



Financial Literation and Investment Decision Behavior of Entrepreneurs in Bali

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ABSTRACT

This study uses three dimensions of financial literacy, namely financial knowledge, financial behavioral and financial attitude. This study examines the effect of financial literacy on investment decision behavior. This research takes data from entrepreneurs in Bali, Indonesia. Bali has an entrepreneurial ratio to population that is higher than the national average. The regression results show (1) financial knowledge does not affect investment decision making, (2) financial behavior does not affect investment decision making, (3) financial attitude has a positive effect on investment decision making. These results indicate that the financial knowledge and how someone behaves about finance does not have an impact on investment decisions as an entrepreneur. Entrepreneurs in our sample may become an entrepreneur even though does not have sufficient financial knowledge and has not shown good financial management behavior.

Keywords: financial literacy, financial knowledge, financial behavioral, financial attitude, investment decision behavior, entrepreneurs

I. INTRODUCTION

Bali is one of the provinces in Indonesia with higher economic growth above national economic growth. Based on the National Survey on Financial Literacy and Financial Inclusion conducted by the Financial Services Authority (OJK) in 2016, the Financial Literacy Index in Bali Province was 37.5%, higher than the national average of 29.7%. The Financial Literacy Index in Bali Province is ranked fourth after DKI Jakarta, DI Yogyakarta, and Banten. The Financial Inclusion Index in Bali was 76.0%, also higher than the national average of 67.8%. The Financial Inclusion Index in Bali is ranked third nationally after DKI Jakarta and DI Yogyakarta.

In general, economic conditions and the financial literacy index in Bali are better than the national average. This study aims to determine whether there is a relationship between financial literacy and investment decision behavior at the individual level. This study was conducted on entrepreneurs in Bali. An entrepreneur plays an important role in making investment decisions in his business. The existence of entrepreneurs is very important in the economy. In 2018, the entrepreneurial ratio in Bali is 7 percent of the population, this ratio is higher than the national average of 3.1 percent. This study will examine how the role of financial literacy in investment decision behavior.

II. THEORY AND HYPOTHESES DEVELOPMENT

Financial Literacy is a broad concept. Many studies on financial literacy state different definitions and dimensions. The Organization of Economic Co-Operation and Development (OECD, 2013) conceptualizes financial literacy as a combination of awareness, knowledge, skills, attitudes, and behaviors needed to make financial decisions and achieve ultimate financial well-being of individuals.

Potrich et al. (2015) summarizes some concepts of financial literacy as shown in Table 1. The definition of financial literacy in this study adopts the definition of OECD, namely a combination of financial knowledge, financial attitude, and financial behavior. The definition was chosen because it has been used extensively in previous studies

(Atkinson and Messy, 2012; Potrich et al. 2015), including in the OJK financial literacy survey in Indonesia. Measuring the level of financial literacy in the individuals observed in this study used a questionnaire adopted from Potrich et al. (2015)

Investment decision behavior is measured by five indicators, namely: Able to take into account security and risk, Able to predict components of risk factors, Able to forecast investment income, Able to understand investment growth, Able to analyze the level of liquidity (Putri and Rahyuda, 2017)

Financial knowledge

Someone who is financially literate will have some basic knowledge of the main financial concepts (Atkinson and Messy, 2012). Financial knowledge is someone's mastery of various things about the world of finance. There are various sources of knowledge that can be obtained, including formal education such as high school programs or lectures, training seminars and classes outside the school, as well as informal sources, such as from parents, friends, and work environment (Ida and Dwinta: 2010). Lusardi and Mitchell (2007); Chen and Volpe (1998), which states that knowledge encourages a person to make financial planning and minimize mistakes in decision making. The first hypothesis can be formulated as follows:

H1: Financial knowledge has a positive effect on investment decision making.

Financial Attitude

Pankow (2012) states that attitude is a measure of a person's state of mind, opinion and judgment of the world he lives in. According to Robbins & Judge (2008: 92), attitudes are evaluative statements both pleasant and unpleasant towards objects, individuals and events.

Atkinson and Messy (2012) state that attitudes and preferences are considered as important elements of financial literacy. For example, if people have a negative attitude towards saving behavior for the future, then they will tend to behave like that. Likewise, if they prefer to prioritize short-term desires, they may have emergency savings or make a long-term financial plan. Investors who can control financial attitudes well can influence the decision-making process. Then the second hypothesis can be stated as follows:

H2: Financial attitude has a positive effect on investment decision making.

Financial Behavior

Nofsinger (2001) defines financial behavior, namely studying how humans actually behave in a financial determination. According to Ida and Dwinta (2010) financial behavior is related to one's financial responsibility related to financial management. Individuals who have responsible financial behavioral tend to be effective in using the money they have, such as making a budget, saving money and controlling spending, investing, and paying obligations on time. According to Atkinson and Messy (2012), financial behavior can help in planning costs and building financial security. On the other hand, certain behaviors such as the use of excessive credit can reduce financial well-being.

H3: Financial Behavior has a positive effect on investment decision making.

III. RESEARCH METHOD

The population in this study are all investors who are members of the Tangan Di Atas (TDA) Bali Business Community with a population of 102 investors. The sampling technique in this study was conducted with accidental sampling with a sample of 50 investors.

Collecting data in this study with a questionnaire answered by respondents who are investors to obtain data related to the problem under study. Data analysis with multiple regression.

IV. RESULTS AND DISCUSSION

Instrument Test Results

The results of the validity and reliability test of the instrument in this study are in Appendix A: Test validity is done using Product Moment (Pearson) by comparing the value of correlation value and r table. Reliability testing was carried out using the SPSS 20.0 program. An instrument is reliable if the value of Cronbach's Alpha is > 0.60.

Regression Results

Multiple linear regression is used to determine the effect of independent variables on the dependent variable. The following are the results of multiple linear analysis in Table 2

Table 2: Multiple Regression Result

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.383	3.739		1.172	.247
	F. Knowledge	.011	.011	.123	.989	.328
	F. Attitude	.239	.067	.445	3.549	.001
	F. Behavior	.133	.069	.240	1.913	.062
R		0.545 ^a				
R Square		0.297				
F		6.466				
Sig. F		0.001 ^b				

The influence of financial knowledge on investment decision behavior

From the regression results obtained, the significance value of the financial knowledge variable of 0.328 is greater than α (0.05), the first research hypothesis which states "Financial knowledge has an effect on investment decision making" is not proven, this means that financial knowledge has no effect on investment decision making.

These results indicate that individuals are unable to read finance due to limited financial knowledge. So that one cannot make effective judgments and decisions related to the management of money use. This can also affect the welfare of individuals in dealing with various personal financial problems such as savings, loans, investments, etc.

The influence of financial attitude on investment decision behavior

From the regression results obtained, the significance value of the financial attitude variable is 0.001 greater than α (0.05). Then the second research hypothesis which states "Financial attitude influences investment decision making" is proven, this means that financial attitude has a positive effect on investment decision making.

These results indicate that individuals have a good financial attitude, can be seen from the concept proposed by Furnham (1984), namely individuals have a mindset about money and perceptions about the future to manage money well, individuals feel worthy of having money from what has been done, and have a tendency not to spend money on something that is not useful.

The influence of financial behavior on investment decision behavior

From the regression results obtained, the significance value of the financial behavior variable is 0.062 greater than α (0.05). So the third research hypothesis which states "Financial behavior influences investment decision making" is not proven, this means that financial behaviors have no effect on investment decision making.

These results indicate that individuals are not able to set financial goals and make short and long-term plans, individuals are not able to make accurate cost planning in accordance with the income received, tend to rush to make financial decisions and do not have alternative financial planning choices. Emergencies sometimes make individuals have to spend more money that can disrupt financial management.

V. CONCLUSION

Through the tests carried out, it can be concluded that from the three dimensions of financial literacy used in this study, only financial attitude has a positive impact on the behavior of investment decisions, while financial knowledge and financial behavior have no significant effect. These results indicate that the financial knowledge and how someone behaves about finance does not have an impact on investment decisions as an entrepreneur. Entrepreneurs in our sample may become an entrepreneur even though does not have sufficient financial knowledge and has not shown good financial management behavior.

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APPENDIX A: Validity and Reliability Test Results

Questions	Correlation value	r _{table}	Testing criteria
X1.1	0,309	0,285	Valid
X1.2	0,628	0,285	Valid
X1.3	0,340	0,285	Valid
X1.4	0,712	0,285	Valid
X1.5	0,628	0,285	Valid
X1.6	0,526	0,285	Valid
X1.7	0,409	0,285	Valid
X1.8	0,579	0,285	Valid
X1.9	0,644	0,285	Valid
X1.10	0,308	0,285	Valid
X2.1	0,485	0,285	Valid
X2.2	0,410	0,285	Valid
X2.3	0,473	0,285	Valid
X2.4	0,325	0,285	Valid
X2.5	0,473	0,285	Valid
X2.6	0,613	0,285	Valid
X2.7	0,521	0,285	Valid
X2.8	0,534	0,285	Valid
X2.9	0,644	0,285	Valid
X2.10	0,545	0,285	Valid
X3.1	0,554	0,285	Valid
X3.2	0,525	0,285	Valid
X3.3	0,443	0,285	Valid
X3.4	0,541	0,285	Valid
X3.5	0,703	0,285	Valid
X3.6	0,585	0,285	Valid
X3.7	0,460	0,285	Valid
X3.8	0,480	0,285	Valid
X3.9	0,323	0,285	Valid
X3.10	0,603	0,285	Valid
Y.1	0,357	0,285	Valid
Y.2	0,551	0,285	Valid
Y.3	0,772	0,285	Valid
Y.4	0,586	0,285	Valid
Y.5	0,459	0,285	Valid

Reliability test result

Variabel	Cronbach's Alpha	Testing criteria
<i>Financial Knowledge</i>	0,679	Reliabel
<i>Financial Behavioral</i>	0,667	Reliabel
<i>Financial Attitude</i>	0,700	Reliabel