



THE IMPACT OF FINANCIAL LITERACY AND LPS DEPOSIT GUARANTEE PROGRAM ON STUDENTS' SAVINGS BEHAVIOR

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ABSTRACT

The aim of this research is to furnish empirical evidence regarding the influence of financial literacy and the LPS deposit guarantee programme on the students' savings behavior. The study's target population comprised active students pursuing an undergraduate student in Accounting at Udayana University. An accidental sampling technique was employed to determine the sample, with the total number of participants calculated using the Lemeshow formula, resulting in a sample size of 384. Although 384 questionnaires were disseminated, the response rate was only 91,15%, yielding 350 completed questionnaires. The findings of the study substantiate that both financial literacy and the LPS deposit guarantee programme have a positive impact on students' savings behavior, thereby supporting the Theory of Planned Behavior (TPB).

INTRODUCTION

Financial literacy constitutes a vital competency that individuals within the community ought to acquire in order to effectively manage their financial resources. This foundational knowledge not only facilitates sound financial management but also empowers individuals to make informed financial decisions, thereby mitigating the potential for future financial difficulties (Yuesti et al., 2020). The advancement of information technology in contemporary society has prompted a significant transformation within the banking sector, thereby facilitating the ease with which individuals can conduct daily transactions. This evolution is exemplified by the emergence of digital banks, which offer comparable services to those of traditional banks while leveraging financial technology (FINTECH) to prioritise swift and straightforward financial transactions (Setiawan et al., 2021). This convenience can make it easy for people to use their money. Financial literacy helps people manage their finances well by using all the facilities provided by digital and conventional banks. Financial literacy is essential, considering many phenomena related to borrowing money online. The ease of disbursing loan funds online has caused many people to use it to follow their current lifestyles and ultimately get caught in cases where they cannot pay their bills.

However, the transformation in the banking world also allows people to save their money quickly in the bank without going directly to the bank concerned. This can undoubtedly save time, energy, and money. Based on data from the Deposit Insurance Corporation (LPS)'s 2024 Quarterly Report, total deposits in commercial banks based on deposit data as of February 2024 reached Rp 8.489 trillion. However, the total deposits decreased by 0,3% of the total deposits in Q4 2023. In the Q1 2024 Report, LPS has handled 129 failed banks, of which one bank was decided to be rescued, and 128 banks (127 BPR/BPRS and 1 Commercial Bank) were not rescued or liquidated, as well as 7 BPRs whose business licenses were revoked and liquidated and 11 BPR/BPRS were still in the liquidation process until Q1 2024 (<https://lps.go.id>).

The phenomenon of closed banks causes concerns about saving money in banks. People think that money saved in the bank will be lost if the bank is closed. However, it should be noted that an independent institution can guarantee customer savings in both conventional

and digital banks, namely the Deposit Insurance Corporation (LPS). LPS participating banks encompass all financial institutions engaged in business activities within Indonesia. According to the regulations set forth by the LPS, any bank licensed to conduct banking operations in Indonesia qualifies as a guaranteed participant. As stipulated in Article 24 of PLPS Number 1 of 2013 regarding Deposit Guarantee Program, the deposits that are guaranteed include demand deposits, time deposits, certificates of deposit, savings accounts, and any other forms deemed equivalent. The LPS provides a guarantee for each depositor at a single bank, capped at a maximum of Rp 2.000.000.000,00 (two billion rupiah). As of May 8, 2024, data indicate that the LPS has disbursed customer deposit claims amounting to Rp 291 billion, benefiting over 48.000 customer accounts associated with liquidated banks (<https://lps.go.id>).

The existence of this guarantee program by LPS can convince people to start saving their money in the bank. Currently, saving behavior in society needs to be improved, including for students. Students are part of a knowledgeable society and have an essential role in financial development, one of which is savings. Students tend to spend more of the money they have without thinking about the long-term impact. This means students have no reserves or savings if there is a sudden need. Therefore, students, as the younger generation, need to know the importance of saving behavior from an early age. Saving is a form of healthy financial management because it is a form of economic preparation for the future to be more stable (Karla, 2023). This saving behavior provides a forum for students to practice better financial management.

The primary objective of this study is to furnish empirical evidence concerning the impact of financial literacy and the LPS deposit guarantee programme on the savings behavior of students. This research bears both theoretical and practical implications. From a theoretical standpoint, it seeks to enhance existing knowledge in the field of behavioral accounting. On a practical level, the findings are anticipated to offer valuable insights for stakeholders regarding the ways in which financial literacy and information pertaining to the LPS deposit guarantee programme can influence students' savings behavior. Ultimately, it is hoped that this study will serve as a useful reference for providing students with additional knowledge, particularly in relation to financial literacy and the LPS.

LITERATURE REVIEW

Theory of Planned Behavior

The Theory of Planned Behavior (TPB), which serves as an extension of the Theory of Reasoned Action (TRA), posits that an individual's behavior can be anticipated. This theoretical framework aims to elucidate behaviors that individuals can exert control over. Central to this model are behavioral intentions, which are shaped by attitudes regarding the likelihood that a particular behavior will yield the desired outcome, as well as subjective assessments of the associated risks and benefits of that outcome. The TPB identifies three primary determinants of behavioral intention or intensity. Firstly, there is the attitude toward the behavior, which pertains to the extent to which an individual holds a favourable or unfavourable assessment of the behavior in question. Secondly, the theory introduces a social element known as the subjective norm, which relates to the perceived societal pressure to engage in or abstain from the specified behavior. The third determinant pertains to the level of perceived behavioral control, which denotes the individual's impression of the relative ease or difficulty associated with executing the behavior. This perception is believed to be influenced by prior experiences as well as the anticipated barriers and challenges that may arise (Yuesti et al., 2020)(Ajzen, 1991).

Students' Savings Behavior

According to Kamus Besar Bahasa Indonesia (2016), behavior is an individual's response or reaction to stimuli or the environment. Saving is an activity for saving money. Saving behavior is a person's action of setting aside part of their income or money to be saved, usually for future use. Saving behavior is based on increased financial awareness, such as financial literacy and

understanding of future risks. The saving behavior of today's students reflects a combination of technology, financial awareness, economic challenges, and social influences.

Financial Literacy

Financial literacy can be defined as an individual's capacity to effectively manage and analyse their financial resources (Alshebami & Aldhyani, 2022). Financial literacy equips individuals with the skills necessary to make informed financial decisions and navigate risky situations effectively. It is widely regarded as a crucial factor influencing saving behavior. Consequently, students who possess a high level of financial literacy are notably more adept at saving and managing their finances efficiently. Research by Amari et al. (2020) states that financial literacy can increase savings rates. Mpaata et al. (2023) study shows that financial literacy and self-control significantly predict saving behavior.

H 1 : Financial literacy positively affects students' savings behavior.

LPS Deposit Guarantee Program

The Deposit Insurance Corporation (LPS) functions as an independent entity established to guarantee the deposits of bank customers. Its primary objective is to safeguard these deposits, thereby instilling a sense of security in individuals when saving their money in banks, while simultaneously contributing to the overall stability of the banking system. The LPS ensures that, in the event of a bank facing financial difficulties or declaring bankruptcy, customers will still be able to recover their deposits up to a specified limit set by the LPS. According to Article 24 of PLPS Number 1 of 2013 regarding the Deposit Guarantee Program, the types of deposits that are covered include demand deposits, time deposits, certificates of deposit, savings, and other similar forms. Furthermore, the maximum amount that the LPS guarantees for each depositor at a single bank is Rp 2.000.000.000,00 (two billion rupiah). Research conducted by Irmayani (2023) stated that customer perceptions regarding the Deposit Guarantee Program significantly affect savings interest. The findings of the study further indicate that an increase in a customer's perception of the LPS correlates positively with a heightened interest in saving.

H 2 : LPS deposit guarantee program positively affects students' savings behavior.

RESEARCH METHODS

This research employs a quantitative approach. With regard to the data source, primary data was collected directly from the original source without the involvement of any intermediary. Specifically, this primary data was gathered through a questionnaire distributed to undergraduate student of accounting at Udayana University who had completed the Bank and LPD Accounting course. The study's population comprised active students pursuing an undergraduate student in Accounting at Udayana University. An accidental sampling technique was utilised, which relies on chance occurrences to select participants. In this context, anyone who encountered the researcher could be included as a sample, provided they met the predetermined criteria. The criteria for selection are as follows:

- 1) Active undergraduate student of Accounting Udayana University
- 2) Has taken Bank and LPD Accounting courses

The number of samples used is calculated using the Lemeshow formula. The calculation of the sample size is conducted using the Lemeshow formula, which is specifically designed for situations where the population size is unknown. The formula employed is as follows:

$$n = \frac{Z^2 1 - \frac{\alpha}{2} P(1 - P)}{d^2}$$

Notes:

- n : number of samples
 Z : confidence level
 P : maximum estimate
 d : sampling error (α)

Utilising the aforementioned formula, the required sample size is determined based on a confidence level of 95% (equivalent to 1,96), a maximum estimate of 0,10, and a sampling error of 10%, resulting in the following calculation:

$$n = \frac{1,96^2 \cdot 1 - \frac{0,10}{2} \cdot 0,10(1 - 0,10)}{0,10^2}$$

$$n = \frac{3,8416 - 0,005(0,9)}{0,01}$$

$$n = \frac{3,8416 - 0,0045}{0,01}$$

$$n = \frac{3,8371}{0,01}$$

$$n = 383.71$$

Consequently, the total number of samples (n) obtained amounts to 383,71, which is subsequently rounded to 384 individuals. For the data analysis in this study, the Partial Least Squares (PLS) approach is employed, which is a Structural Equation Modelling (SEM) technique based on components or variants. The PLS analysis serves as a statistical method for examining the relationships between dependent and independent variables. This analysis consists of two phases: the measurement model (outer model) and the structural model (inner model).

RESEARCH RESULTS AND DISCUSSION

Questionnaire Distribution

The questionnaire was distributed to active undergraduate student of Accounting Udayana University who had taken Bank and LPD Accounting courses. The distributed questionnaires amounted to 384, adjusted to the number of samples to be used. However, only 351 questionnaires were returned, with one questionnaire rejected because it needed to meet the predetermined sample criteria. Thus, the response rate obtained was 91,15%, and 350 questionnaires could be used. This response rate is acceptable.

Descriptive Statistics

Descriptive statistics provide an overview of the data within a study by detailing aspects such as the number of samples, minimum values, maximum values, mean values, and standard deviations. In this context, the average score for the financial literacy variable stands at 22,37, with a minimum value of 15 and a maximum value of 30. Additionally, the deposit guarantee programme and students' savings behavior yield average scores of 22,53 and 29,64, respectively; the minimum values for the deposit guarantee programme and students' savings behavior are 14 and 21, while their maximum values are 30 and 35, respectively.

Table 1
Statistics Descriptive

Variable	n	Minimun	Maximum	Mean	Std. Deviation
Financial Literacy (X ₁)	350	15	30	22,37	3,090
Deposit Guarantee Program (X ₂)	350	14	30	22,53	4,090
Students' Savings Behavior (Y)	350	21	35	29,64	3,527

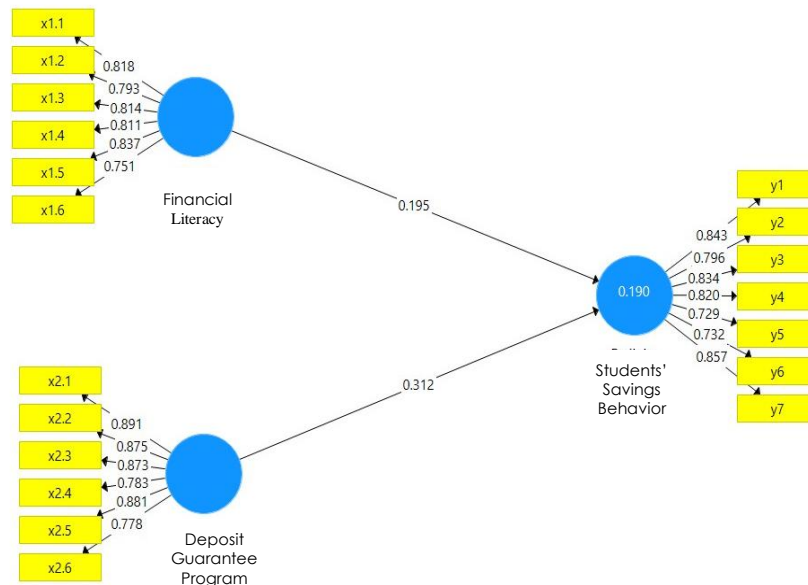
Source: Output SPSS 25

Outer Model

The Outer Model, which serves as an evaluation of the measurement model, is employed to assess both the validity and reliability of the model. This process commences with the

measurement of convergent validity, which involves examining the loading factor to ensure it exceeds 0,70, followed by an analysis of the Average Variance Extracted (AVE), which should be greater than 0,50. Subsequently, the measurement of discriminant validity is conducted by applying the Fornell-Larcker criterion and performing cross-loading tests. The final aspect of this evaluation focuses on composite reliability, which is determined by analysing the results obtained from Cronbach's alpha and the composite reliability values.

Validity



Picture 1
Outer Loading

Source: Output SmartPLS 3

Based on Picture 1, all loading factor values for each statement seen in the outer loading are above 0,70, so the concurrent validity measurement has met the requirements and can be continued to the next test.

Table 2
Average Variance Extracted (AVE)

Variable	Average Variance Extracted (AVE)
Financial Literacy (X ₁)	0,647
Deposit Guarantee Program (X ₂)	0,645
Students' Savings Behavior (Y)	0,719

Source: Output SmartPLS 3

The subsequent measurement of convergent validity is the Average Variance Extracted (AVE) value. Based on Table 2, the AVE value for each variable has shown results greater than 0,50, so it can be continued to the next test.

Table 3
Fornell Lacker Criterion

	Financial Literacy	Students' Savings Behavior	Deposit Guarantee Program
Financial Literacy	0,805		
Students' Savings Behavior	0,335	0,803	

Deposit Guarantee Program	0,446	0,399	0,848
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Source: Output SmartPLS 3

The initial measurement of discriminant validity involves an examination of the Fornell-Larcker criterion test values. According to Table 3, the correlation between each variable and itself exceeds the correlations between that variable and the other variables. Consequently, this finding allows for the next stage of the discriminant validity assessment, namely the cross-loading analysis, to be conducted.

Based on Table 4, the cross-loading value shows that the correlation value of each variable with its statement is more excellent than the correlation value of each variable with statements from other variables. So, all statements used in this study are valid and can be continued to reliability testing.

Table 4
Cross Loading

	Financial Literacy	Students' Savings Behavior	Deposit Guarantee Program
x1.1	0,818	0,149	0,255
x1.2	0,793	0,188	0,456
x1.3	0,814	0,323	0,465
x1.4	0,811	0,187	0,501
x1.5	0,837	0,393	0,230
x1.6	0,751	0,192	0,308
x2.1	0,346	0,339	0,891
x2.2	0,236	0,382	0,875
x2.3	0,422	0,384	0,873
x2.4	0,245	0,063	0,783
x2.5	0,485	0,366	0,881
x2.6	0,483	0,271	0,778
y1	0,186	0,843	0,305
y2	0,176	0,796	0,184
y3	0,425	0,834	0,325
y4	0,272	0,820	0,290
y5	0,068	0,729	0,304
y6	0,145	0,732	0,275
y7	0,400	0,857	0,450

Source: Output SmartPLS 3

Reliability

Reliability testing encompasses two key measurements: composite reliability and Cronbach's alpha. A variable is considered reliable when both of these measurements yield values exceeding 0,70.

Table 5
Composite Reliability and Cronbach's Alpha

	Cronbach's Alpha	Composite Reliability
Financial Literacy	0,893	0,917
Students' Savings Behavior	0,910	0,927
Deposit Guarantee Program	0,924	0,939

Source: Output SmartPLS 3

As indicated in Table 5, the composite reliability and Cronbach's alpha values for each variable have surpassed the threshold of 0,70. Consequently, it can be concluded that all variables utilised in this study—namely, financial literacy, the LPS deposit guarantee programme, and student savings behavior—exhibit strong reliability.

Data Analysis and Hypothesis Testing

The analysis of data and hypothesis testing are conducted through the examination of the inner model, or structural models, which ascertain the relationships among the variables within the research framework. Beyond merely testing hypotheses, the inner model assessment also incorporates R-squared testing to evaluate the explanatory power of the model.

R-square Testing

The R-squared test is employed to elucidate the impact of the independent variables on the dependent variable. The criteria established for interpreting the R-squared values are as follows: 0,19 indicates a low influence, 0,33 represents a moderate influence, and 0,67 signifies a high influence. According to Table 6, the adjusted R-squared value is 0,185, which, when compared to these criteria, is categorised as indicating a low level of influence. Consequently, it can be concluded that financial literacy and the LPS deposit guarantee programme account for only 18,5% of the variability observed in students' savings behavior, leaving 81,5% attributable to other factors that are not incorporated within the research model.

Table 6
R-square

	R Square	R Square Adjusted
Students' Savings Behavior	0,190	0,185

Source: Output SmartPLS 3

Path Coefficient Testing and Hypothesis Testing

Table 7
Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Financial Literacy -> Students' Savings Behavior	0,195	0,200	0,046	4,212	0,000
Deposit Guarantee Program -> Students' Savings Behavior	0,312	0,318	0,043	7,262	0,000

Source: Output SmartPLS 3

The path coefficient indicates whether the independent variable exerts a positive or negative influence on the dependent variable. As illustrated in Table 7, the effect of financial literacy on students' saving behavior is characterised by a T-statistic value exceeding 1,96, a P-value of less than or equal to 0,05, and an original sample value of 0,195. Therefore, it can be concluded that Hypothesis 1, which posits that financial literacy has a positive effect on students' saving behavior, is supported.

This finding demonstrates that an increase in students' financial literacy is associated with an enhancement in their saving behavior. Financial literacy encompasses not only the knowledge and understanding of economic concepts and risks but also the skills, motivation, and confidence required to apply this knowledge effectively. Such competencies empower individuals to make informed decisions across various financial contexts, thereby improving both personal and societal financial well-being and facilitating active participation in economic life (Goyal & Kumar, 2021).

This discovery indicates that a rise in students' financial literacy correlates with an improvement in their saving behaviors. Financial literacy encompasses not only a grasp of economic concepts and risks but also includes the necessary skills, motivation, and confidence to effectively apply this knowledge. Such competencies enable individuals to make well-informed decisions in diverse financial contexts, ultimately enhancing both personal and societal financial well-being while promoting active engagement in economic activities. This study's results align with research conducted by Kristiyanti (2024) and Alshebami & Aldhyani (2022), which stated that financial literacy positively affects savings behavior.

The findings of this study further reinforce the Theory of Planned Behavior (TPB), which elucidates the manner in which attitudes, subjective norms, and perceived behavioral control shape an individual's intention to engage in a particular action, thereby ultimately affecting their behavior. Within the framework of TPB, financial literacy is crucial in fostering positive attitudes towards saving, bolstering social norms that advocate for saving behaviors, and enhancing students' perceived behavioral control regarding their capacity to save. The integration of these factors is likely to augment students' intentions to save, ultimately promoting improved and more consistent saving behaviors among them.

The results of the hypothesis test presented in Table 7 indicate that the impact of the LPS deposit guarantee programme on students' saving behavior is characterised by a T-statistic value exceeding 1,96, a P-value of less than or equal to 0,05, and an original sample value of 0,312. These findings validate Hypothesis 2, which asserts that the LPS deposit guarantee programme positively influences students' saving behavior. The existence of the LPS deposit guarantee programme demonstrates its effectiveness in enhancing students' interest in and commitment to saving. This programme is designed to safeguard customer deposits held in banks, covering various types of deposits, including demand deposits, time deposits, certificates of deposit, savings accounts, and other similar forms.

The existence of LPS's deposit guarantee program creates a sense of security for students who may be concerned about the risk of losing their funds in the bank, mainly if the bank is liquidated or goes bankrupt. This is because LPS guarantees each depositor in one bank for a maximum of Rp 2.000.000.000,00 (two billion rupiah). Besides providing a sense of security, this program can also increase student trust in the banking system. This trust is an essential factor influencing students' decisions to save in banks.

This study's results align with research conducted by Irmayani (2023), which states that customer perceptions regarding the Deposit Guarantee Program significantly influence interest in saving. The results of this study also support the Theory of Planned Behavior (TPB). In TBP, the LPS deposit guarantee program strengthens positive attitudes towards saving by increasing a sense of security, maintaining social norms that support saving, and growing perceptions of behavioral control by providing confidence that their savings are safe. All of these factors together increase students' intentions and behavior to save.

CONCLUSION

Based on previous research and discussion results, financial literacy and the LPS deposit guarantee program positively affect students' saving behavior. Financial literacy and the LPS deposit guarantee program are important in increasing students' saving behavior. Financial literacy provides students with an understanding and awareness of the importance of saving behavior for future needs. In contrast, the LPS deposit guarantee program can give students a sense of security to start saving or depositing their money in the bank.

This study provides recommendations for education providers from elementary schools to higher education to hold formal financial education programs that can be provided in the education curriculum. The government and educational institutions can work together to integrate financial literacy as part of the compulsory curriculum or orientation program for students in higher education. In addition, collaboration between the government, financial institutions, and educational institutions to design and implement programs that combine financial literacy education with deposit insurance. These programs include joint awareness campaigns, training, and initiatives to encourage a culture of saving among students.

Further research can be conducted by examining the knowledge of LPS in students who still need to take the Bank and LPD Accounting courses. This allows for different research results because the target students have yet to study the LPS material. Thus, the research results are expected to better reflect students' initial understanding of LPS.

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