The Effect of Financial Literacy, Financial Experience, and Income Level on Family Financial Behavior

Pengaruh Literasi Keuangan, Pengalaman Keuangan, dan Tingkat Pendapatan terhadap Perilaku Keuangan Keluarga

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ABSTRACT
This study entitled "The Effect of Financial Literacy, Financial Experience, and Income Level on Family Financial Behavior". This study took a sample of 101 families (husband or wife) living in Sidoarjo and Surabaya taken using a questionnaire through the survey method. This study uses Smart Partial Least Square 4.0 as a data analysis technique. The results of the study show that financial literacy has no effect on family financial behavior. while financial experience and income level have a significant positive effect on family financial behavior.
Keywords: *Financial Literacy, Financial Experience, and Income Level on Family Financial Behavior*

ABSTRAK
Penelitian ini berjudul "Pengaruh Literasi Keuangan, Pengalaman Keuangan, dan Tingkat Pendapatan terhadap Perilaku Keuangan Keluarga". Penelitian ini mengambil sampel sebanyak 101 keluarga (suami atau istri) yang tinggal di Sidoarjo dan Surabaya yang diambil dengan menggunakan kuesioner melalui metode survei. Penelitian ini menggunakan Smart Partial Least Square 4.0 sebagai teknik analisis data. Hasil penelitian menunjukkan bahwa literasi keuangan tidak berpengaruh terhadap perilaku keuangan keluarga. sedangkan pengalaman keuangan dan tingkat pendapatan berpengaruh positif signifikan terhadap perilaku keuangan keluarga.
Kata Kunci: Literasi Keuangan, Pengalaman Keuangan, dan Tingkat Pendapatan terhadap Perilaku Keuangan Keluarga

1. Introduction

Financial behavior is very important to understand and needs to be done first in carrying out activities in order to achieve what is desired. one's ability to organize planning, budgeting, auditing, managing, controlling, seeking and storing funds is included in financial behavior. Someone if his life is not balanced with a good plan it will be difficult to distinguish between wants and needs

aspects of life that include social, health to the economy are very important for a family in carrying out family financial planning. Every family certainly has financial goals to be achieved in the future. Family financial goals such as buying family needs to providing funds to make investments if done without good planning then family financial goals cannot be achieved optimally.

factors that can influence financial behavior are financial literacy. Good financial literacy is the condition of someone who has knowledge and understanding of finance. Adequate financial literacy can have a positive influence on one's financial behavior. Lack of financial literacy in families means that many families do not realize the importance of having financial management in their personal lives. With financial literacy can make or give good decisions. Good and correct family decisions are needed to increase income, manage expenses, pay taxes so that family financial management is good. Low knowledge about finance is a serious problem for Indonesian people, especially women.

The 2019 National Financial Literacy and Inclusion Survey (SNLIK) showed a financial literacy index of 38.03% and a financial inclusion index of 76.19%. This shows that the Indonesian people in general do not understand well the characteristics of various financial products and services offered by formal financial service institutions, even though financial literacy is an important skill in the context of community empowerment, individual welfare, consumer protection, and increasing financial inclusion.

financial experience. Positive childhood experiences regarding managing finances, the social environment and attitudes towards thrift play an important role in financial management in family behavior in the future.

In addition to financial experience that must be considered is the level of family income. The level of family income determines the social and demographic levels in which each level will have different financial behavior based on their consumption. Income level is the total gross income of an individual derived from salary, wages, effort. It is probable that individuals with more income will show more responsible financial behavior. The available funds provide an opportunity to act more responsibly.

From this background, this study aims to examine the effect of financial literacy, financial experience and income level on family financial behavior. because this research needs to be done because financial behavior is an issue that is being discussed a lot in Indonesia today. This is because many Indonesian people have a tendency to engage in short-term consumption behavior without considering long-term needs.

Specifically, this research problem can be explained as follows:

1. Does financial literacy have a significant positive effect on family financial behavior?
2. Does financial experience have a significant positive effect on family financial behavior?
3. Does the level of income have a significant positive effect on family financial behavior?

2. Literature Review

Family Financial Behavior

Behavior finance emerged in the 1990s in line with the demands of the development of the business and academic world which began to address the existence of aspects or elements of behavior in the process of making financial and investment decisions. Behavior finance (behavior finance) is the involvement of behavior that exists in a person which includes emotions, traits, preferences and various kinds of things that are inherent in humans as intellectual and social beings that interact and underlie the emergence of decisions to take action, according to Ricciard V. And Simon H, (2013)

According to research (Hamdani et al., 2017) states that financial behavior is the result of the structure of various sciences. The first structure of science is psychology which analyzes behavioral and thought processes, how these psychological processes are influenced by the physical, external human environment. The second structure of knowledge is finance or finance, including the form of the financial system, the distribution and use of resources.

Financial Behavior studies how humans actually behave in a financial setting. In particular, studying how psychology influences the financial decisions of companies and financial markets (Locke, 2011). According to (Wicaksono and Divarda, 2015) financial behavior is an approach that explains how humans make investments or relate to finances influenced by psychological factors.

Financial Literacy

Financial Services Authority Regulation Number 76 of 2016 defines that financial literacy is knowledge, skills and confidence that influence attitudes and behavior to improve the quality of decision-making and financial management in order to achieve prosperity. The Organization for Economic Cooperation and Development (OECD) defines financial literacy as a

combination of awareness, knowledge, skills, attitudes and behaviors needed to make sound financial decisions so as to achieve individual financial well-being.
One of the intelligences that must be possessed by modern humans is financial intelligence, namely intelligence in managing personal assets, especially in managing personal financial assets. One form of application of financial management is personal financial management (personal finance), namely the process of planning and controlling the finances of individual units or families.

Financial literacy helps a person to improve one's level of understanding to deal with financial problems which makes it possible to process financial information and then make the right decisions for personal finance (Said & Amiruddin, 2017).

Financial Experience

In Silvy & Yulianti, (2013) states that good and correct financial decisions are needed to increase income, manage expenses, pay taxes so that family financial management is good. Positive childhood experiences about managing finances, the social environment, and attitudes toward thrift play a role in financial management's behavior in the future. Individual motivation to live better by learning from experience. Experience can be learned from personal experience, friends, family or other people who are more experienced so as to improve management, decision making and family investment planning. The indicators used to measure financial experience are as follows:

1. Financial experience in banking.
2. Financial experience in making credit.
3. Financial experience in insurance products.
4. Financial experience in pension fund products.

Income Level

In Andrew and Linawati (2014) Hilgert et al stated that personal income is the total annual gross income of an individual that comes from wages, business enterprises and various investments. Personal income is personal income before taxes. Personal income is measured based on income from all sources. The largest component of total income is wages and salaries. In addition, there are many other categories of income, including rental income, government subsidy payments, interest income and dividend income. Personal income is a good, albeit imperfect, indicator of future consumer demand.

Family or household income can be interpreted as income derived from several sources of income, namely the husband's income combined with the wife's income. The greater the income earned in a family, the family will try to gain an understanding of how to use existing finances in the right and better way through financial knowledge.

3. Research Methods

The researcher used a quantitative approach, namely the research was carried out by extracting information in the form of numbers. In this study, it will be tested how the percentage of financial literacy, financial experience and income level affect family financial behavior. Based on its objectives, this research is a causal study, because the research objective seeks to explain causal relationships that can be predicted by researchers, so that researchers can state the classification of causal variables, intermediate variables and dependent variables (Anwar, 2011: 13). The population in this study were families in the Sidoarjo and Surabaya areas totaling 1,468,781 families. then the sample in this study was taken using the Slovin technique with an error rate of 10%, using the formula:

$n = N/(Ne^2) + 1$

$n = 1.468,781 / 1.468,781(0,1^2) +1$

n = 100,005 respondence / 101 respondence

Description:
n = sample size
N = Population Size
e = percent of inaccuracy due to tolerable or desirable sampling errors, namely 10%

In this study, the sampling technique used purposive sampling method, because researchers have criteria that match the research objectives. The sample criteria used in this study are:

1. Respondents live in Surabaya and Sidoarjo
2. Respondents are at least 20 years old
3. Family income of at least Rp. 2,000,000,-

Financial behavior is an individual's responsibility regarding how to manage finances both budgeting, planning, spending and saving financial funds on a daily basis. The indicators used to measure financial behavior are controlling expenses, pay bills on time, make future financial planning, provision of money for savings, allocate money for personal and family needs. the scale used to measure family financial behavior is a Likert scale with strongly disagree (score 1) and strongly agree (score 5).

Financial Literacy is the knowledge to manage finances in making financial decisions. The ability to know one's financial knowledge in the family is related to good financial planning. Indicators used to measure financial literacy include is general knowledge of finance, savings and loans, insurance, and investments. To measure the Financial Literacy variable, researchers use a ratio scale: Financial literacy score: (number of correct answers)/(number of questions) X100

Financial Experience is the ability to make judgments from events related to financial problems that have been experienced (lived, felt, borne and so on) whether they have occurred long ago or recently so that from this financial experience they will be used as capital in good financial management behavior. This financial experience variable is measured using a Likert scale with strongly disagree (score 1) and strongly agree (score 5). with indicators : financial experience related to investment, financial experience related to financial planning (spending and purchasing), financial experience related to educational history,financial experience related to saving.

Income level is an individual's total gross income derived from wages, salaries, effort and return on investment. Family income can be interpreted as income derived from several sources of income, namely the combination of husband's income and wife's income. The variable measurement used in this study is using an interval scale with a minimum income range of Rp2,000,000 to > Rp 6,000,000.

To test whether the data obtained is valid and reliable, a validity test is performed which is measured by loading factor and average variance extracted (AVE) > 0.50 and reliability is measured by Cronbach's alpha > 0.60. Validity and reliability test results are presented in the Table 1.

Table 1. Validity and Reliability Test Results

Variable	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Financial Experience	0.865	0.872	0.895	0.516
Family Financial Behavior	0.851	0.858	0.887	0.529

Source: Data processed (2023)

Based on table 1, the results of the reliability test have been obtained which can be seen from the crobanch alpha which obtained a result of > 0.6, meaning that it can be concluded that the reliability test is reliable. In testing the validity where the test can be said to be valid if the AVE has a value of > 0.5, it can be concluded in the table that the results of the validity test can be said to be valid.

4. Results and Discussions

Based on the results of data analysis that has been carried out on 101 husband or wifw respondents in Surabaya and Sidoarjo, it can be described an overview of the respondents from this study as presented in Table 2. Table 2 shows the profile of respondents based on age, city, job and ultimate education.

Table 2. Characteristics of Respondents

No	Variable	Classification	N	%
1	Age	20 - 30	33	32%
		31 - 40	24	24%
		41 - 50	32	32%
		51 - 60	12	12%
2	City	Sidoarjo	57	56%
		Surabaya	44	44%
3	Job	PNS	2	2%
		BUMN	5	5%
		Private Employe	42	41%
		Self Employe	16	16%
		Etc.	36	36%
4	Ultimate Education	SD	1	0%
		SMP	6	6%
		SMA	45	42%
		Diploma	10	9%
		S1	36	34%
		S2	3	3%

Source: Data processed (2023)

Referring to Table 2, it is known that the majority of respondents in this study had an age range of 20-30 years and 41-50 years with a percentage value of 32%. It can also be seen that most of the respondents live in Sidoarjo with a percentage of 56%, most of the respondents also work as private employees with a high school education. The respondent's description shows that the respondent is the head of the family, either husband or wife, who already has financial experience, financial literacy and an income level that meets the requirements of the respondent and is able to manage the financial behavior of his family.

The results of testing the hypothesis to answer the research objectives are presented in Table 3.

Table 3. Hypothesis Test Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T-statistics (|O/STDEV|)	P values
Financial Literacy -> Family Financial Behaviour	0,013	0,017	0,088	0,145	0,442
Financial Experience -> Family Financial Behaviour	0,600	0,613	0,073	8,180	0,000
Income Level -> Family Financial Behaviour	0,151	0,151	0,090	1,669	0,048

Source: Data processed (2023)

Based on the results of hypothesis testing presented in Table 3, the important findings of this study can be explained. Referring to table 3, it can be concluded that the coefficient value of financial literacy on family financial behavior is 0.013 with a t-statistic of 0.145 and a probability value (p value) of 0.442 which means it has a value > 0.05 meaning H1: financial literacy does not affect financial behavior family. The results of this study support and confirm previous research conducted by Lestari (2018) which said that financial literacy has no effect on family financial behavior. High financial literacy does not affect family financial behavior, this is because individuals with high financial knowledge are not always able to control their finances and it can be seen that most of the respondents' last education is high school with a proportion of 42%, this can mean that the respondent's education is sufficient. high, so that the understanding of investment in the LK10 question item is only 28%, meaning that the respondent does not understand about investment.

Based on the results of the research, the second hypothesis of this study states that financial experience has a significantly positive effect on family financial behavior. This is supported by the coefficient value on the variable Financial Experience on Family Financial Behavior with a value of 0.600 with a p-value of 0.000. The results of this study are in line with previous research according to (Raviandani, 2019) found that financial experience has a positive effect on family financial behavior. As for other previous studies (Purwidianti mudjiyanti, 2016) also said that individual motivation to live a better life is by learning from experience. Experience can be learned from personal experience, friends, family or other people who are more experienced so as to improve management, decision making and family financial behavior.

Based on the results of the study, the third hypothesis of this study stated that the level of income significantly has a positive effect on family financial behavior. This is supported by the coefficient value of the income level variable on family financial behavior with a value of 0.151 with a p-value of 0.048. The results of this study are in line with previous research according to (Raviandani, 2019) finding that income levels are positively related to financial behavior. The majority of respondents, namely as many as 42% of respondents, had a high school level of education. A relatively high level of education allows a person to have broad insights and better understand financial management. This is supported by research conducted by Unola, E & Linawati, N (2014) that a higher level of education can encourage a person to be more mature and organized in planning and managing their finances.

To assess the accuracy of the resulting model, the results of the R2 coefficient of determination test and the accuracy test of the model will be presented below (Table 4 and Table 5).

Tabel 4. R-Squares Results

Variable	R-square	R-square adjusted
Family Financial Behaviour	0,387	0,368

Source: Data processed (2023)

Based on the test results from table 4 it can be seen that the R Square results on the Family Financial Behavior variable show a value of 0.387 or 38.7% which can be interpreted that the financial experience variable can influence family financial behavior and the remaining 61.3% is influenced by other variables that are not written in this study.

5. Conclusion

Based on the results of the research described in previous chapters regarding the variables of Financial Literacy, financial experience, income level and family financial behavior, this research can be concluded that: Financial Literacy has no effect on family financial behavior. The higher the financial literacy, the less it affects the financial behavior of the family, Financial experience has a positive and significant effect on family financial behavior. The higher the financial experience, the higher the family's financial behavior, Income level has a positive and significant effect on family financial behavior. The higher the level of income, the higher the family's financial behavior.

Based on the research that has been done, the researcher can provide input and suggestions that can be used as consideration for further research as follows: 1. For Further Researchers: a. If the next research is to conduct similar research, it would be nice to give a questionnaire aimed at researching families using the questionnaire directly, because if you use the Google form, the employees in the field will pay more attention to the researcher's questionnaire. b. If the next researcher conducts similar research, it would be nice to add other variables such as financial attitudes, family environment and lifestyle which may also influence family financial behavior. 2.For families, It is hoped that families in Sidoarjo and Surabaya will start routinely recording all spending activities so that they better reflect good family financial behavior so as to be able to reduce problems related to finances.

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