

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 behaviour, young pioneering business entrepreneurs, business start-up

I. INTRODUCTION

The Indonesian people's financial literacy index is still classified in the low category, based on a survey conducted by the Financial Services Authority on the level of financial literacy in 2016, which only reached 29.66%. Klapper, Lusardi, & Oudheusden (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).

The Financial Services Authority conducted a survey of every 100 residents in Indonesia and stated that 96.70% of the people claimed to have financial goals in life. However, these financial goals cannot be compared with the financials of the Indonesian people. This is because they are still oriented to short needs, such as survival and meeting their daily needs, which reached 17.68% and 49.11% respectively. Efforts to

achieve 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 pioneering businesses nowadays.

Informal and formal education through family education and education in higher education institutions should help students to implement and manage their daily finances such as by setting aside pocket money to save, financial planning, and recording expenses (Basal & Derman, 2016 and Mien & Thao, 2015). However, the issue of understanding and enhancing student financial knowledge has not become a suitable guarantee to determine financial decisions so that their financial attitudes and behavior are not synchronous with their level of literacy (Suryanto, 2017). The problems faced by students today are how the allowance they received from their parents has run out before the end of the month due to the absence of regular budgeting and a wasteful lifestyle and consumption patterns (Wardani, Susilaningsih, & Sangka, 2017). Marsh (2006) and Herdjiono & Damanik (2016) stated that personal financial behavior arises from financial

attitudes, individuals who are unwise in responding to financial problems also tend to have poor financial behavior. Poor financial attitudes can result in individuals behaving poorly so they do not have financial wellbeing due to activities such as spending money and not budgeting (Listiani & Kurniawati, 2017). According to Suryanto (2017), poor financial behaviors are caused, among many, by wrong financial management and wasteful consumptive lifestyles. This research uses students who are also pioneers of business (who hereinafter in this study will be called young pioneering business entrepreneurs). The subject of this study (young pioneering business entrepreneurs) became the differentiator of this research with other financial literacy research. Moreover, young pioneering business entrepreneurs in the context of this research are students who are deliberately directed to become entrepreneurs, which means they have a real running business.

The purpose of this study is to investigate and measure the level of financial literacy of young pioneering business entrepreneurs. The next step is to find out whether there is influence from financial literacy and financial attitude towards young pioneering business entrepreneurs' financial behavior. The urgency of this study is that in running a business start-up, young pioneering business entrepreneurs must have financial literacy in order to be able to manage their business properly and to eventually become a superior entrepreneur.

II. 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. Sari (2015) and Erawati & Susanti (2017) found that financial literacy had a

significant effect on students' financial behavior. Mabyakto (2017) found that financial attitude does not influence student financial literacy, financial behavior influences student financial literacy, and financial attitude and financial behavior simultaneously influence student financial literacy. This is influenced by the behavior of students who still positively regulate consumption, minimize wasteful spending, and save.

According to Lusardi & Mitchell (2014) and Yushita (2017), financial literacy is the financial knowledge and ability possessed by individuals in managing finance and spending money, so that individuals can improve their standard of living and avoid financial difficulties, whereas the Financial Services Authority defines financial literacy as a financial ability and knowledge that can help people in their knowledge of financial service institutions, benefits, features, and financial risks through beliefs and skills to improve decision making quality.

From the definition described, it can be concluded that financial literacy is a series of activities to increase financial knowledge through financial products and services, benefits, and features so that individuals can make decisions and avoid financial risks. According to Chen & Volpe (1998) and Ulfatun et al. (2016), there are four indicators to measure financial literacy. These of knowledge on personal finance, savings and loans, insurance, and investment.

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. Financial behavior, according to Potrich et al. (2016) is financial behavior as an action that reflects good behavior in managing pocket money in accordance with the objectives and financial realization. According to Nababan & Sadalia (2013) and Sari (2016), financial behavior is an individual's responsibility in managing finances with existing resources to meet personal needs and fulfill desires.

III. HYPOTHESES

Sari (2015) and Erawati & Susanti (2017) found that financial literacy has a significant effect on students' financial behavior, as the better student financial literacy is, the better the financial behavior of students is. Thus, the first hypothesis is as follows:

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

students improve financial literacy and apply financial behaviors such as saving, financial planning, and recording expenses and income.

A. Aspects of financial knowledge

Young pioneering business entrepreneurs have understood the importance of good financial management. They understand that good financial management will help them carry out short- and long-term financial planning. They also understand the concept of income and expenditure. They understand income as all the income they earn and are which are used to meet their business and personal needs. Expenditures relate to needs and are not based on wants. Even though they are still in college, but because they already have a real business, they are very interested in proper financial management so that their business can be successful.

B. Aspects of savings and loans

Young pioneering business entrepreneurs have understood that savings are calculated with compound interest so that the results of savings will be higher if they save their money. They also understand types of savings accounts such as deposits and savings. Understanding of these savings products arises when they have the advantage of their business which they then save in the banking system. One of the products they understand most is deposits and savings because they are more likely to use these products often.

C. Aspects of insurance

Young pioneering business entrepreneurs understand the concept of insurance as a form of risk control carried out by transferring risk from one party to another. They also understand the concept of premiums, namely the amount of money that must be paid each month as an obligation of the insured for his participation in insurance. Most young pioneering business entrepreneurs have personal insurance even though they do not have insurance to protect their business. The insurance they have is life insurance and unit links which aim to minimize their personal risks. Therefore, they understand the aspects of insurance.

D. Aspects of investment

Young pioneering business entrepreneurs understand the concept of investment, namely the form of investment or money that can be taken advantage of in the future. Their investment is obtained mostly from financial fields that teach a lot about investment, followed by knowledge they get from their peers. Wagner (2015) stated that increasing student literacy through learning in higher education can help improve students' understanding of finance, especially investment and insurance. Therefore, they also understand investment instruments such as stocks and mutual funds. Some of them have invested in stocks and mutual funds.

E. Multiple Regression Analysis

After testing the validity and reliability the researcher conducted a classic assumption test. The normality test uses the one-sample Kolmogorov-Smirnov test and shows a result of 0.062, which is greater than 0.05, indicating normal distribution. Heteroscedasticity test uses the Glejser Test and obtains financial literacy and financial attitude values of 0.067 and 0.139, respectively. Because the significance values are greater than 0.05, there is no heteroscedasticity (Ghozali, 2018). Multicollinearity test shows that the VIF value is greater than 1, so there is no multicollinearity.

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:

TABLE 3. RESULTS OF T-TEST

Variable	t	Sig
Financial Literacy	1,591	0,114
Financial Attitude	6,573	0,000

Based on table 3, 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.

F. Effect of Financial Literacy on Financial Behavior

There is no influence of financial literacy on financial behavior of business start-ups. The results of this study support the research of Herdjiono & Damanik (2016) & Setiawati & Nurkin (2017) which stated that financial literacy knowledge does not affect individual financial behavior because individuals with high or low financial knowledge are not proven to have good or bad financial behavior. Therefore, the financial literacy of a business start-up does not automatically improve its financial behavior, and vice versa, the financial behavior of the business pilot does not consistently increase along with the literacy it has.

Lusardi & Mitchell (2014) are supported by past research (Yushita, 2017) stating that financial literacy is the ability and financial knowledge possessed by individuals to manage finances and use money, so individuals can improve their standard of living and avoid financial difficulties. The results of the descriptive analysis show that good financial management can help with short-term and long-term planning. In this research, a business start-up has good financial literacy in personal financial management so it can help with making short-term and long-term financial planning. However, respondents still have low awareness of the benefits of saving, especially to save money for future needs. According to Mabyakto et al. (2017), individuals who have financial knowledge still have not proven that anyone can properly manage their financial finances. Individual behavior is not always influenced by the level of knowledge it has, but can be influenced by other factors such as laziness and lifestyle. If someone has good financial management, as well as being wise and clever, that individual will be disciplined in financial planning, which is useful in supporting individual finances for both the short and long term. According to Suryanto (2017) and Margaretha & Pambudhi (2015), increasing financial knowledge is not a guarantee for individuals to be able to properly manage their finances. The difficulty of controlling personal expenses can cause these individuals to not be able to save. According to Sari (2015), someone must be trained to save through family education so that they can improve their skills in managing finances.

G. *Effects of Financial Attitude on Financial Behavior*

Financial attitude influences financial behavior of business start-ups. The results of this study support the research of Herdjiono & Damanik (2016), Potrich et al. (2016), and Setiawati & Nurkhin (2017), which state that financial attitude has a positive effect on financial behavior. This means that financial attitudes have a positive impact on financial behavior, because positive attitudes of individuals are an indicator of spending their money well.

According to Potrich et al. (2016), financial attitudes are responses in the form of statements of “like” or “dislike” and its usefulness is related to an individual’s financial behavior. In this study, the most dominant financial attitude is the attitude of an individual in controlling their finances, especially in controlling the costs that arise. However, it turned out that individuals stated that they felt that it was rather unimportant to follow the budget that had been made. They opined that following a budget is not essential in business start-ups. According to Listiani & Kuraniawati (2017) and Nababan and Sadalia (2013), a good financial attitude applied properly will have a positive impact on financial behavior such as financial management, financial control, and budgeting.

VI. 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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