

## The Influence of Financial Literacy and Income on The Financial Welfare of TNI AD Soldiers in The Waytuba Lampung Air Force Work Unit

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### ABSTRACT

This study examines the influence of financial literacy and income on the financial well-being of Army Aviation (PENERBAD) soldiers stationed in Way Tuba, Lampung. The main issue addressed in this study is the limited financial management knowledge among soldiers, which potentially affects their ability to plan and maintain a stable financial condition. This study aims to analyze how financial literacy and income levels contribute to soldiers' financial well-being, considering their unique duties and challenges. Using a quantitative method with a primary data approach, data were collected through questionnaires from 75 respondents and analyzed using multiple linear regression with SmartPLS. The findings indicate that financial literacy and income have a positive and significant impact on soldiers' financial well-being. These results highlight the importance of providing ongoing financial education and income management support to improve soldiers' financial resilience. This research also serves as a reference for military leaders in developing policies to strengthen soldiers' financial stability and prevent financial problems such as online gambling and illegal loans. This research contributes to understanding the strategic role of financial literacy in supporting soldier well-being and readiness.

**Keywords:** financial literacy, income, financial well-being, indonesian army soldiers, PENERBAD

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## INTRODUCTION

The financial well-being of Indonesian Army (TNI AD) soldiers is a crucial aspect in maintaining stable performance. Keynes (1936) in *\*The General Theory of Employment, Interest, and Money\** emphasized: "The importance of employment and economic stability in achieving prosperity. He argued that economic prosperity is achieved when people have adequate employment and a stable income."

Factors influencing soldiers' financial well-being are not limited to economic aspects, but also include understanding and managing personal finances. The Organization for Economic Co-operation and Development/International Network on Financial Education (OECD/INFE) (2018) states: "Financial literacy is the knowledge and understanding of financial concepts and risks, along with the skills, motivation, and confidence to apply this knowledge and understanding, which are key to making wise financial decisions, both in the short and long term."

According to data from the Indonesian National Armed Forces (TNI) Headquarters, as quoted from [tni.mil.id](http://tni.mil.id), the Indonesian Army (TNI AD) has nearly 300,000 soldiers, yet only 141,470 units of official housing are available. This limited housing availability places a financial burden on some soldiers, making it difficult to achieve financial well-being. Soldiers who receive official housing must still consider their service period and purchase a home upon retirement. The numerous housing disputes between families of retired officers and the TNI AD demonstrate that many TNI AD soldiers are still unprepared for financial planning in retirement.

In 2024, quoted from the online media Kompas, the Commander of the Military Police Center (Danpuspom) of the Indonesian National Armed Forces, Major General Yusri Nuryanto, revealed findings related to the involvement of 4,000 TNI members in online gambling or judol practices throughout 2024. This finding is one of the proofs that TNI members do not have good financial literacy, because they have not been able to utilize financial instruments, either digitally or conventionally, optimally and have fallen into online gambling.

Prameswari et al., (2023), in their study on the influence of financial literacy and income on financial well-being, stated that financial literacy and income did not significantly influence the financial well-being of families in Surabaya. Similarly, Rahman et al., (2021) explained that financial behavior is the main antecedent factor, followed by financial stress and financial literacy, in predicting financial well-being.

Financial literacy encompasses two main aspects: basic financial literacy and advanced financial literacy. Basic financial literacy emphasizes an understanding of basic financial concepts such as savings, investment instruments, and debt management, while advanced financial literacy emphasizes more complex understanding. Gitman & Zutter, (2015), stated that financial management is the art and science of managing money, including planning, budgeting, asset management, and investment decision-making to achieve individual or organizational financial goals. Low levels of financial literacy can lead to failures in financial decision-making, ultimately impacting soldiers' financial well-being.

Previous research by Lusardi & Mitchell (2011) revealed that individuals with higher levels of financial literacy tend to be better at planning for retirement and managing personal finances. Klapper et al. (2015) found that low levels of financial literacy correlate with inability to manage debt, lack of savings, and unpreparedness for emergencies. Income has a positive influence on well-being. Increased income has a greater impact on low-income groups (Ferrer-i-Carbonell, 2005).

Previous research did not include military personnel in the sample population. According to a report by the International Institute for Strategic Studies (IISS), the number of active Indonesian Army personnel is projected to reach 300,000 by 2023. Therefore, understanding the literacy and income levels of soldiers is expected to provide a snapshot of the soldiers' economic conditions and provide accurate results, enabling the Indonesian Army leadership to formulate policies to support improving the financial well-being of soldiers.



This research will focus on Indonesian Army soldiers at the Way Tuba Army Aviation Task Force (PENERBAD), Lampung. This task force plays a strategic role in Indonesian Army operations, particularly in aviation operations on the island of Sumatra. By receiving a fixed salary and state-provided allowances, soldiers are expected to manage their finances effectively and efficiently to achieve optimal financial well-being. However, in practice, many cases of soldiers experiencing financial difficulties due to a lack of understanding of financial literacy and falling into online gambling and illegal online loans remain.

Based on this background, this study aims to further examine the influence of financial literacy and income on the financial well-being of Indonesian Army PENERBAD soldiers at the Way Tuba task force, Lampung. The results are expected to provide deeper insight into the importance of financial education and income management in improving soldiers' financial well-being.

## LITERATURE REVIEW, FRAMEWORK AND HYPOTHESIS

### Financial Well-being

Lusardi & Mitchell, (2011) explain that financial well-being is defined as a state in which individuals can fulfill their financial obligations, feel financially secure, and have the freedom to make choices that enable them to enjoy life. Financial well-being is a state in which individuals feel satisfied with their financial condition, are able to manage expenses, and have reserves to face emergencies (Brüggen et al., 2017). Soldiers' financial well-being can be measured through indicators such as life satisfaction, financial stability, ability to meet basic needs, and future planning (Prawitz et al., 2006). Although people with low income levels generally have difficulty meeting their basic needs, balancing family income and expenses is a key aspect that must be taken seriously to ensure financial well-being Rahman et al., (2021).

### Financial Literacy

Financial literacy refers to a person's basic understanding and skills in managing daily finances and how to utilize existing investment instruments. Efforts to promote financial literacy should include providing basic financial education programs covering money management, financial planning, wealth assessment, risk and return diversification, and investment opportunities that will strengthen financial discipline towards well-being (Rahman et al., 2021). This includes the ability to budget, save, manage debt, and understand financial products such as savings, loans, insurance, and investments; these are key to making sound financial decisions (Lusardi & Mitchell, 2014).

### Income

Income is one of the main indicators in measuring a person's financial well-being (Samuelson & Nordhaus, 1985). The primary source of income for Indonesian Army soldiers is salary and allowances. These salaries and allowances are regulated in Government Regulation No. 6 of 2024 concerning the salary regulations for TNI members. Salary is the income of soldiers in the formal sector. There is also income from the informal sector. This sector income is all income in the form of money or goods received as compensation from the informal sector. This income source can include investment income, business income, and social benefits (Samuelson & Nordhaus, 2001).

### Financial Literacy and Soldiers' Financial Well-Being

Lusardi & Mitchell (2011) stated that higher financial literacy significantly positively impacts better retirement planning. Therefore, well-literate soldiers are able to plan their personal finances and achieve financial well-being. Islamita & Nugroho (2023) in their research demonstrated that financial literacy positively influences financial management, thus further impacting soldiers' financial well-being. Good financial literacy can improve financial management, which can be achieved through well-planned

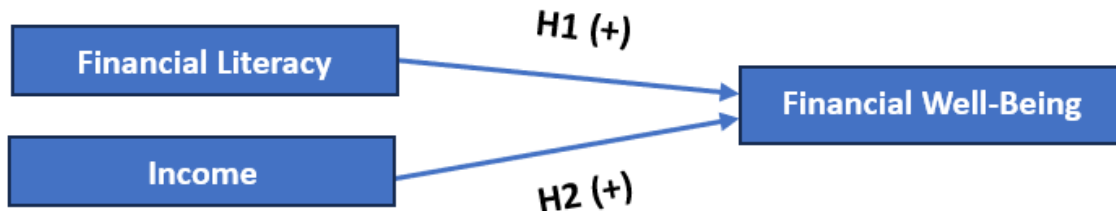
investments and savings and loans (Nurlaela et al., 2023). Financial literacy has a positive impact on soldiers' financial well-being; therefore, this study formulates the following hypothesis:

**Hypothesis 1 (H1): Financial literacy has a positive impact on soldiers' financial well-being.**

#### **Income and Soldiers' Financial Well-Being**

Samuelson & Nordhaus (2010) state that income is the amount of money or resources received by an individual, household, or company during a given period in exchange for the factors of production they provide, such as labor, capital, or land. They also distinguish between nominal income (the amount of money received) and real income (the purchasing power of that income). Ferrer-i-Carbonell (2005) suggests that income has a positive effect on well-being, with increased income having a greater impact on low-income groups. Zhang (2022) found that participation in social activities, mutual aid, and increased farmer income also positively impacted their well-being. However, further research is needed on TNI soldiers in Way Tuba. Therefore, this study formulates the following hypothesis:

**Hypothesis 2 (H2): Income has a positive effect on soldiers' financial well-being.**



**Figure 1. Research Model**

#### **METHODS**

The population in this study was all Indonesian Army soldiers assigned to the Way Tuba Air Force Work Unit, Lampung. The total population of soldiers in this work unit was 90 people. The research sample will be drawn from the population using purposive sampling or simple random sampling. The sample criteria used are:

- a. Active soldiers serving in the Way Tuba Air Force Work Unit, Lampung.
- b. Willingness to be respondents by completing the questionnaire in full.

The sample size is calculated using the Slovin formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

- n = number of samples
- N = population
- e = margin of error (usually 5% or 0.05)

This study uses a multiple linear regression model to analyze the effect of financial literacy (X1) and income (X2) on soldiers' financial well-being (Y). The research model can be formulated as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Where:

- Y = Soldier Welfare (dependent variable)
- a = Constant
- b<sub>1</sub>, b<sub>2</sub> = Regression coefficients for X<sub>1</sub> and X<sub>2</sub>
- X<sub>1</sub> = Financial Literacy (independent variable)
- X<sub>2</sub> = Income (independent variable)
- e = Error term

The data analysis of this research will be carried out using the Smart PLS (Partial Least Squares Structural Equation Modeling) application.

## RESULTS AND DISCUSSION

In this study, the primary data used were data obtained from distributing questionnaires to TNI soldiers in the Way Tuba work unit. The number of respondents received was 75 people. After conducting research on soldiers through Google Form questions, the results obtained by the author in the study "The Effect of Financial Literacy and Income on the Financial Welfare of TNI AD Soldiers in the Waytuba Lampung Penerbad Work Unit" can be grouped based on the characteristics of the respondents as follows:

**Table 1. Demographic Characteristics**

Variable	Category	Count	Percentage
<b>Gender</b>	Male	75	100%
<b>Age</b>	≤ 25 years	28	37.3%
	26–30 years	23	30.7%
	31–35 years	15	20.0%
	36–40 years	6	8.0%
	> 40 years	3	4.0%
<b>Rank</b>	Lieutenant (Second/First)	25	33.3%
	Sergeant (Second/First/Master)	30	40.0%
	Corporal	20	26.7%
<b>Marital Status</b>	Single	40	53.3%
	Married	34	45.3%
	Divorced/Widowed	1	1.3%
<b>Education</b>	High School/Vocational High School	50	66.7%
	Diploma I/III	8	10.7%
	Bachelor's degree or higher	17	22.6%

<b>Monthly Income</b>	< Rp3.000.000	10	13.3%
	Rp3.000.000–Rp4.000.000	12	16.0%
	Rp4.000.000–Rp5.000.000	10	13.3%
	Rp5.000.000–Rp6.000.000	28	37.3%
	> Rp6.000.000	15	20.0%

Based on the demographic data of respondents in the table above, all participants in this study were male, namely 75 people or 100%. In terms of age, the majority of respondents were in the age group  $\leq 25$  years old as many as 28 people (37.3%), followed by 23 people aged 26–30 years old (30.7%), then 15 people aged 31–35 years old (20.0%), 6 people aged 36–40 years old (8.0%), and the rest were over 40 years old as many as 3 people (4.0%).

In terms of rank, respondents were divided into three categories: 25 Lieutenants (second/first) (33.3%), 30 Sergeants (second/first/major) (40.0%), and 20 Privates/Corporals (26.7%). Based on marital status, the majority of respondents were single (40.3%), while 34 (45.3%) were married, and only one (1.3%) was divorced or widowed.

In terms of education level, the majority of respondents were high school/vocational high school graduates (50) (66.7%), followed by 8 (10.7%) with a Diploma (D1/D3) degree, and the remaining 17 (22.6%) had a Bachelor's degree or higher. Meanwhile, the distribution of respondents' monthly incomes showed that the majority were in the range of Rp 5,000,000–Rp 6,000,000 (28) (37.3%). A total of 15 people (20.0%) had an income above IDR 6,000,000, followed by the income group of IDR 3,000,000–IDR 4,000,000 with 12 people (16.0%), and 10 people (13.3%) were in the income group <IDR 3,000,000 and IDR 4,000,000–IDR 5,000,000.

Based on the outer loading results, it is concluded that all variables have good convergent validity. The cross-loading results show that the correlation value of the variable with its indicator is greater than the other correlation values, indicating that all variables have good discriminant validity. A variable is considered reliable if it has a composite reliability value above 0.70 and a Cronbach's alpha above 0.60. The SmartPLS output above shows that all variables have composite reliability values above 0.70 and Cronbach's alpha values above 0.60. Therefore, it is concluded that the variables have good reliability, and the AVE value for each variable is  $>0.5$ .

**Table 2. Composite Reliability dan Cronbach's Alpha**

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
<b>Financial Well-Being</b>	0.732	0.733	0.832	0.553
<b>Financial Literacy</b>	0.858	0.863	0.913	0.779
<b>Income</b>	0.865	0.884	0.908	0.713

**Table 3. Coefficient of Determination (R<sup>2</sup>)**

	R Square	R Square Adjusted
<b>Financial Well-Being</b>	0.514	0.501

The R-Squared value of the Financial Well-being (Y) variable is 0.514. This means that Financial Well-being (Y) is influenced by Financial Literacy (X1) and Income (X2) by 51.4%, while the remaining 48.6% is influenced by other factors. The R-square in this study has a model with moderate accuracy because it is in 0.50 - 0.75 range.

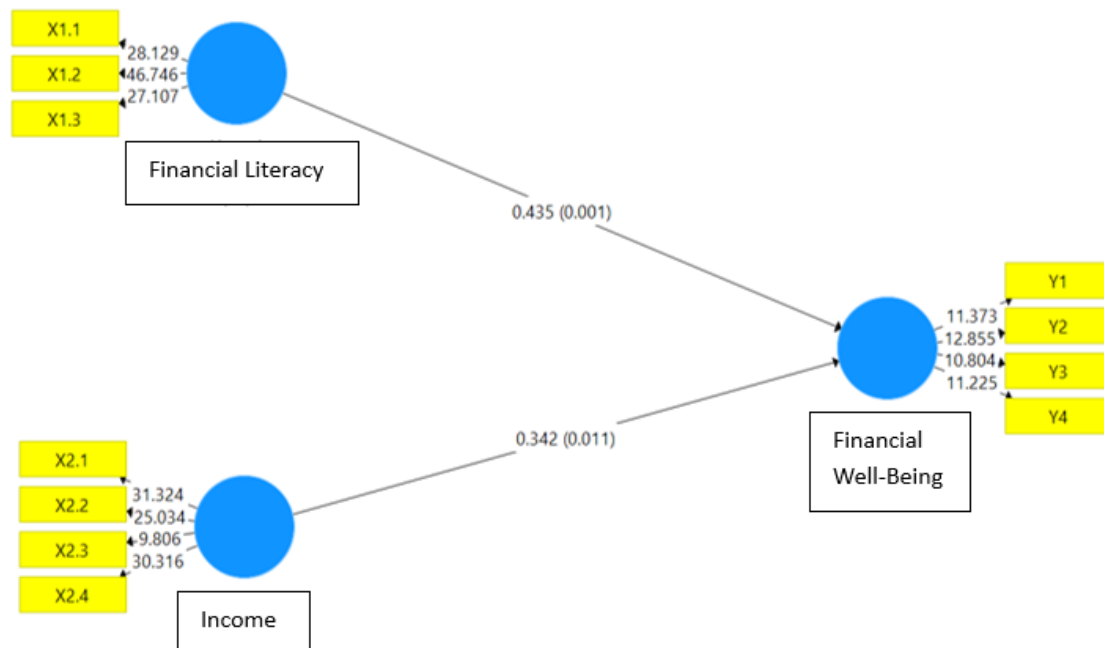


Figure 2. SmartPLS Bootstrapping Results

Source: SmartPLS 3.0 Output, 2025

Table 4. Coefficient of Determination

Pengaruh Langsung	<i>Inner Weight</i>	T-statistic	<i>P-value</i>	Conclusion
Financial Literacy → Financial Well-Being	0.435	3.310	0.001	significant
Income → Financial Well-Being	0.342	2.556	0.011	significant

The hypothesis that Financial Literacy has a positive influence on Financial Well-being is accepted. Testing the direct influence between Financial Literacy (X1) on Financial Well-being (Y) obtained an inner weight coefficient value of 0.435 with a T-statistic value of 3.310 and a P-value of 0.001 because the T-statistic value is > 1.96. and P-value < 0.05, there is a significant influence between Financial Literacy on Financial Well-being. Considering that the inner weight coefficient is positive, it indicates that the relationship between the two is positive. This means that the higher the respondents perceive Financial Literacy will result in higher Financial Well-being, and vice versa.

The hypothesis that Income has a positive influence on Financial Well-being is accepted. Testing the direct influence between Income on Financial Well-being obtained an inner weight coefficient value of 0.342 with a T-statistic value of 2.556 and a P-value of 0.011 because the T-statistic value is > 1.96. and P-value < 0.05, there is a significant direct influence between Income on Financial Well-being. Considering that the inner weight coefficient is positive, it indicates that the relationship between the two is positive. This means that the higher the respondents perceive Income will result in higher Financial Well-being, and vice versa.

### The Influence of Financial Literacy on Financial Well-Being

Based on hypothesis testing, financial literacy has a positive and significant effect on financial well-being, with an inner weight of 0.435 and a p-value of 0.001. This indicates that the higher the level of



financial literacy of soldiers, the better their financial well-being. The most dominant indicator X1.2, namely financial planning for retirement, indicates that awareness of the future is a significant determinant of soldier well-being.

This finding aligns with Lusardi & Mitchell (2011), who stated that high financial literacy is positively related to long-term financial planning, including retirement preparation. Furthermore, Islamita & Nugroho (2023) also revealed that financial literacy influences healthy financial management.

### The Influence of Income on Financial Well-Being

Testing of the income variable also showed a significant influence on financial well-being, with an inner weight of 0.342 and a p-value of 0.011. This means that the greater and more stable the income received by soldiers, the better their perceived financial well-being. The most influential indicator was X2.4, which refers to the non-salary allowances received from the government.

These results support the findings of Ferrer-i-Carbonell (2005), who stated that income has a positive effect on well-being, particularly in lower-middle income groups such as Indonesian Army soldiers. West et al. (2021) also emphasized that income is a more dominant factor in determining well-being than financial literacy itself.

Overall, the results of this study demonstrate that both financial literacy and income significantly influence soldiers' financial well-being. Therefore, increasing financial literacy and improving the compensation system could be important strategies for improving the well-being of military personnel in general.

### CONCLUSION

Based on the analysis and discussion in this study, the following conclusions can be drawn: Financial literacy has a positive and significant impact on the financial well-being of Indonesian Army soldiers at the Way Tuba Air Force Base, Lampung. This indicates that the greater the understanding and management of personal finances, the higher the perceived financial well-being of soldiers. Income has a positive and significant impact on the financial well-being of Indonesian Army soldiers at the Way Tuba Air Force Base, Lampung. Stable and sufficient income, both from base salary and additional allowances, contributes to soldiers' ability to meet financial needs, save, and plan for the future. The two independent variables (financial literacy and income) together explain 51.4% of the dependent variable (financial well-being), while the remaining 48.6% is explained by factors outside the research model.

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