Factors Analysis of Individual Childhood Affect Financial Literacy Employee's in Palembang

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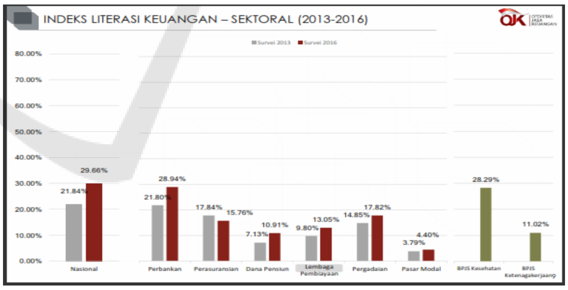
Abstract: This study aims to determine the factors that affect the individual childhood on an individual's ability to manage money today, who are already working and have income. Problems arise because there is still low level financial literacy of individual to manage money and still not good financial behavior of individuals. Respondents are individuals aged fifteen years aboved who worked in Palembang in formal sector with total sample of 348 people. The results of multiple linear regression showed individual education quality factors have the greatest influence on the level of individual financial literacy, while the smallest of factors influence the educational background of parents to the level of an individual's ability to manage money. The results of this study can be interpreted that the educational background of parents do not give a great influence on financial literacy. The greater influence were factor individual education quality and factor of teaching parents at home. Suggestions for respondents as individuals who have a good level of education, already working and may be have children at home, should provide teaching manage money to their children in order to produce the next generation being smarter. The results of this study give little different results from several previous studies in which the majority factors that affect individual financial literacy from a family background, while result of this research gives statement that the greater influence to individual financial literacy were education quality factor from employee and teaching parents in childhood.

1 INTRODUCTION

Financial Services Authority (FSA) together with the banking industry and non-bank financial industry (IKNB) set October as the month of financial inclusion in Indonesia. Financial inclusion is a program that appealed to the middle to lower use of formal financial products and services as a means of saving money safe, transfer, savings and loans, and insurance. Financial Inclusion Program is expecting the public to gain access evenly and public finance can leverage access formal financial services than non-formal financial services.

Financial inclusion program will be successful when the financial literacy of individuals and communities is also good. Financial literacy is the ability of individuals to manage personal finances and avoid debt at a level where private not afford to pay (www.birmingham.ac.uk). Based on a national survey conducted Financi al Services Authority (2016) that there was a rise in the index of financial literacy in Indonesia as shown in the following picture:



source: www.ojk.go.id

Figure 1: Financial literacy index 2013-2016

In Figure 1 above provides information that the community banking sector has the largest financial knowledge while the capital markets sector of society still lacked the financial knowledge because most small pick literacy index. In general, the financial literacy index of the Indonesian people has increased from the period 2013 to 2016 meaning that people began to have the rise of financial knowledge in the financial industry. Perhaps the question, what is the

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purpose of government in an effort to increase financial literacy.

This government program certainly has a purpose and benefits. The goal is critical to economic and financial stability of the country, while its benefits as quoted from the OECD report (2013) of moving the risk from the government and corporate employers to individuals, increasing individual responsibility when there are changes in the market and the economy, raising the bids comprehensive financial products and services and increasing demand on financial products and services. The economic situation and the market are always changing. Economic uncertainty is very important to observe the policies of individual financial decisions. The ability to make money policy is the basis for today's prosperity and our future. Personal financial planning is a process to manage finances in achieving the satisfaction of individual economies.

There are several factors an individual has a good level of financial literacy as quoted by the DIW Berlin (2015) is the educational background of parents, teaching parents in managing money, economic education in schools, the quality of education, and experience managing money as a child. The level of financial literacy that can either be a positive influence on the individuals financial behavior.

The purpose of this study is to determine the factors that affect the individual as a child on the financial literacy of individuals today who are already working and have income. The benefits of this research that gives an idea of the level of the individual's ability to manage money as an employee in Palembang and to provide input for the individual to manage personal finances are the basis for the well-being of today and the future.

2 REVIEW OF LITERATURE

Financial literacy is often referred to as *personal financial education* is an individual's ability to manage personal finances and avoid debt at a level where private is not afford to pay (www.birmingham.ac.uk).

Definition from Huston (2010) personal financial literacy is the ability to read, analyze, manage and communicate about the personal financial condition that affect material well being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future and respond competently to life events that affect everyday financial decisions, including events in the general economy.

Potrich, Vieira and Kirch (2015) gives the conclusions of some previous studies that financial literacy is synonymous with financial literacy or financial education. Financial literacy is defined by Chen and Volpe (1998) is as the knowledge to manage finances in decision-making. Chen and Volpe using four financial aspects of the individual with the description of Remund (2010) there are:

1. general knowledge; planning process and financial control of individual or family unit
2. save and borrow ; savings in the bank that can be done in the form of savings, time deposits, certificates of deposit and current accounts
3. insurance; one form of risk control is done by controlling/transfer of risk from one party to another party
4. investment; a form of revenue allocation is done today to make a profit at a later date could exceed current investment capital.

Based on the description of several previous studies it can be concluded that financial literacy is an individual's knowledge and ability to read financial condition and manage personal finances.

3 METHODOLOGY

Data collection method used in this research is using interviews, questionnaires and literature review. Questionnaires used research instrument to make a measured data, is called scale. Type of scale that used in this research is interval, a measured data that have range and have a meaning (Ferdinand, 2014). Respond from respondent can be measured with intervally scaled data with two extreme category, there are strongly disagree to strongly agree (1-10).

The population in this study are individuals who work in the formal sector in Palembang. The reason is (i) priorities that require the ability to manage finances individuals are those who already have a salary income and non-salary, (ii) individuals who work in the formal sector usually graduated from university level because to look at factors level of individual financial literacy and have a good quality education.

Type of data is secondary data and is sourced from Central Bureau of Statistic Palembang City (2015). The study population are employee in Palembang whose age of fifteen years above in the formal sector with amount as 661192, with a sample size of 348 people. The sampling method using simple random sampling method in which every element of the population has an equal chance to be selected as the sample (Puspowarsito, 2008).

Technical analysis of data using multiple linear regression, by the following equation:

$$FL = a + b_1PE + b_2PT + b_3EE + b_4EQ + b_5Exp + e$$

Information:
PE = parents educational background
PT = parents teaching
EE = Economic Education
EQ = Quality of education
Exp = Experience managing money
FL = individual financial literacy

Test the hypothesis in this study conducted on statistical hypothesis using t test and F test with significance level 0. 05, while the hypothesis are:

H_0: there is no a significant influence between independent variables to dependent variable
H_1: There is a significant influence between parental background variables to variable individual financial literacy
H_2: There is a significant influence between the variables of teaching parents to variable individual financial literacy
H_3: There is a significant influence between the variables of economic education of the individual against individual financial literacy variables
H_4: There is a significant influence between the variables of education quality of the individual against individual financial literacy variables
H_5: There is a significant influence between the variables of individual experience managing money against individual financial literacy variables

4 RESULT AND DISCUSSION

Here are the results of the technical analysis of the data with regression:

Table 1: t-Test and F-test

Variables	B	T	Significant*
Constants	35.323	5.676	0,000
The educational background of parents (PE)	0,365	2,092	0,037
Teaching Parents (PT)	.737	2.208	0,028
Economic education (EE)	.688	3.679	0,000
Education quality (EQ)	1.957	3.649	0,000
Experience managing money (Exp)	.480	2,853	0,000
F = 19.728			0,000

Source: results of data processing, 2018
*) Significant at the 0.05 level

$$FL = 35.323 + 0{,}365PE + 0{,}737PT + 0{,}688EE + 1{,}957EQ + 0{,}480Exp$$

4.1 Partial Test

Table 1 was the results with multiple linear regression analysis showed that all independent variables a significant and positive influence on the variable, where: Constants means that without any influence of factors of childhood, the financial literacy of respondents in the amount of 35.323

H_0: there is no a significant influence between parental background variables to individual financial literacy variable

H_1: There is a significant influence between parental background variables to variable individual financial literacy

Result from Table 1 indicate that PE has *sig 0,037 < 0,05* it means parental background variables influences significant to financial literacy. Formal educational background of parents influence the financial literacy of respondents is 0.364. This may imply that the respondents felt the parental education does not too influence the respondents in managing money. Education background of respondents parents are not of from college graduates.

H_0: there is no a significant influence between teaching parents variables to individual financial literacy variable

H_2: There is a significant influence between the variables of teaching parents to variable individual financial literacy

Result from Table 1 indicate that PT has *sig 0,028 < 0,05* it means teaching parents variables influences significant to financial literacy. Teaching parents affect the financial literacy of respondents is 0.737.

This may imply that parents in the direction and teaching in childhood about managing money plays a sizable and more remembered by the respondents until now as employee.

H_0: there is no a significant influence between economic education variables to individual financial literacy variable

H_3: There is a significant influence between the variables of economic education of the individual against individual financial literacy variables

Result from Table 1 indicate that EE has *sig 0,000 < 0,05* it means economic education variables influences significant to financial literacy. Formal economic education affect the financial literacy of respondents is 0.688. It can imply that respondents recognize that economic education in schools sizable role for respondents to manage money. This factor did not become dominant because the background education respondents most are not from economic background

H_0: there is no a significant influence between education quality variables to individual financial literacy variable

H_4: There is a significant influence between the variables of education quality of the individual against individual financial literacy variables

Result from Table 1 indicate that EQ has *sig 0,000 < 0,05* it means education quality variables influences significant to financial literacy. The quality of education affect the financial literacy of respondents is 1.957. This factor affects predominantly the respondents manage your money on this research. This means the respondents feel that the knowledge to manage the money due to the quality of education they have achieved from college graduate. The quality of education driven responden to improve about information about managing money. The main source they can access is through the internet. This finding same as research from Goetz, et al (2011) which states that the students are more comfortable learning online through the financial management and learning through technology.

H_0: there is no a significant influence between experience managing money variables to individual financial literacy variable.

H_5: There is a significant influence between the variables of individual experience managing money against individual financial literacy variables.

Result from Table 1 indicate that Exp has *sig 0,000 < 0,05* it means education quality variables influences significant to financial literacy. Experience managing money affects the financial literacy of individuals amounted only 0.480. This factor is the lowest as independent variables affect the dependent variable. This means that most respondents do not have the experience of managing their own money in childhood, the respondent has not worked before entering college so that all financial management still arranged by the parents.

Partial test research results show the influence of the majority which gives greater influence were individual education quality factors and factors of teaching parents at home. It means also that the first education level gave major influence to respondents financial literacy because the respondents as an employee and have graduated from college, the second that the factors of childhood that is teaching from parents in the house plays an important role in improving the financial literacy of individuals, because respondents already fifteen years above and already working, then it can’t be happen again so that it becomes responsibility to respondent if they have children to provide financial teaching better and right for their children. Findings from Volpe, Chen and Liu (2006) have statement that future education program should be focus to importance individual financial.

4.2 Simultaneous Test

Simultaneous testing results indicate that all independent variables are the educational background of parents, teaching parents at home, economic education of respondents, the quality of the respondents' education and experience to manage money significantly affect the financial literacy of respondents. This means that factors influencing respondents' childhood literacy rate of respondents or knowledge and management of money from respondents. This is consistent with previous studies of Grohmann and Menkhoff (2015) and Chen and Volpe (1998). The aims for literacy financial of childhood is to create a better generation in managing the finances of individuals. Individual financial education being able to make good decisions for their families, improve the economic security and life well-being (Hilgert and Hogart, 2003).

Benefits for individual has the ability to manage finances, so it can take a good financial decisions for individuals, families and even where people are working, so the aims government's financial literacy at macro level can be realized.

4.3 Coefficient Determination

The technical analysis used in this study is multiple linear regression so that to see the magnitude of the coefficient of determination used is adjusted R square (Sarwono, 2007) which is equal to 0.268 or 26.8%.

Table 2: Coefficient of determination

R	R Square	Adjusted R Square
0,531	0,282	0.268

Source: processed data, 2018

Table 2 above informed that the number has the intention that the influence of individual childhood factors jointly affects individual financial literacy only by 26.8%, while the factors outside the research variable are 73.2%. These results can be interpreted that there are still many factors from outside the individual's childhood that affect individual financial literacy, so this can be a further research opportunity in looking at the influence of individual financial literacy factors.

5 CONCLUSION

The regression results showed that the quality factor of individual education has the greatest influence on the level of individual financial literacy, while the smallest influence of factors is parents' educational background to the level of individual finance literacy. The results of this study can be interpreted that the educational background of parents does not have a large influence on the level of individual finance literacy or understanding in managing money.

There are still many factors from outside variabel research in the individual's childhood that affect individual financial literacy, so this can be a further research opportunity in looking at the influence of individual financial literacy factors.

Suggestions for respondents as individuals who have graduates from college, have worked and if they have children at home, they should be provide teaching how to manage money to their children, in order to get a better generation in managing money. The results of this study give slightly different results from several previous studies where the major factors that influence the individual financial literacy is from family backgrounds (Grohmann and Menkhoff, 2015), namely parents' educational background and parents' teaching managing money to their children at home. The ability to make money policies is the basis for our well-being present and future.

Personal financial planning is a process for managing finances in achieving individual economic satisfaction. This process is to control the financial situation, because income has an allocation to meet the needs of individuals and families today and future needs. Furthermore, at the macro level, the goal of long-term financial literacy from the government will be realized and useful for the progress of the economy's country.

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