestyle changes and a decline in income. For civil servants in Indonesia, careful financial planning before and during retirement is very important for mastering financial management behavior (Ting et al., 2020). Financial management behavior is not just a sporadic action, but a series of consistent habits and decisions that directly contribute to the achievement of long-term financial goals, including independence in retirement.

Data shows that the number of retired ASN continues to increase

every year. The State Civil Service Agency (BKN) reported that in 2023, there were approximately 186,208 civil servants who reached the retirement age (BUP), with projections of an increase in the following years (BKN, 2023). Data from PT Taspen (Persero) in 2024 shows that the number of pension participants has reached 3.5 million, 3.2 million of whom are registered as active participants.

It was found that there is data showing a gap between the Islamic financial literacy index and Islamic financial inclusion. Based on the Global Findex report (2021), the level of financial inclusion in Indonesia (51.76%) is still far below that of neighboring countries such as Malaysia (88.37%) and Singapore (97.55%). This gap indicates a major challenge in improving Indonesians' access to financial services. Meanwhile, data from the Financial Services Authority (OJK) in the 2023 National Survey of Financial Literacy and Inclusion (SNLIK) shows that the Islamic financial literacy index stands at 39.11%, while the Islamic financial inclusion index stands at 12.88%. This indicates that public knowledge and understanding of Islamic finance does not necessarily encourage its use and application. This gap is also likely caused by several factors, such as:

1. **Availability of Sharia Products.**

This factor contributes to the gap because the limited availability of products makes it difficult for people to access and use them.

2. **Lack of Competitiveness**

For some people, the obstacle in choosing and using sharia products is their lack of competitiveness compared to conventional products in terms of price, benefits, and features.

3. **Socialization**

Efforts to socialize, educate, and promote sharia products have not been maximized, so they have not been able to reach and convince the public to switch to or choose sharia services.

The hypotheses of this study are as follows:

H1: Sharia Financial Literacy has a positive and significant effect on the Financial Management Behavior of retired civil servants.

H2: Financial Self-Efficacy has a positive and significant effect on the Financial Management Behavior of retired civil servants.

H3: Locus of Control has a positive and significant effect on the Financial Management Behavior of retired civil servants.

H4: Locus of Control mediates the relationship between Islamic Financial Literacy and the Financial Management Behavior of retired civil servants.

H5: Locus of Control mediates the relationship between Financial Self-Efficacy and the Financial Management Behavior of retired civil servants.

## **Literature Review**

The Theory of Planned Behavior (TPB) has been widely implemented in social fields, such as health behavior, consumption, and value-based services (Bosnjak, Ajzen, & Schmidt, 2020). Recent studies show that the TPB model is flexible and can be expanded by adding other variables, such as social identity and habits. This finding is particularly relevant in the context of luxury funerals, as religious values, cultural habits, and status symbolism may play a role in shaping the attitudes, social norms, and perceptions of control among Muslims regarding high-cost funerals.

Sharia financial literacy is defined as an individual's understanding and knowledge of financial products, concepts, and principles that are in accordance with Islamic law (Dewi & Wijaya, 2023). This concept is a development derived from the concept of conventional financial literacy that integrates Islamic values and laws into financial management. This understanding covers aspects such as the prohibition of usury, gharar (excessive uncertainty), maysir (gambling), and knowledge of Islamic financial instruments such as murabahah, mudharabah, musyarakah, sukuk, and zakat (Hasanah & Ningsih, 2022).

Sharia financial literacy guides individuals to make financial decisions that are not only economically rational but also ethical and in accordance with religious teachings (Sari & Widyastuti, 2021). A high level of Islamic financial literacy is believed to encourage better financial behavior, discipline, and prevention of practices that are prohibited in Islamic teachings (Setiawan & Asih, 2023). This, in turn, can contribute to financial independence and individual well-being, as financial decisions are based on solid and sustainable principles (Nurhayati & Lestari, 2020).

Albert Bandura (1997) was the first person to introduce the concept of self-efficacy. He explained that self-efficacy is an individual's belief in their ability to manage and carry out various actions to demonstrate their competence and achieve their desired goals. Similarly, Ormrod (2009) in Safitri (2020) explains self-efficacy as an individual's assessment of their own ability to perform specific behaviors to achieve certain goals. Not surprisingly, people with high self-efficacy tend to be more confident when performing actions than those with low self-efficacy. Financial self-efficacy is a strong predictor of various positive financial behaviors (Lestari & Wijaya, 2020). Someone with high financial efficacy tends to be more motivated to engage in financial planning, more persistent in facing financial challenges, and more proactive in seeking financial information or solutions (Putra & Handayani, 2023). This belief in one's own abilities bridges the gap between knowledge (literacy) and concrete actions (financial management behavior), which is crucial for achieving financial independence (Astuti & Santoso, 2021).

The concept of locus of control was first introduced by Julian Rotter, an expert in social learning theory, in 1966. He explained that locus of control relates to a person's beliefs, expectations, or views regarding the relationship between their behavior and the results obtained. There are two main dimensions in this concept, namely internal locus of control and external locus of control.

Locus of Control refers to the extent to which individuals believe that they can control events that affect their lives (Rotter, 1966 in Kurniawan & Susanto, 2020). This concept distinguishes between internal and external locus of control. Internal locus of control refers to the belief that a person's success or failure is the result of their own abilities, efforts, and decisions (Rahmawati & Hidayat, 2022). On the other hand, individuals with an external locus of control tend to believe that the outcomes of their lives are more influenced by factors beyond their control, such as luck, fate, or the influence of others (Sari & Widyastuti, 2021).

Financial management behavior, commonly referred to as financial management behavior, is the decisions and actions taken by individuals in managing their financial resources to achieve financial goals (Xiao & O'Neill, 2009 in Setiawan & Asih, 2023). This includes a series of practical activities related to income, expenses, savings, investments, and debt management (Nurhayati & Lestari, 2020). This behavior is a tangible manifestation of locus of control, financial self-efficacy, and financial literacy, which ultimately determine a person's financial condition (Wibowo & Susanti, 2022). A crucial concept in finance is Financial Management Behavior. This concept refers to how individuals manage their financial resources, viewed through the lens of psychology and personal habits. Furthermore, financial management behavior can also be understood as the acquisition, allocation, and utilization of financial resources, as well as goal setting, which is a mechanism for financial decision-making that takes into account the overall goals to be achieved (Bhakti et al., 2023).

## **Method**

This study uses an explanatory quantitative approach and involves 100 retired civil servant respondents in the Greater Jakarta

area. Data was collected using a structured questionnaire and analyzed using Structural Equation Modeling (SEM).

## Result and Discussion

**Table 1.** Direct Hypothesis Testing

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T statistic ( $ O/STDEV $ )	P values
Islamic Financial Literacy -> Financial Management Behavior	0.265	0.260	0.108	2.462	0.014
Financial Self Efficacy -> Financial Management Behavior	0.235	0.235	0.100	2.338	0.020
Locus of Control -> Financial Management Behavior	0.286	0.285	0.091	3.142	0.002

**Table 2.** Direct Hypothesis Testing

	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T statistic ( $ O/STDEV $ )	P values
Islamic Financial Literacy -> Locus of Control ->	0.117	0.115	0.046	2.583	0.011

**Table 3.** Direct Hypothesis Testing

<i>Financial Management Behavior</i>	Original Sample (O)	Sample Average (M)	Standard Deviation (STDEV)	T statistic ( $ O/STDEV $ )	P values
<i>Financial Self Efficacy -&gt; Locus of Control -&gt; Financial Management Behavior</i>	0.106	0.105	0.043	2.451	0.015

The results of Hypothesis 1, testing the hypothesis for the direct effect of Sharia Financial Literacy on Financial Management Behavior, show significant results. This can be seen from the T statistic value of 2.462, which is

greater than the standard threshold value of 1.96 at a significance level of 5%. In addition, the P value of 0.014 is also smaller than 0.05, thus strengthening the conclusion that the hypothesis stating that there is a significant effect is accepted.

These results illustrate that the higher a person's understanding of Islamic finance principles, the better their financial management behavior. This finding confirms that solid knowledge, especially in the context of Sharia, is an important foundation for responsible financial management actions. This finding is in line with the results of a previous study by Ardhana and Linda (2023) in their research entitled 'The Influence of Financial Technology, Financial Literacy, Financial Attitude, and Locus of Control on Financial Management Behavior (Case Study of College Students in Pekanbaru City)', which found that financial literacy has a positive influence on financial management behavior. Similar findings were also found in the research by Anggraini et al. (2022) in their study entitled 'The Influence of Financial Literacy, Financial Attitude, and Locus of Control on Financial Management Behavior (Case Study of Bidikmisi and Non-Bidikmisi Students majoring in Accounting at the Padang State Polytechnic)' that financial literacy has a positive effect on financial management behavior.

The results of Hypothesis 2, testing the hypothesis for the effect of Financial Self Efficacy on Financial Management Behavior, show significant results. This can be seen from the T statistic value of 2.338, which is greater than the standard threshold of 1.96 at a significance level of 5%. In addition, the P value of 0.020 is also less than 0.05, thus strengthening the conclusion that the hypothesis stating that there is a significant effect is accepted.

These results show that a person's confidence in their ability to manage finances is very important. When someone feels confident and competent in making financial decisions, they tend to exhibit better financial management behavior.

These findings are in line with the results of previous research by Bhakti et al. (2023) in their study entitled 'The Influence of Financial Literacy, Financial Self-Efficacy, and Locus of Control on Financial Management Behavior in the Community of Denpasar City', which found that financial self-efficacy has a positive influence on financial management behavior. Similar findings were also found in a study by Rizkiawati and Asandimirta (2018), entitled 'The Influence of Demographics, Financial Knowledge, Financial Attitude, Locus of Control, and Financial Self-Efficacy on Financial Management Behavior in the Community of Surabaya'. The results of the study prove that financial self-efficacy has a positive influence on financial management behavior.

The results of Hypothesis 3, testing the hypothesis for the influence of Locus of Control on Financial Management Behavior, show significant results. This can be seen from the T statistic value of 3.142, which is greater than the standard threshold value of 1.96 at a significance level of 5%. In addition, the P value of 0.002 is also less than 0.05, reinforcing the conclusion that the hypothesis stating a significant effect is accepted.

These results indicate that a person's belief that they can control the results of their actions (internal locus of control) is a very strong predictor of effective financial management behavior. This indicates that a self-control-oriented mindset is a key factor in forming healthy financial habits. These findings are in line with the results of previous research by Kesti (2019) in her study entitled 'The Influence of Financial Knowledge and Income Level on Financial Management Behavior with Locus of Control as an Intervening Variable in the Community of Makassar City', where locus of control has a significant effect on financial management behavior.

Similar findings were also found in research by Pujianti and Umaimah (2024) in their study entitled 'The Influence of Financial Knowledge, Financial Attitude, and Lifestyle Pattern on Financial Management Behavior with Locus of Control as a Mediating Variable', where a higher

level of locus of control administration in the community was associated with better financial behavior.

The results of Hypothesis 4, testing the hypothesis for mediation effects, show that Locus of Control plays a significant role in mediating the effect of Sharia Financial Literacy on Financial Management Behavior. This can be concluded from the T statistic value of 2.583, which is greater than the standard threshold of 1.96 (at a significance level of 5%), and the P value of 0.011, which is less than 0.05. Therefore, the hypothesis stating that there is a significant indirect effect through this mediating variable is accepted.

This means that the influence of Islamic Financial Literacy on financial management behavior is not only direct but also through individuals' beliefs about their control over their lives. This means that Islamic financial knowledge will be more effective in changing behavior if a person also has a strong belief that they can control their financial future. This finding is in line with the results of previous research by Silviana et al. (2023) in their study entitled "The Influence of Financial Knowledge, Financial Socialization, and Financial Self-Efficacy on Financial Management Behavior Through Locus of Control as an Intervening Variable at Pancasila University," which found that locus of control plays a significant role as an intervening variable that connects financial knowledge with financial management behavior. A similar finding was also found in a study by Besse (2024) entitled 'The Mediating Role of Locus of Control: Financial Knowledge and Financial Attitude on Financial Management Behavior', which found that locus of control is able to mediate the relationship between financial knowledge and financial management behavior.

Hypothesis 5 results, hypothesis testing for mediation effects show that Locus of Control plays a significant role in mediating the effect of Financial Self Efficacy on Financial Management Behavior.

This can be concluded from the T statistic value of 2.451, which is

greater than the standard threshold of 1.96 (at a significance level of 5%), and the P value of 0.015, which is less than 0.05. Therefore, the hypothesis stating that there is a significant indirect effect through this mediating variable is accepted.

These results indicate that self-confidence in managing finances will have a greater impact on financial management behavior when that confidence is reinforced by a feeling of having complete control over one's life. This finding is in line with the results of a previous study by Fitriani et al. (2025) entitled "The Influence of Sharia Financial Literacy, Religiosity, Financial Self-Efficacy, and Financial Locus of Control as Mediating Effects on the Financial Behavior of Qris Users of Islamic Banks," which found that locus of control plays a significant role in mediating the relationship between financial self-efficacy and financial management behavior. Similar findings were also found in Silviana et al. (2023) in their study entitled 'The Influence of Financial Knowledge, Financial Socialization, and Financial Self-Efficacy on Financial Management Behavior Through Locus of Control as an Intervening Variable at Pancasila University', which found that locus of control plays a significant role as an intervening variable that connects financial self-efficacy with financial management behavior.

### **Summary**

This study aims to analyze the influence of Sharia Financial Literacy and Financial Self-Efficacy on Financial Management Behavior, with Locus of Control as a mediating variable among retired civil servants. Based on the analysis results, it can be concluded that overall, this research model successfully explains most of the variation in the financial management behavior of retirees.

In particular, the most significant finding shows that Locus of Control plays a dominant role and functions as a key mediator. This means that although financial knowledge and confidence are important, the ability of

retirees to actively manage their finances is highly dependent on their belief that they have complete control over their financial decisions. Financial literacy knowledge becomes more effective in shaping positive behavior when accompanied by a strong internal locus of control. These findings enrich the literature by highlighting the importance of psychological aspects in the context of retirees' financial behavior. They emphasize that to improve the financial management behavior of civil servant retirees, it is not enough to simply increase their knowledge and confidence; it is also necessary to instill the belief that they have complete control over their financial decisions and outcomes.

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