

The Influence of Financial Literacy on Entrepreneurial Intention

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Abstract: This research aims to analyze how financial literacy influences entrepreneurial intention. The method used is quantitative method with logistic regression analysis. Data was collected from 382 undergraduate students in Musamus University. The results of the analysis show that financial literacy influences entrepreneurial intention. Students who have high financial literacy have higher entrepreneurial intention than students with low financial literacy. Four aspects of financial literacy, general knowledge of personal finance, saving-loan, insurance and investment effect on entrepreneurial intention. The contribution of this research is to support the importance of financial education for students in order to increase the interest in entrepreneurship.

Keywords: entrepreneurship intention, financial literacy, financial behavior

Introduction

The profession as an entrepreneur must be supported by a number of competencies which can develop the business later on. One of the abilities that can determine the success of an entrepreneur is the financial literacy. Financial literacy is knowledge of financial concept and skills to manager financial resources. Financial literacy can make people make best decision to get source, spend and manage money.

Financial access for new business is very important (Gentry and Hubbard, 2004) and the greatest barriers to entrepreneurship is financial constrain (Engelschion, 2014). Previous research concluded that financial literacy is an important aspect of new business (Xiang and Worthington, 2015).

This study analyzes financial literacy affect entrepreneurship intention that is motivated by two factors, (1) Indonesia is developing country that encourage entrepreneurship program to support economy development , (2) most research in entrepreneurship intention exploring factors such as education, psychological factor and financial literacy haven't been examined adequately.

Financial Literacy. According to Chen and Volpe (1998), financial literacy is the knowledge to manage finance in financial decision. Financial knowledge includes:

1. General knowledge of personal finance. A person's ability to manage his/her personal financial asset. By applying the right way to manage finance, someone will be able to use the money they have to achieve their goals. The ability to distinguish financial choices, plan for the future, and to be able to respond to the events that influence daily financial decisions.
2. Saving and loan. Saving is a part of income which is not spent or not used. Saving is a method to save money or expense in order to get deposit that can be used at any time (Sina, 2011). Loan is a type of debt which can involve all types of tangible objects even though it is usually often identified more with monetary loan.
3. Insurance. In the constitution no. 40 of 2014 about insurance, is an agreement between two parties which are the insurance company and the policy holder, which becomes the basis for the premium receipt by the insurance company, in return for:
 - a. Providing compensation for the insured or policy holder due to loss, damage, cost incurred, loss of profit, or legal responsibility to the third party that might be suffered by the insured or policy holder due to an uncertain event; or

- b. Providing payment based on the death of the insured, or payment based on the life of the insured, with the benefit whose amount has been fixed and/or based on the result of fund management.
4. Investment. The knowledge about investment is important to be able to determine the best type of investment, and suitable for one's needs. Investment, which is to allocate or invest resource, now with the aim of obtaining benefits in the future (Henry, 2009).

Entrepreneurial Interest. According to Fuadi (2009), the entrepreneurial interest is a desire, attraction, and willingness, to work hard or be strong-willed to strive maximally in fulfilling the needs without being afraid of the risk that will occur, and willing strongly to learn from the failure. The entrepreneurial interest is the heart tendency inside the subject to be interested in creating a business which then organizes, regulates, bears the risk, and develops the business that it creates.

Based on the above definition, then what is meant by the entrepreneurial interest is: the desire, attraction, and willingness, to work hard or be strong-willed with the focus of attention to try to fulfill the needs of the life without being afraid of the risk to be faced; always learning from failure experienced, and developing the created business. According to Hermawan (2005), the entrepreneurial interest is an attraction in a person towards the entrepreneurial activity, and the desire to be involved in the entrepreneurial activity. A person's attraction to the entrepreneurship interest is by seeking information and knowledge about entrepreneurship which is later continued in an activity to gain experience.

According to Hermawan (2005), the factors that can measure one's entrepreneurial interest:

1. There is an interest in entrepreneurship
2. There is a willingness to be engaged in entrepreneurship activity

Research Methodology

The method and technique of data analysis used to find out the influence of independent variables to the dependent variable, according to the purpose of this research, is the logistic regression analysis. Variable:

1. Financial Literacy. According to Chen and Volpe (1998), financial knowledge is the knowledge for managing finance in the financial decision making. The measurement indicators are as follow: general knowledge of personal finance, saving and loan, insurance, and investment. The financial knowledge data variables are obtained from the respondents' answers to 12 questions. Then the number of correct answers is calculated and divided by all questions, then multiplied by one hundred percent. The respondents' answers are then divided into three categories, as follows: Height > 80% with the value of 3, Medium (60% < 80%) with the value of 2, and Low < 60% with the value of 1.
2. Entrepreneurship Intention. The dependent variable in this research is the entrepreneurial interest. According to Fuadi (2009), the entrepreneurial interest is a desire, attraction, and willingness to work hard or be strong-willed to strive maximally in fulfilling the needs without being afraid of the risk that will occur, and willing to learn from failure. According to Hermawan (2005), the entrepreneurial interest is an attraction in a person towards entrepreneurial activity, and the desire to be involved in entrepreneurial activity. A person's attraction in entrepreneurship interests by seeking information and knowledge about entrepreneurship which is then continued in an activity to gain experience. To measure one's entrepreneurial interest can be done by one's attraction in entrepreneurship activity, and the desire to be involved in entrepreneurship activity. The variable of this entrepreneurial interest consists of 8 questions. This variable is measured using a 5-point Likert Scale where the scale is "strongly disagree" (1), "disagree" (2), "doubtful" (3), "agree" (4) and "strongly agree" (5). Furthermore, the respondent's answers are categorized into 2, which are (1) for respondents with the tendency for the entrepreneurial interest, and (2) for respondents without the tendency to for the entrepreneurial interest.

Result and Discussion

a. Dependent variable test (constant)

The following table shows the starting block test:

Table 1. Variables in the equation

	Exp(B)
Step 0 constant	1.234

Source: Primary data processed in 2018

Based on the variables in the Equation Table on the Exp (B) column, it explains the proportion of respondents who have entrepreneurial interest of 1.234 is more than the respondents who do not have entrepreneurial interest.

b. Independent and bound variables test

1) Determination variable proportional test

Table 2. Nagelkerke R Square

Step	Nagelkerke R Square
1	.235

Source: Primary Data processed in 2018

Based on the Table 2 in the Nagelkerke R Square column explains the independent variables that is financial literacy has the proportion or percentage of contribution to the variance of entrepreneurial interest by 23.5%, and the remaining 76.5% is influenced by other variables/factors outside of this research.

2) Model Feasibility Test. The following table describes the result from the Hosmer and Lemeshow Test:

Table 3. Hosmer and Lemeshow Test Result

Step	Chi-square	Df	Sig.
1	8.915	7	0.259

Source: Primary data processed in 2018

Based on the Table 3, in the Chi-square column has a value of 8.915, and in the column Sig. it has a value of 0.259, meaning that the Chi-square value is greater than the value in the significant column, so it can be concluded that the model is enough to explain the data (goodness of fit).

3) Individually binary logistic regression analysis. The individually logistic regression analysis is used to find out the independent variables that individually have significant effect to the entrepreneurial interest. The table below shows the individual logistic regression test results:

Table 4. Individually Binary Logistic Regression

Predictor	B	Exp(B)
Constant	3.118	22.593
Financial Literacy – General Knowledge of Personal Finance	-.174	.841
Financial Literacy – Saving and Loan	-.382	.683
Financial Literacy – Insurance	-.405	.667
Financial Literacy – Investment	-.733	.481

Source: Primary data processed in 2018

Based on Table 4, the interpretation is that the high general knowledge of personal finance will increase the entrepreneurial interest by 0.841 times more than the low general knowledge of personal finance. In terms of saving and loan literacy, the high knowledge will increase the entrepreneurial interest by 0.683. In terms of insurance and investment literacy, the high knowledge will increase the entrepreneurial interest by 0.667 and 0.481. The result shows that financial literacy determines one's entrepreneurial interests. This research is in line with Bayrakdaroglu (2017) and Engelschion (2014).

Conclusion

This research proves that financial literacy influences the entrepreneurial interest. The higher the person's financial literacy, the more of his/her entrepreneurial interest will increase. Based on the results of this research, the learning to increase the financial literacy needs to be developed in order to be able to encourage students to be entrepreneurs.

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