

Financial Literacy, Financial Attitude, and Financial Behavior of Young Pioneering Business Entrepreneurs

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ABSTRACT

This study aims to determine the level of financial literacy and the effect of financial literacy and financial attitude on the financial behavior of young entrepreneurs. This study uses a survey method and a combination of data analysis that uses descriptive analysis to calculate the level of financial literacy and multiple regression analysis. The results of the study show that the financial literacy of young pioneering business entrepreneurs is in the moderate category, financial literacy does not affect the financial behavior of young pioneering business entrepreneurs, and financial attitude affects the financial behavior of young pioneering business entrepreneurs.

Keywords: financial literacy, financial attitude, financial behavior, young pioneering business entrepreneurs, business start-up

INTRODUCTION

The Indonesian people's financial literacy index is achieved financial goals were carried out through positive financial behaviors such as saving and budgeting, but this has not been supported because the people who have the confidence to save and prepare a budget only reached 33.66% and 30.70% of the total 75.29% and 42.13% of the people who claim to save and prepare budget. The Financial Services Authority issued the program under the name of the Indonesian National Financial Literacy Strategy.

This program is intended to help the community to achieve financial literacy for people that were previously well literate to achieve financial wellbeing, by having sufficient financial wellbeing. The Indonesian National Financial Literacy Strategy program is not only shown to the general public, but also to students who are a small part of the Indonesian community and those who carry out economic activities are the main targets in increasing financial literacy (Herawati, 2015).

Financial literacy research for students who have pioneered businesses until now has not been done, even though more and more students are level of financial literacy in 2016, which only reached 29.66%. Klapper, Lusardi, & Outhouse (2015) declared the level of financial literacy based on an average amount of 33% in 2015. The level of financial literacy in developed or developing countries such as Indonesia is still low, according to the financial literacy index. The level is still below average and as such, does not support the country's economic development (Akmal & Saputra, 2016).

LITERATURE REVIEW

Potrich et al. (2015) conducted a study to develop and determine the level of financial literacy using financial knowledge, financial attitude, and financial behavior variables in Brazil. The results showed that women's financial knowledge, financial attitudes, and financial behavior were still low, while men's levels were still positive financial knowledge and saving.

Thapa & Nepal (2015) found that the financial literacy rates of students in Nepal were still low, such as capital markets, taxes, financial, credit, and insurance policies. This is influenced by the income of parents, but students still have a positive attitude towards saving.

Potrich et al. (2016) found that financial literacy and financial attitudes influence student financial behavior. Herdjiono & Damanik (2016) found that financial attitudes influence financial management behavior, financial knowledge does not affect financial management behavior, and financial knowledge and income of parents do not affect financial management behavior.

Setiawati & Nurkhin (2017) found that there is no effect of financial literacy on student financial behavior, there is a positive and significant influence of financial attitudes towards student financial behavior, and there is a correlation between financial literacy and student financial attitudes.

Financial Attitude is a financial attitude that is a response in the form of a statement of “like” or “dislike” or “useful” or “not useful” related to the individual financial behavior (Potrich et al., 2016). Financial attitudes will also shape the way someone spends hoards, and spends money wastefully (Furnham, 1984) whereas according to Mien & Thao (2015) financial attitude is an attitude that can shape the way individuals conduct financial management such as investing saving, and even spending money.

HYPOTHESES

H1: Financial literacy influences the financial behavior of pioneering young business entrepreneurs.

H2: Financial attitude influences the financial behavior of pioneering young business entrepreneurs.

RESEARCH METHODS

This research method uses survey methods and data collection using a questionnaire. Sampling uses a purposive sampling strategy on students who are pioneering a business, hereinafter referred to as young pioneering business entrepreneurs. The sample criteria are young pioneering business entrepreneurs who have pioneered a business for at least one year, the business is still running as this research is conducted, and as the owner of a business start-up. The operational definitions of variables are as follows.

| Independent Variable | Definition | Indicators |
|-------------------------|---|---|
| Financial Literacy (X1) | Knowledge possessed by individuals to manage and use money well (Lusardi & Mitchell, 2014; Yushita, 2017) | Indicators of Financial Literacy (Chen & Volpe, 1998; Ulfatun et al., 2016): Knowledge of personal finance, savings and loans, insurance, investment |
| Financial Attitude (X2) | Financial attitudes are responses in the form of statements of likes or dislikes and are useful or not useful | Indicator of Financial attitude (Potrich et al., 2016): It is important to control expenditure, It is important to save regularly, It is important to |

| | | |
|------------------------|---|--|
| | related to individual financial behavior (Potrich et al., 2016) | compare service benefits, It is important to have a reserve fund, It is important to set goals and budget |
| Financial Behavior (Y) | Individual actions that reflect good behavior in managing pocket money (Potrich et al., 2016) | Financial Behavior Indicator (Potrich et al., 2016): Paying bills on time, Habits of making records, Controlling finances, Habits on Savings, Emergency fund ownership |

The results of these calculations will produce three financial literacy criteria, namely:

1. High, if the financial literacy rate exceeds 80%.
2. Moderate, if the financial literacy rate is between 60% and 80%.
3. Low, if the financial literacy rate is less than 60%.

Furthermore, the researcher used multiple regression by previously carrying out the classic assumption test to ensure that the model could be used in this study. The data analysis method uses multiple regression.

$$Y = a + b_1X_1 + b_2X_2 + \epsilon \quad (1)$$

Y: Financial Behavior a: Constant

X1: Financial Literacy b: Regression coefficient

X2: Financial Attitude ϵ : Standard error

RESULTS AND DISCUSSION

The researcher sent around 150 questionnaires to young pioneering business entrepreneurs. The questionnaires that were returned and which could be processed was 136. The researcher tested the validity and reliability. The validity test can be measured using Pearson Correlation. If the correlation is a significant value of >0.05 , then it is stated that the measurement scale has been valid (Sugiyono, 2015: 203). If all indicators are above 0.05 then all are valid. Next, the researcher conducted a reliability test and obtained a Cronbach alpha value greater than 0.6 so that it was declared reliable.

Level of financial literacy of young pioneering business entrepreneurs

| Category | <60% | 60- 80% | >80% | Information |
|---------------------|------|---------|------|-------------|
| Financial Knowledge | | 78 | | Moderate |
| Savings and Loans | 53% | | | Low |
| Insurance | | 68 | | Moderate |
| Investment | | 72 | | Moderate |

Based on Table , the aspects of financial knowledge, insurance, and investment are in the moderate category, but savings and loans are in the low category. In general, the start-up business financial literacy rate is moderate (65%). Mabyakto (2017) stated that financial knowledge provides evidence that individuals are independent, wise, and proper in managing their personal assets. Higher financial literacy can have a positive impact on financial behavior. The financial literacy category is not a low one because of the factor of financial education that was previously obtained.

After passing the classic assumption test, the researcher conducted a multiple regression test. The F Test results value is 0,000. It is smaller than 0.05. So, financial literacy (X1) and financial attitude (X2) as

independent variables have a simultaneous influence on financial behavior. T-test results are shown by the following table:

RESULTS OF T-TEST

| Variable | T | Sig. |
|--------------------|-------|-------|
| Financial Literacy | 2,836 | 0.102 |
| Financial Attitude | 7,895 | 0.000 |

Based on above table, the influence of independent variables on the dependent variable individually is as follows: The influence of financial literacy (X1) on financial behavior is (Y). The positive t value is 1.591 with a significance value of 0.114. This value is greater than 0.05, indicating that financial literacy does not affect financial behavior. While for the financial attitude (X2) variable on financial behavior (Y), the value of t value of 6.573 with a significance value of 0,000 which is smaller than 0.05, indicating that financial attitude influences financial behavior. Adjusted R square value of 24.4 percent shows that the variance of financial behavior can be explained by the variance of financial literacy and financial attitude.

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CONCLUSION

The financial literacy level of young pioneering business entrepreneurs falls into the medium category, meaning that the average young pioneering business entrepreneurs had general knowledge in aspects of personal finance knowledge, savings and loans, insurance, and investment.

Financial literacy does not have a significant effect on young pioneering business entrepreneurial financial behavior, so the first hypothesis is not accepted. Financial Attitude has a significant effect on young pioneering business entrepreneurial financial behavior, so the second hypothesis is accepted.

The limitation in this study is the time provided by respondents to fill out the questionnaire. Subsequent research can use other financial literacy indicators and add several research variables. The business types of young pioneering business entrepreneurs can also be distinguished in other analysis such as service, trade, and manufacturing industries.

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