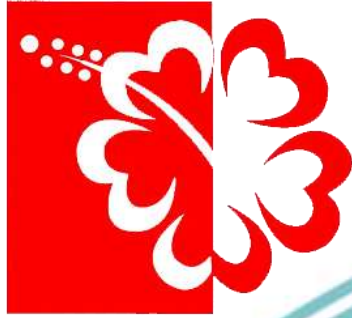




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BACHELOR IN ACCOUNTING

DETERMINANTS OF FINANCIAL LITERACY AMONG
MICRO, SMALL, AND MEDIUM ENTERPRISES
(MSMES) IN INDONESIA

BY :

NUR AZIZAH RACHMAN

(012021090206)

AUGUST 2022



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ABSTRACT

This study examines the factors that determine financial literacy among Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. The online questionnaire survey method was used in primary data collection. In this study, researchers got 192 respondents. There are 6 variables in this study, which is Education Background, financial behavior, financial awareness, financial attitude and financial planing. The results showed that the variables of financial attitude, financial planing and education background had a positive influence on financial literacy. However, Education Background influence positively but not significant on financial literacy. Financial awareness and financial behaviour negatively not significant with financial literacy. Among these, financial attitude appears to be the strongest factor and has a significant positive path. This study only focuses on the determine the extent of financial literacy among Indonesian MSMEs. As a result, the findings do not fully reflect Indonesia's actual level of financial literacy. Furthermore, because the number of respondents in this study is small (only 192), it is hoped that future research could increase a larger number of respondents.

Keywords: Financial Literacy, Education Background, Financial Behaviour, Financial Awareness, Financial Attitude, Financial Planing.



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The author realizes that this thesis is still not free from shortcomings. For this reason, the author is open and accepting of all constructive criticism and suggestions so that it can be useful for all parties concerned.

Shah Alam, 25th August 2022

Nur Azizah Rachman



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CHAPTER 1 INTRODUCTION

1.1. Preamble

The purpose of this research is to examine the effect of financial literacy on small and medium-sized microenterprises with special reference in Indonesia. Based on the results of a survey by the Financial Services Authority (OJK), MSMEs Financial Literacy in Indonesia is still relatively low, meaning that it can be said that the utilization of financial products and services from the banking sector is still low and limited. The author wants to measure how the determinants of Financial Literacy among MSMEs in Indonesia.

1.2. Background of Research

Indonesia is one of the developing countries with the 4th largest population after China, India and the USA. Indonesia has a population of 273 million which is widely distributed in the Indonesian Archipelago according to Tim detikcom (2022). With a very high and unregulated and restricted population growth rate, it will have a negative impact on the economy in Indonesia. Uncontrolled population can hamper Indonesia's economic growth because of the high unemployment caused by the lack of jobs. Therefore, some Indonesians choose to do business, micro, small and medium enterprises (MSMEs) as their source of income.

The Ministry of Cooperatives and SMEs noted that the number of micro, small and medium enterprises (MSMEs) reached 65.47 million units in 2019. This number increased by 1.98% compared to 64.19 million units in the previous year. This amount reaches 99.99% of the total business in Indonesia. Meanwhile, large-scale businesses only amounted to 5,637 units or equivalent to 0.01%. In detail, as many as 64.6 million units are micro-enterprises. The amount is equivalent to 98.67% of the total MSMEs throughout Indonesia. A total of 798,679 units are small businesses. The proportion is 1.22% of the total MSMEs in the country. Meanwhile, medium-sized enterprises only amounted to 65,465 units. This amount contributes 0.1% of the total MSMEs in Indonesia according to Mahdi (2022). Thus, MSMEs are the most important pillars in



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the Indonesian economy according to Kementerian Koordinator Bidang Perekonomian Republik Indonesia (2021).

From the number of MSMEs that continues to increase, growth is still very slow and stagnant due to problems experienced such as limited capital, lack of use of information and technology, and low financial literacy in managing business finances. Financial literacy is knowledge, skills, and beliefs that influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity according to Otoritas Jasa Keuangan. (2021). Strategi Nasional Literasi Keuangan Indonesia. Otoritas Jasa Keuangan, 2021). Similarly, the high level of financial literacy means that MSME actors will be able to control the financial condition of their business so that they are not wrong in making decisions related to finance, and the ability to maintain a business with good financial performance will increase prosperity for the long term according to Muraga & John (2015).

Financial literacy is one of the important factors that must be owned by MSME actors to make it easier to manage and develop their businesses according to Panggabean et al. (2018). MSME actors who have insight related to financial literacy have the potential to be more productive, thus forming MSMEs that have higher competitiveness in running and developing businesses for the better. Many countries prioritize or use financial literacy as a combination of awareness, knowledge, skills, attitudes, and healthy financial behavior according to Atkinson & Messy (2012).

Therefore, the author wants to know the determinants of financial literacy among MSMEs in Indonesia, whether there is a possibility that financial literacy among MSMEs in Indonesia will increase or not based on the sample that will be tested by the author.

1.3. Research Issues and Problem Statement

Based on the results of the National Financial Literacy and Inclusion Survey (SNLIK) conducted by the Financial Services Authority (OJK) in 2019, the level of financial literacy and financial inclusion in 2019 reached 38.03% and 76.19%, respectively. When viewed by regional strata, for urban areas the level of financial literacy and inclusion reached 41.41% and 83.60%, respectively. Meanwhile, the level of literacy and financial inclusion of rural communities is 34.53% and 68.49%,



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respectively. This shows that both in terms of understanding and use of financial products/services, people living in rural areas are still quite lagging behind compared to people living in urban areas (Otoritas Jasa Keuangan (OJK), n.d.). Meanwhile, from Bank Indonesia data, the number of MSMEs reached 64 million, meaning that only about 38 million MSMEs were already using banking products. From this figure, the level of financial literacy of MSME actors is still relatively low, meaning that it can be said that in utilizing financial products and services from the banking sector, it is still low and limited.

1.4. Research Objective

The purposed of this research is to identify the Determinants of financial literacy among MSMEs in Indonesia. The research includes the following objectives:

1. To identify the level of financial literacy among MSMEs owners in Indonesia
2. To examine the effect of education background on financial literacy
3. To examine the effect of financial behaviour on financial literacy
4. To examine the effect of financial awareness on financial literacy
5. To examine the effect of financial attitude on financial literacy
6. To examine the effect of financial planing on financial literacy

1.5. Research Questions

Based on the background above, the author started to raise the problem as follows:

1. What is the level of financial literacy among MSMEs owners in Indonesia ?
2. What is the effect of education background on financial literacy ?
3. What is the effect of financial behaviour on financial literacy ?
4. What is the effect of financial awareness on financial literacy ?
5. What is the effect of financial attitude on financial literacy ?
6. What is the effect of financial planing on financial literacy ?

1.6. Significance of Research

To find out the determinants of financial literacy in MSMEs in Indonesia. The results and findings of this study will be very important for MSMEs to increase their insight regarding financial literacy in MSMEs to be able to control the financial condition of the business so that they are not wrong in making decisions related to



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finance, and the ability to maintain a business with good financial literacy will improve welfare for the long term. This understanding of financial literacy is also very helpful for MSMEs in using financial service products such as making bank deposits, credit or credit, making investments, and managing their related finances from managing sources of business funds, making budget plans, to making financial reports properly. Making it easier for MSMEs if they want to develop their business, MSMEs can borrow money/credit at the bank by fulfilling the requirements to have financial reports on the business.

For the field of education, this research can be used as a guideline for further research that wants to examine Financial Awareness, Financial knowledge & Attitude, Financial Behaviour and Financial Planning. The results of this study can be used as a concrete source of information to be used as a standard in the future. These findings will contribute new knowledge to increase financial literacy among MSMEs.

1.7. Scope and Limitations of Research

The study is focused on the determinants of Financial Literacy among Micro, Small and Medium Enterprises in Indonesia, Based on Financial Awareness, Financial knowledge & Attitude, Financial Behaviour and Financial Planning.

1.8. Proposed Chapter Organization

There are 5 Chapters in this research. In Chapter one, problems related to the topic are discussed and begin by introduction that discusses about the background of the study, research issues and problem statement, research objective, research question, significance of research, also scope and limitations of research. In Chapter two, is literature review that discusses about the basic theories regarding the research topic and the previous studies from journal, book, and the internet. In Chapter three, research the methodology that discusses about the methodology used by researchers in compiling this research based on overview of research design, population of interest and target sample, research instruments, measurement & assessment, data collection, and data analysis strategies. In Chapter four, data analysis and findings that discusses about the findings by researchers, and Chapter five is conclusion and recommendation that

discusses about the summary of research findings, conclusion, recommendation, limitation of the study, and future research.



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CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

This chapter would discuss about the literature review. Furthermore, it is separated into four sections. In the first section, it reviews the theoretical related to the financial literacy, financial behaviour, financial awareness, financial attitude and financial planning. The second section, it reviews the previous studies about financial literacy. The third section, it reviews about the framework and hypotheses regarding the topic and in the last section, which is fourth section, it reviews about the chapter conclusion.

2.2 Review of Previous Studies

Research conducted by Kojo Oseifuah (2010) that aims to determine Financial literacy and youth entrepreneurship in South Africa. The research sample was Out of 39 youth entrepreneurs, 24 (61.5 per cent) were male and 15 (38.5 per cent) were female and data were collected using a questionnaire which a structured questionnaire was developed based on previous studies according to ANZ Survey of Adult Financial Literacy in Australia: Final Report, (2003); the Media Research Consultants Pte Ltd, (2005). The level of financial literacy was measured by analysing respondents' answers to questions using the SPSS statistical package. The results showed that the level of financial literacy among youth entrepreneurs in the Vhembe District is above average. However, due to the small sample used for this study, the result cannot be generalised. It is therefore recommended that a more extensive study be undertaken to verify the level of financial literacy as well as its impact on youth entrepreneurship in the District.

Research conducted by Anshika et al. (2021) that aims to determine Determinants of financial literacy: Empirical evidence from micro and small enterprises in India. The research sample was 309 entrepreneurs initially in the state of Punjab, India the data has been collected from the Entrepreneurs in the Punjab state using multi stage sampling technique. It was observed that the MSEs in Punjab (India) is a male dominant sector that gives rise to the need for encouraging more females to



become entrepreneurs. More initiatives like women Self-Help Groups (SHGs) should be introduced to give entrepreneurial opportunities to women.

Table 1: Review of Previous Studies

Title	year	Independent Variable	Dependent variable	Sample	Result
Financial Literacy And Youth Entrepreneurs hip In South Africa	2010	Financial Knowledge, Financial Attitude, Financial behaviour	Financial Literacy	Out of 39 youth entrepreneurs	More than half of the respondents have an idea about interest rates, VAT, National Credit Act, and insolvency, while just a third (30.8 per cent) have little or no knowledge about the stock exchange. It may be concluded that the level of financial literacy among youth entrepreneurs in the Vhembe District is above average.
Determinants Of Financial Literacy: Empirical Evidence From Micro And Small Enterprises In India	2021	area of operation, type of enterprise and gross profit	Financial Literacy	A total of 3751 Enterprises (282 Micro Enterprises and 93 Small Enterprises)	the study revealed that education and age are the most important determinants of all the three types of financial literacy. This finding is significant for the policy makers, since the level of financial literacy of the entrepreneurs can be enhanced with increase in the level of education.
Financial Literacy Of Micro, Small, And Medium Enterprises Of Consumption Sector In Probolinggo City	2021	Financial behavior, Technology utilization, risk management, business knowledge, source of funding, bookkeeping, and last is Financial planing, budgeting and control.	Financial Literacy	The final samples consist of 51 MSMEs. There are 25 MSMEs in the culinary subsectors, 17 in the fashion subsector, and nine in the handycraft subsector.	The result indicated that the MSME owners in Probolinggo City have not yet mastered the knowledge and skills concerning financial product and service. Also, they have not yet utilized the technology maximally to assist the business activity that impacted on the less maximum performance of the MSME in Probolinggo City. However, the owners

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Title	year	Independent Variable	Dependent variable	Sample	Result
					have shown an accountable financial behavior that they are able to manage their financial resource well and improve the MSME performance.

2.3 Education Background

Education background is one of the most important things that MSMEs owners should have. The researcher specifically use education background based on Accounting/Economics/Finance and Non-Accounting/Economics/Finance background studies. Definition of accounting according to the Accounting Principle Board (APB) Statement No. 4 is a service activity whose function is to provide quantitative information, generally in terms of money. It concerns an economic entity that is intended to be used in economic decision making, which is used in selecting several alternatives according to Juwita (2021). The obstacles that hamper MSMEs in the application of accounting are in terms of capabilities that included an inadequate educational background and expertise possessed by the owner, resulting in the lack of understanding of the importance of accounting in business management.

2.4 Financial Literacy

Financial literacy, defined by The Organisation for Economic Co-operation and Development OECD, (2020), is the combination of awareness, knowledge, skills, attitudes and behaviour that a potential entrepreneur or an owner or manager of a micro, small or medium sized enterprise should have in order to make effective financial decisions to start a business, run a business, and ultimately ensure its



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sustainability and growth. In a similar vein, it involves the application of the various elements of financial literacy such as knowledge, awareness and financial instruments within both personal and business contexts according to Albastiki & Hamdan (2019). Financial literacy, defined by The Financial Services Authority (OJK) is an important skill in the context of community empowerment, individual welfare, consumer protection, and increasing financial inclusion (Otoritas Jasa Keuangan (OJK), n.d.).

Financial literacy is defined as “a blend of their knowledge of financial concepts, products, skill to recognize and manage the business risks/opportunities to make sound financial decisions” according to Sabana (2014). As per Lusardi & Mitchell (2013), financial literacy is “the knowledge of basic financial concepts and ability to do simple calculations.

2.5 Financial Behaviour

Financial behaviour is concerns with a humans action with respect to money management according to Vikram (2020). According to Perry & Morris (2005) financial behavior is defined as the management of a person's savings, expenditure, and budget. whereas according to Xiao, (2008) asserts that human activities related to money management such as cash, savings, and credit are regarded as financial behavior. Human behaviour that is pertinent to financial decision-making and money management such as constructing appropriate budget programme and controlling it, quick payment of bills and regular saving nature is called financial behavior according to (Bhushan & Medury, 2014). For Atkinson & Messy (2012) a positive financial behaviour of individual such as appropriate planning for expenditures and caring financial stability enhances their financial literacy level, whereas negative financial behaviour like largely depending upon credits and loans weaken their financial well-being.

2.6 Financial Attitude

Financial attitude is a state of mind of a person about finances which is generally a resultant of his background and environment according to Vikram (2020). Financial attitude can be defined as personal inclination towards financial matters. It is an ability to plan ahead and maintain a savings account that matters. Ajzen (1991) identified that



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financial attitudes are the outcome of a certain behaviour of a decision-maker and the attitude can be entrenched through their economic and non-economic beliefs. Financial attitudes along with financial behaviour can also affect financial.

2.7 Financial Planning

Financial Planning is the process that takes into account the client's personality, financial status and the socio-economic and legal environments and leads to the adoption of strategies and use of financial tools that are expected to aid in achieving the client's financial goals Warschauer (2002). A typical approach to personal financial planning involves effective utilization of savings to accumulate wealth, followed by careful preservation of such wealth against value depreciation and losses, and finally distribution of wealth at a later stage of one's life according to Malaysia Financial Planning Council (2004). Personal financial plan allows individual to be mindful of ways in which they deal with financial matters.

2.8 Research Framework and Hypothesis

2.8.1. Research Framework

The following conceptual framework was developed for the current research based on theories and prior research findings:



Figure 1 : Research Framework



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2.8.2. Hypothesis

- H₁** : There is a high positive correlation between level of education background and level of financial literacy.
- H₂** : Financial behaviour affects individual's financial literacy among MSMEs in Indonesia.
- H₃** : Financial awareness affects individual's financial literacy among MSMEs in Indonesia.
- H₄** : Financial attitude affects individual's financial literacy among MSMEs in Indonesia.
- H₅** : Financial planing affects individual's financial literacy among MSMEs in Indonesia.

2.9 Summary

This chapter has discussed about the literature review regarding the topic. There are three sections of this chapter. The first chapter discussed about financial literacy, financial behaviour, financial awareness, financial attitude and financial planning regarding the topic. The second the previous studies regarding the topic which is literacy and also, the relation between the topics. In the last section which is third section discussed about the framework regarding the topic.



CHAPTER 3

RESEARCH DESIGN AND METHODS

3.1. Overview of Research Design

This type of research is a descriptive-based quantitative study. This research is based on the survey and the data is collected using questionnaires concurrently distributed online. In the use of design in this study, the aim is to gain in-depth and comprehensive knowledge of a problem. Descriptive research is research that can be done to collect primary data, which includes quantitative research. The data were collected through questionnaires to determine the financial literacy level, financial behavior, financial awareness, financial attitude, financial Planning of the MSME's in Indonesia. It uses the descriptive analysis to describe the respondent's characteristics.

3.2. Population of Interest and Target Sample

Population is a generalization area consisting of objects or subjects with certain qualities and characteristics chosen by researchers to be studied and then conclusions are drawn according to Sugiyono (2019). According to the preceding definition, the population is more than just the number of people who live in the object or subject, whereas the target population is the population used for research. In this research, the population is Micro, Small And Medium Enterprises (MSMEs) in Indonesia.

The sample is part of the number and characteristics possessed by the population according to Sugiyono (2019). The sample used in this research has the following categories:

- a. Someone who does UMKM more than 1 year
- b. someone over the age of 20.

The researcher applies quota sampling, which is when the researcher collects a new population sample with certain characteristics during data collection until the required number (quota) is fulfilled. Instead of strata or regions, this sampling method is based on a standard number. The results of the current study are based on an online survey administered to the 192 MSMEs in Indonesia.



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3.3. Research Measurement

This research uses a questionnaire to measure Determinants Of Financial Literacy Among The Micro, Small And Medium Enterprises (MSMEs) In Indonesia. The questions intended to assess the financial literacy of the MSMEs by answering either “true” or “false”. In addition, there were also the likert scale is a measurement with five response categories ranging from "strongly agree" to "strongly disagree", with details as follows:

- Strongly Agree (SA) = 5
- Agree (A) = 4
- Neutral (N) = 3
- Disagree (DA) = 2
- Strongly Disagree (SD) = 1

Table 2 : Research Measurement

Variable	No of Items	Scale types	Source/Year
Financial Literacy	10	Yes or No	(OECD, 2020)
Financial Behavior	5	5-Likert	(OECD, 2020)
Financial Awareness	5	5-Likert	(OECD, 2020)
Financial Attitude	5	5-Likert	(OECD, 2020)
Financial Planning	5	5-Likert	(OECD, 2020)

3.4. Instrument and Data Collection Methods

In conducting this research, data collection techniques are needed, what is needed in this research is use an online questionnaire. Questionnaires are data collection techniques that researchers can use to reveal unknown factors. In this technique there are several written questions that are used to find out information from respondents. This data collection technique will be used by researcher to generate data on Determinants Of Financial Literacy Among The Micro, Small And Medium Enterprises (MSMEs) In Indonesia.



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3.5. Data Analysis Strategies

The level of financial literacy was measured by analysing respondents' answers to questions on financial literacy level, financial behavior, financial awareness, financial attitude, and financial Planning using the IBM SPSS statistics 22. Respondents' demographic data were also analysed. SPSS is a Windows based program that can be used to perform data entry and analysis and to create tables and graphs according to Spss et al. (2009). SPSS can handle huge quantities of data and execute every single analyses discussed in the text, as well as many more. SPSS is frequently used in the social scientists and business, therefore familiarity with this tool will be beneficial in the future.

3.6. Summary

The research methodology has been covered in this chapter, which explains how the researcher intends to conduct the research. Research design aspects, Population of Interest and Target Sample, Research Measurement, Instrument and Data Collection Methods, and the final is Data Analysis Strategies are all covered in Chapter 3 of this guide (which test and tools that researcher wants to use for this study).



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CHAPTER 4 DATA ANALYSIS AND FINDINGS

4.1. Introduction

This chapter summarises the results of an online survey questionnaire. The analysis includes quantitative data acquired from Indonesians to examine the result of Determinant of Financial Literacy among Indonesian Micro, Small, and Medium Enterprises. The quantitative results are presented in the following sections:

- Demographic profile of respondents
- Descriptive analysis of all variables data
- Normality Analysis of each independent and dependent variables
- Reliability results from independent variable
- Correlation Analysis
- Hypothesis testing

A questionnaire is used to collect quantitative findings, and all data has been reviewed and assigned in general. Section 4.6 will discuss the data that leads to the hypothesis.

4.2. Sample Description

This section consists of the gender, age, level of last study, and education background. Data were collected using a pie chart and table form from SPSS to show frequency and percentage. Total respondents are 192 respondents.

4.2.1. Description respondent by Gender

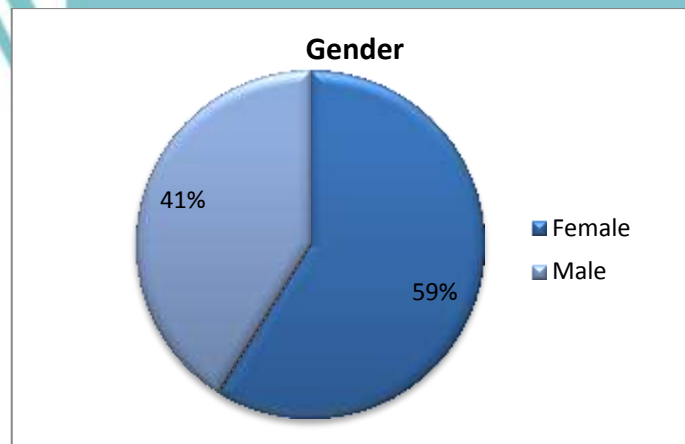


Figure 2 : Pie Chart of Gender

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Table 3 : Frequency and percentages of participants' gender

	Frequency	Percent
Female	113	58,9
Male	79	41,1
Total	192	100,0

Based on Figure 2 and Table 3 above included the respondents' gender. For gender, female respondent more than male respondent. In a total of 192 respondent, 79 respondents (41.1%) are male, and 113 (58.9%) respondents are female. This result indicates that the female respondents are the majority in Indonesia.

4.2.2. Description respondent by Age

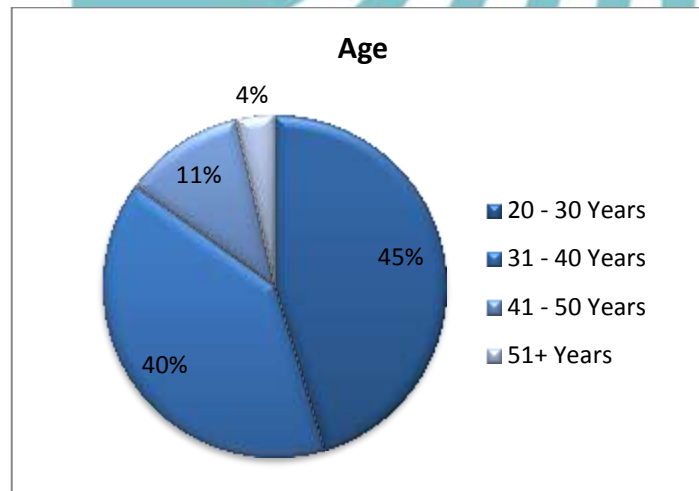


Figure 3 : Pie Chart of Age

Table 4 : Frequency and percentages of participants' age

	Frequency	Percent
20 - 30 Years	87	45,3
31 - 40 Years	76	39,6
41 - 50 Years	22	11,5
51+ Years	7	3,6
Total	192	100,0

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Figure 3 and Table 4 above included the respondents' age. The respondents' age is divided into 4 categories: (i) 20 - 30 years old which consisted of the largest number with 87 (45.3%); (ii) 31 – 40 years old which there is 76 (39.6%); (iii) 41 - 50 years old which there is 22 (11.5%); (iv) above 51 years old which there is 7 (3.6%). This result reflects that the most sample of age of respondents ranges from 20 – 30 years old.

4.2.3. Description respondent by Level of Last Study

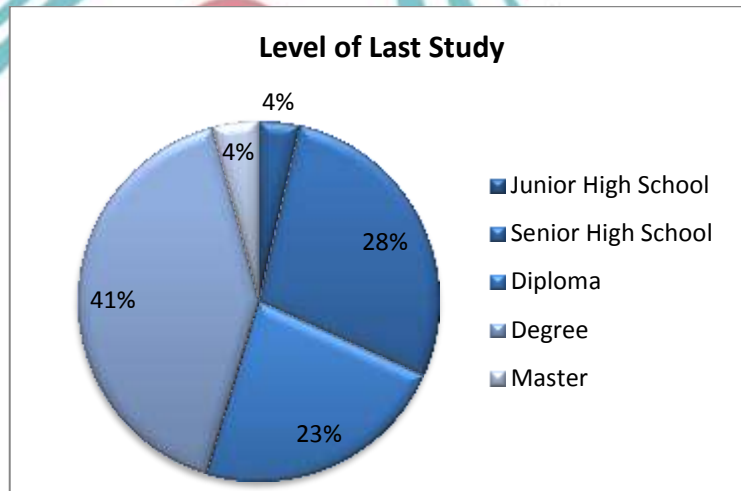


Figure 4 : Pie Chart of Level of last study

Table 5: Frequency and percentages of participants' level of last study

	Frequency	Percent
Junior High School	7	3.6
Senior High School	54	28.1
Diploma	44	22.9
Degree	79	41.1
Master	8	4.2
Total	192	100.0

Figure 4 and Table 5 above included the respondents' level of last study. The respondents' level of last study is divided into 5 categories: (i) Junior high school which there is 7 (3.6%); (ii) Senior high school which there is 54 (28.1%); (iii) Diploma which there is 44 (22.9%); (iv) Degree consisted of the largest

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number with 79 (41.1%); (v) Master which there is 8 (4.2%). This result reflects that the most sample of level of last study of respondents ranges from Degree.

4.2.4. Description respondent by Education Background

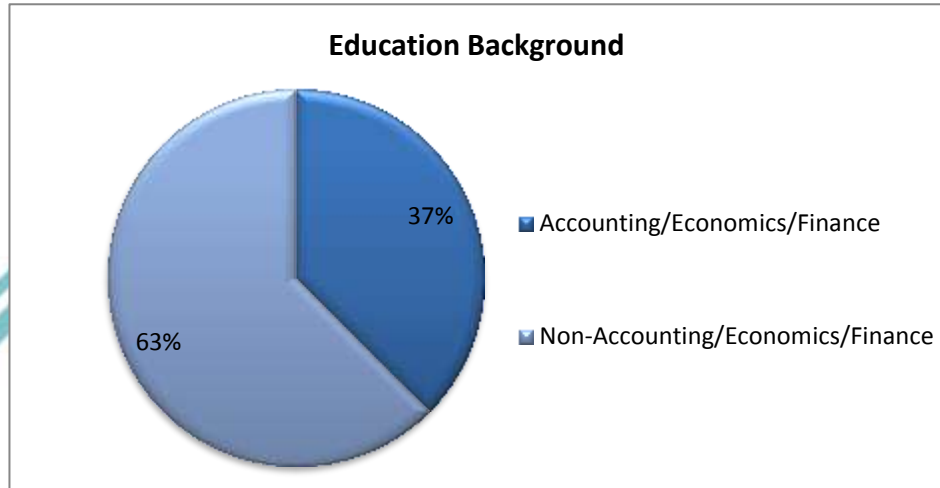


Figure 5 : Pie chart of Education Background

Table 6 : Frequency and percentages of participants' Education Background

	Frequency	Percent
Accounting/Economics/Finance	72	37.5
Non-Accounting/Economics/Finance	120	62.5
Total	192	100.0

Figure 5 and Table 6 above included the respondents' education background. Most of the respondents are Non-Accounting/Economics/Finance with 120 (62.5%). The rest of respondent are Accounting/Economics/Finance with 72 (37.5%). This result reflects that the most sample of education background of respondents ranges from Non-Accounting/Economics/Finance.

4.3. Descriptive Analysis

In this study, the number of samples used was 192 respondents. In this case, the researchers distributed 192 questionnaires themselves to ensure that the respondents returned the questionnaires. So that all the questionnaires that have been collected will be analyzed statistically. The following is the profile of the respondents which includes: financial literacy, financial behaviour, financial awareness, financial attitude

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and financial planning. The results of the analysis of answers that have been collected are as follows:

4.3.1. Financial Literacy

Table 7 : Descriptive Analysis of Financial Literacy

	N	Mean	Std. Deviation
Financial Literacy 1	192	1.005	0.072
Financial Literacy 2	192	1.062	0.243
Financial Literacy 3	192	1.000	0.000
Financial Literacy 4	192	1.088	0.285
Financial Literacy 5	192	1.042	0.200
Financial Literacy 6	192	1.042	0.200
Financial Literacy 7	192	1.036	0.188
Financial Literacy 8	192	1.052	0.223
Financial Literacy 9	192	1.005	0.072
Financial Literacy 10	192	1.000	0.000

Based on table 7 for the first question of the questionnaire financial literacy section is 'One of the benefits of creating a personal budget is you can control every personal expense'. The average answer of first question from the respondents is 1.005, which means that almost the respondent answer true. The second question of the questionnaire section is 'Saving money in the bank is a safe way to save money'. The average answer of second question from the respondents is 1.062, which means that almost the respondent answer true. The third question of the questionnaire section is 'Personal finances must be separated from business finances'. The average answer of third question from the respondent is 1.000, which means that all the respondent answer true. The fourth question of the questionnaire section is 'Wise use of credit cards is to pay bills on time'. The average answer of fourth question from the respondent is 1.088, which means that almost the respondent answer true. The fifth question of the questionnaire section is 'The difference between conventional banks and Islamic banks is that conventional banks use an interest system, while Islamic banks use

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a profit-sharing system'. The average answer of fifth question from the respondent is 1.042, which means that almost the respondent answer true. The sixth question of the questionnaire section is 'The difference between savings and time deposits is that deposits are for investment, while savings are for saving (regular savings)'. The average answer of sixth question from the respondent is 1.042, which means that almost the respondent answer true. The seventh question of the questionnaire section is 'Investment is a long-term earning potential'. The average answer of seventh question from the respondent is 1.036, which means that respondent agrees with the statement. The eighth question of the questionnaire section is 'Insurance is one of the financial services that can minimize future risks'. The average answer of eighth question from the respondent is 1.052, which means that respondent agrees with the statement. The ninth question of the questionnaire section is 'Savings teaches us to save money to avoid unnecessary spending'. The average answer of ninth question from the respondent is 1.005, which means that respondent agrees with the statement. The tenth question of the questionnaire section is 'Good financial knowledge can reduce financial risk'. The average answer of fourth question from the respondent is 1.000, which means that all the respondent answer true. The results from the table show that all statements can be approved by the respondent and only question third and tenth answered by all respondent true.

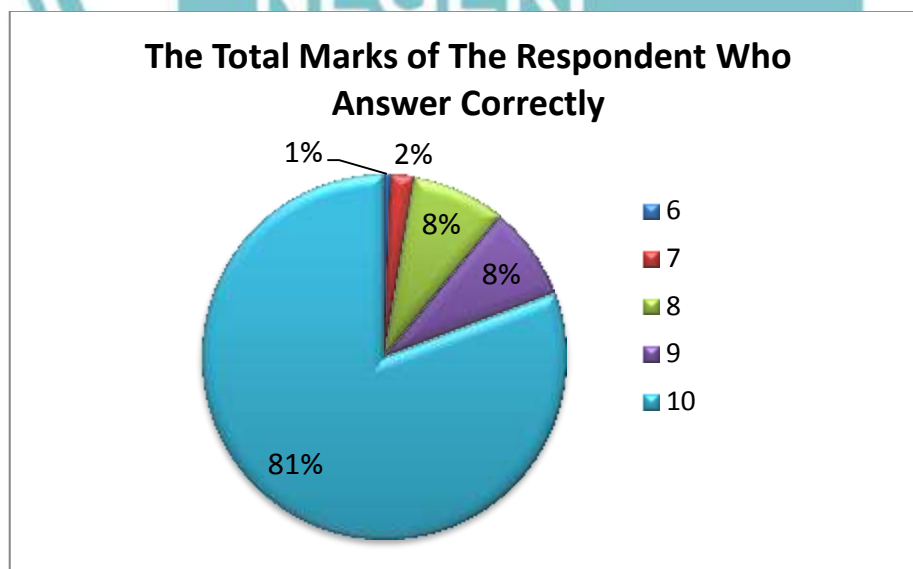


Figure 6 : The total marks on the respondent who answer correctly

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Table 8 : the frequency and percentage of the respondent who answer correctly

Total Marks	Frequency	Percentage
6	1	0.52 %
7	4	2.08 %
8	16	8.33 %
9	16	8.33 %
10	155	80.73 %
Total	192	100.00 %

Based on the table 8 above for the total marks of the respondent who answer correctly is the total marks of 6 is only 1 respondent, which the total marks of 6 is the minimum of the total marks. The total marks of 7 is 4 respondent. The total marks of 8 is 16 respondent. The total marks of 9 is 16 respondent. And the last is the total marks of 10 is 155 respondent, which is the big marks of all the total marks. It means that the financial literacy of MSMEs owners in Indonesia is get increased.

4.3.2. Financial Behaviour

Table 9 : Descriptive Analysis of Financial Behavior

	N	Mean	Std. Deviation
Financial Behaviour 1	192	4.48	0.68
Financial Behaviour 2	192	4.24	0.94
Financial Behaviour 3	192	4.60	0.71
Financial Behaviour 4	192	4.71	0.62
Financial Behaviour 5	192	3.80	1.46

Based on table 9 for the first question of the questionnaire financial behaviour section is ‘The consumption of goods that I do is in accordance with the expenditure budget planning’. The average answer of first question from the respondents is 4.48, which means that the respondent agrees with the statement. The second question of the questionnaire section is ‘I record all daily income and



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expenses'. The average answer of second question from the respondents is 4.24, which means that the respondent agrees with the statement. The third question of the questionnaire section is 'I always set aside money for personal use first before I buy anything else'. The average answer of third question from the respondent is 4.60, which means that respondent agrees with the statement. The fourth question of the questionnaire section is 'I pay bills payments on time (Such as: Rent a house, electricity, and others)'. The average answer of fourth question from the respondent is 4.71, which means that respondent agrees with the statement. And the last question of the questionnaire financial behaviour section is 'Sometimes I have a hard time understanding wants and needs'. The average answer of last question from the respondent is 3.80, which means that the respondent agrees with the statement. The results from the table show that all statements can be approved by the respondent and the statement that is most approved is the fourth statement.

4.3.3. Financial Awareness

Table 10 : Descriptive Analysis of Financial Awareness

	N	Mean	Std. Deviation
Financial Awareness 1	192	4.60	0.75
Financial Awareness 2	192	4.59	0.65
Financial Awareness 3	192	4.27	0.92
Financial Awareness 4	192	3.66	1.46
Financial Awareness 5	192	4.34	1.06

Based on table 10 for the first question of the questionnaire financial awareness section is 'I set aside money as a special fund from my monthly income for unexpected expenses'. The average answer of first question from the respondents is 4.60, which means that the respondent agrees with the statement. The second question of the questionnaire section is 'I always prioritize needs over wants'. The average answer of second question from the respondents is



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4.59, which means that the respondent agrees with the statement. The third question of the questionnaire section is 'I always make a daily, weekly or monthly budget'. The average answer of third question from the respondent is 4.27, which means that respondent agrees with the statement. The fourth question of the questionnaire section is 'I use a certified financial planning service to plan my retirement'. The average answer of fourth question from the respondent is 3.66, which means that respondent agrees with the statement. And the last question of the questionnaire financial awareness section is 'I keep all my savings in The Bank'. The average answer of last question from the respondent is 4.34, which means that the respondent agrees with the statement. The results from the table show that all statements can be approved by the respondent and the statement that is most approved is the first statement.

4.3.4. Financial Attitude

Table 11 : Descriptive Analysis of Financial Attitude

	N	Mean	Std. Deviation
Financial Attitude 1	192	4.42	0.86
Financial Attitude 2	192	4.43	0.80
Financial Attitude 3	192	4.67	0.67
Financial Attitude 4	192	4.53	0.73
Financial Attitude 5	192	4.61	0.68

Based on table 11 above for the first question of the questionnaire financial attitude section is 'I can make personal financial reports properly and correctly'. The average answer of first question from the respondents is 4.42, which means that the respondent agrees with the statement. The second question of the questionnaire section is 'I can make a list of expenses in the previous month'. The average answer of second question from the respondents is 4.43, which means that the respondent agrees with the statement. The third question of the questionnaire section is 'I will pay taxes, even though the people around me don't pay taxes'. The average answer of third question from the respondent is 4.67, which means that respondent agrees with the statement. The fourth question



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of the questionnaire section is 'I have a high passion in business'. The average answer of fourth question from the respondent is 4.53, which means that respondent agrees with the statement. And the last question of the questionnaire financial attitude section is 'Starting a business is other options that I have to earn income'. The average answer of last question from the respondent is 4.61, which means that the respondent agrees with the statement. The results from the table show that all statements can be approved by the respondent and the statement that is most approved is the third statement.

4.3.5. Financial Planing

Table 12 : Descriptive Analysis of Financial Planing

	N	Mean	Std. Deviation
Financial Planing 1	192	4.69	0.56
Financial Planing 2	192	4.55	0.71
Financial Planing 3	192	4.52	0.79
Financial Planing 4	192	4.53	0.77
Financial Planing 5	192	4.59	0.69

Based on table 8 for the first question of the questionnaire financial planing section is 'I always set aside money from my monthly income to prepare for the future'. The average answer of first question from the respondents is 4.69, which means that the respondent agrees with the statement. The second question of the questionnaire section is 'I prefer investing for my long term income'. The average answer of second question from the respondents is 4.55, which means that the respondent agrees with the statement. The third question of the questionnaire section is 'I use insurance to avoid future risks (such as: BPJS, Prudential, Allianz and others)'. The average answer of third question from the respondent is 4.52, which means that respondent agrees with the statement. The fourth question of the questionnaire section is 'I take set aside money from my monthly income for my retirement'. The average answer of fourth question from the respondent is 4.53, which means that respondent agrees with the statement. And the last question of the questionnaire financial planing section is 'I manage



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old age finances for a specific purpose, such as investing or opening a business'. The average answer of last question from the respondent is 4.59, which means that the respondent agrees with the statement. The results from the table show that all statements can be approved by the respondent and the statement that is most approved is the first statement.

4.3.6. Summary of Descriptive Analysis

Table 13 : Summary of Descriptive Analysis

	N	Mean	Std. Deviation
Financial Behavior	192	4.075	0.413
Financial Awareness	192	4.292	0.692
Financial Attitude	192	4.532	0.598
Financial Planning	192	4.577	0.566
Financial Literacy	192	4.387	0.624

Descriptive analysis was conducted to obtain the sum of the previous data to describe the general situation of financial behavior, financial awareness, financial attitude, financial planning and financial literacy. The mean and standard deviation for the factors were calculated. The means of these items are then used for hypothesis testing. The current study uses a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). Where from the 5 statement variables, the average of the most agree is in the financial planning statement.

Based on the table, financial behavior with a mean of 4.075 and a standard deviation of 0.413. Next is financial awareness with a mean of 4.292 and a standard deviation of 0.692. Next is financial attitude with a mean of 4.532 and a standard deviation of 0.598. The highest mean 4.577 and a standard deviation of 0.566, and the last is financial literacy with a mean of 4.387 and a standard deviation of 0.624.



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4.4. Normality Analysis

Table 14 : Normality Analysis

	Skewness	Kurtosis
Education Background	- 0.520	- 1.747
Financial Behaviour	- 0.499	1.633
Financial Awareness	- 0.945	0.233
Financial Attitude	- 1.383	1.218
Financial Planing	- 1.334	0.843
Financial Literacy	- 0.735	- 0.646

Based on the table 14 above according to Kim (2013) the variable is assumed to be normal distributions when the statements' skewness and kurtosis fall between -1 and 1. Financial Awareness and Financial Literacy are assumed to be normal distributions. Educational Background, Financial Behaviour, Financial Attitude and Financial Planing cannot be assumed to be normal distribution.

4.5. Reliability Analysis

Table 15 : Reability Analysis

Variables	No. of Items	Reability (Cronbach's Alpha)
Financial Behaviour	5	0.711
Financial Awareness	5	0.717
Financial Attitude	5	0.853
Financial Planing	5	0.857

According to Taber (2018), In educational research, it may be quite difficult to test the reliability of an instrument such as an attitude scale or a knowledge test by simply undertaking repeated readings because human beings are constantly changing due to experiences between instrument administrations, and also because they may undergo changes due to the experience of the measurement process itself. There are various types of reliability tests, Some papers offered indications of alpha having a threshold or cut-off as an acceptable, sufficient or satisfactory level. This was normally



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seen as ≥ 0.70 (five instances) or > 0.70 (three instances) although one article more vaguely referred to “the acceptable values of 0.7 or 0.6” van Griethuijsen et al., (2015).

Therefore, this study uses Cronbach's alpha test to measure the online impulse buying behavior of the instrument. After running the data using SPSS, it was found that all measures have high reliability standards starting from financial behaviour having reliability of 0.711, then financial awareness having reliability of 0.717, then financial attitude having reliability of 0.853, and the last is financial planning has a reliability of 0.857. As shown in the table, the results show that the Cronbach's alpha value for the investigated construct is above 0.70. As a result, with the benchmark set at 0.70, all constructs are reliable and therefore, there is no need to delete any items.

4.6. Correlation Analysis

Table 16 : Correlation Analysis

	AveFB	AveFA	AveFAT	AveFP	AveEB	AveFL
AveFB	1	0.569**	0.548**	0.558**	- 0.131	0.422**
AveFA		1	0.813**	0.789**	- 0.162*	0.653**
AveFAT			1	0.860**	- 0.160	0.793**
AveFP				1	- 0.195**	0.744**
AveEB					1	- 0.092
AveFL						1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

A Pearson correlation measures the strength of the linear relationship between two continuous variables. The correlation above explains the correlation between variables where this table shows the level of correlation between the Independent Variable and the Dependent Variable. The value of the correlation provides information both about the nature and the strength of the relationship. The sign of the correlation describes the direction of the relationship. A positive sign indicates that as one variable gets larger the other also tends to get larger, while a negative sign indicates that as one variable gets larger the other tends to get smaller according to DeCoster & Claypool (2004).



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Table 14 displays the correlation matrix of all the investigated factors. Based on Table 14, the correlation value between variables is Financial Behaviour, Financial Awareness, Financial Attitude, and Financial Planing have a positive sign which is as variable gets larger the other also tends to get larger, while Education background have a negative sign indicates that as one variable gets larger the other tends to get smaller.

4.7. Regression Analysis

Regression is a statistical tool that allows to predict the value of one continuous variable from one or more other variables.

Table 17 : Regression Analysis

Predictors	B	Beta	SE	t-statistics	Sig.
Constant	0.385		0.321	1.198	0.233
Financial Behaviour (H ₂)	- 0.068	- 0.045	0.082	- 0.824	0.411
Financial Awareness (H ₃)	- 0.025	- 0.027	0.072	- 0.334	0.738
Financial Attitude (H ₄)	0.638	0.611	0.099	6.465	0.000
Financial Planing (H ₅)	0.303	0.275	0.100	3.033	0.003
Education Background (H ₁)	0.064	0.050	0.057	1.122	0.263
R			0.085 ^b		
R square (R ²)			0.648		
Adjusted R-Squared			0.639		
F Statistic			68.578		
Significance F			0.000 ^b		

a. Dependent Variable: AveFL

b. Predictors: (Constant), Education Background, AveFP, AveFB, AveFA, AveFAT

Based on the table, Financial attitude, Financial Planing and Education Background have positive relationship with financial literacy. However, Education Background influence positively but not significant on financial literacy. Another variables are Financial Awareness and Financial Behaviour negatively not significant with financial literacy.

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4.8. Summary of Findings

H₁ : There is a high positive correlation between level of education background and level of financial literacy.

In the previous research hypothesis is a high positive correlation between level of education background and level of financial literacy. The research find that the correlation between level of education background and level of financial literacy is negative. Which gives a value of -0.092 , which indicates the negative relationship between level of education background and level of financial literacy. This research got negative relationship because of education background of Accounting/Economics/Finance got lower value than Non-Accounting/Economics/Finance. High levels of background education can affect financial literacy.

Table 18 : Summary Hypothesis Analysis

Hypothesis	Beta	Sig.	Decision
Financial Behavior → Financial Literacy	- 0.045	0.411	Not Accepted
Financial Awareness → Financial Literacy	- 0.027	0.738	Not Accepted
Financial Attitude → Financial Literacy	0.611	0.000	Accepted
Financial Planning → Financial Literacy	0.275	0.003	Accepted
Education Background → Financial Literacy	0.050	0.263	Not Accepted

H₂ : Financial behaviour affects individual's financial literacy among MSMEs in Indonesia.

In the previous sections, which involved the analysis of hypotheses, the alternative hypothesis was accepted by applying correlation analysis, which gives a coefficient value of 0.422^{**} , which indicates the strength of a positive relationship between financial behavior and financial literacy, but not a significance value of 0.411 , which is more than 0.05 , leading to not acceptance of the alternative hypothesis. This section involved the analysis of hypotheses. This



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effect was further investigated using linear regression analysis, which produced a value of - 0.045 for the standard value of beta, which served as proof.

H₃ : Financial awareness affects individual's financial literacy among MSMEs in Indonesia.

In the previous sections, which involved the analysis of hypotheses, the alternative hypothesis was accepted by applying correlation analysis, which gives a coefficient value of 0.653^{**}, which indicates the strength of a positive relationship between financial awareness and financial literacy, but not a significance value of 0.738, which is more than 0.05, leading to not acceptance of the alternative hypothesis. This section involved the analysis of hypotheses. This effect was further investigated using linear regression analysis, which produced a value of - 0.027 for the standard value of beta, which served as proof.

H₄ : Financial attitude affects individual's financial literacy among MSMEs in Indonesia.

In the previous sections, which involved the analysis of hypotheses, the alternative hypothesis was accepted by applying correlation analysis, which gives a coefficient value of 0.793^{**}, which indicates the strength of a positive relationship between financial attitude and financial literacy, as well as a significance value of 0.000, which is more than 0.05, leading to acceptance of the alternative hypothesis. This section involved the analysis of hypotheses. This effect was further investigated using linear regression analysis, which produced a value of 0.611 for the standard value of beta, which served as proof.

H₅ : Financial planing affects individual's financial literacy among MSMEs in Indonesia.

In the previous sections, which involved the analysis of hypotheses, the alternative hypothesis was accepted by applying correlation analysis, which gives a coefficient value of 0.744^{**}, which indicates the strength of a positive relationship between financial planning and financial literacy, as well as a significance value of 0.003, which is less than 0.05, leading to acceptance of the alternative hypothesis. This section involved the analysis of hypotheses. This

effect was further investigated using linear regression analysis, which produced a value of - 0.050 for the standard value of beta, which served as proof.



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CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter would discuss about the last chapter of this research which is conclusions and recommendations. Furthermore, it is separated into five sections. In the first section is summary of research findings. The second section, it is conclusion of research. The third section, it is recommendations. The fourth is limitations of study and in the last section, future research.

5.2. Summary of Research Findings

According to the findings of the study that are presented in chapter 4, the independent variables that affected to measure financial literacy is financial attitude and financial planning. The findings gained from the data have important implications. In general, financial attitude and financial planning has a positive association with financial literacy. These variables all have an influence financial literacy among MSMEs in Indonesia. The researcher behind this study sent out questionnaires to a total of 192 participants, who filled them out to provide their responses by filling out a Google form. Those MSMEs in Indonesia, who does business more than 1 year. After collecting the responses, the data were entered into SPSS and analyzed in descriptive analysis, normality, reability, validity, correlation, and regression. The findings of these studies can serve as guidance for further research as well as guidelines for MSMEs to follow in the future.

After looking at the results of studies conducted on a number of different variables, that these characteristics have a substantial impact on the financial literacy made by MSMEs. The following are some of the variable that have an effect on it:

1. Financial Attitude, according to research on the financial attitude variable, the average respondent gave an agreeable answer to the statement item on the financial attitude variable with a standard coefficient beta of 0.611, which indicates that Financial attitude can be defined as personal inclination towards financial matters. Bhushan & Medury (2014) concluded that in order to enhance financial literacy among generations, the focus should be on developing favourable financial



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attitudes among the people of the country. MSMEs' positive attitude towards finance and money can affect their behaviour to achieve financial literacy and enhance financial knowledge.

2. Financial Planning, according to research on the financial planning variable, the average respondent gave an agreeable answer to the statement item on the financial attitude variable with a standard coefficient beta of 0.275, which financial planning affected significantly on financial literacy. Personal financial plan allows individual to be mindful of ways in which they deal with financial matters. It is a means to guide an individual's financial decisions and highlight the consequences of such decisions on other areas of one's finances according to Malaysia Financial Planning Council (2004)

5.3. Conclusion

This study was conducted to determine the determinants of financial literacy among MSMEs in Indonesia. There are 6 variables in this study, which is Education Background, financial behavior, financial awareness, financial attitude and financial planing. The majority of respondents in this research are female MSMEs owners and the majority of respondents are 20 - 30 years old. Most of them are degree of level of last study. The results showed that the variables of financial attitude and financial planing had a significant influence on financial literacy. Thus, the result is smaller than 0.05, financial attitude: 0.000, financial planing: 0.003. From these data shows that the hypothesis variable financial attitude and financial planing have an influence on financial literacy can be accepted.

5.4. Recommendations

The recommendations that researcher could give is the first, this study can be carried out in more sectors such as employees, students or in general. The second is the need for an introductions about financial literacy that makes the knowledger wider and add insight into financial literacy. The third is focuses on apply financial literacy to daily behavior such as financial behavior so that the individual can better analyze, assess, and generate good thoughts about financial literacy.



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5.5. Limitations of Study

The current study is not free from limitations. There is will be a few limitation of study, the first is limited time. Due to restricted time to spent collecting responses from the respondent, the researcher was only get a small number of respondents to fill out the questionnaire. Due to limited time, the researcher could not reach the target of respondents. The researcher only got 192 respondents out of a total target of 300 respondents of MSMEs owners in Indonesia. Because of the limitations of repondents that researcher could get, the findings can not be apply into the all populations. In addition, The second is the limitations of data findings like journals, there is just a little journals that have similiarly with this research. The research have a difficulties of data collection of information, but it does not hinder this research. In addition, the third is the limitations of the respondents who fill out the questionarre did not do it with their concentration, and they lacked linguistic skills. It makes the outcome does not provide the best performance.

5.6. Future Research

For further research, it is recommended that the distribution of questionnaires be increased more widely so that the number of respondents is more than in this study which only amounted to 192 respondents. Future research should have a newest of resources to support research done by earlier journals. These resources could include journals, books, essays, and so on. In addition, the researchers conducting future studies need to make certain that participants complete out the questionnaire with their full attention. And the last is, future research should expand more by adding some independent variables that might influence or affect financial literacy. So the result data can be more accurate.



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APPENDIX A (BACKGROUND PROFILE)

Description	Answer
Gender	a. Male
	b. Female
Age	a. 20-30 years
	b. 31-40 years
	c. 41-50 years
	d. 50+ years
Marital Status	a. Single
	b. Married
Level of Last Study	a. Junior High School (SMP/MTs)
	b. Senior High School (SMA/MAN/SMK)
	c. Diploma (D1/D3)
	d. Degree (D4/S1)
	e. Master (S2)
Education Background	a. Accounting/Economics/Finance (SMK Akuntansi/Sarjana Akuntansi/Ekonomi/Keuangan)
	b. Non-Accounting/Economics/Finance



APPENDIX B (FINANCIAL LITERACY QUIZ)

No	Statements	Answer	
		True	False
1	One of the benefits of creating a personal budget is you can control every personal expense		
2	Saving money in the bank is a safe way to save money		
3	Personal finances must be separated from business finances		
4	Wise use of credit cards is to pay bills on time		
5	The difference between conventional banks and Islamic banks is that conventional banks use an interest system, while Islamic banks use a profit-sharing system		
6	The difference between savings and time deposits is that deposits are for investment, while savings are for saving (regular savings).		
7	Investment is a long-term earning potential		
8	Insurance is one of the financial services that can minimize future risks		
9	Savings teaches us to save money to avoid unnecessary spending		
10	Good financial knowledge can reduce financial risk		

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APPENDIX C (FINANCIAL BEHAVIOUR, FINANCIAL AWARENESS, FINANCIAL ATTITUDE, AND FINANCIAL PLANING)

The statements below according to a 5 Likert scale.

NO	Statements	Answer				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
		1	2	3	4	5
Financial Behaviour						
1	The consumption of goods that I do is in accordance with the expenditure budget planning					
2	I record all daily income and expenses					
3	I always set aside money for personal use first before I buy anything else					
4	I pay bills payments on time (Such as: Rent a house, electricity, and others)					
5	Sometimes I have a hard time understanding wants and needs					
Financial Awareness						
1	I set aside money as a special fund from my monthly income for unexpected expenses					

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2	I always prioritize needs over wants					
3	I always make a daily, weekly or monthly budget.					
4	I use a certified financial planning service to plan my retirement.					
5	I keep all my savings in The Bank					
Financial Attitude						
1	I can make personal financial reports properly and correctly					
2	I can make a list of expenses in the previous month					
3	I will pay taxes, even though the people around me don't pay taxes.					
4	I have a high passion in business					
5	Starting a business is other options that I have to earn income					
Financial Planing						
1	I always set aside money from my monthly income to prepare for the future.					
2	I prefer investing for my long term income					



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3	I use insurance to avoid future risks (such as: BPJS, Prudential, Allianz and others)					
4	I take set aside money from my monthly income for my retirement.					
5	I manage old age finances for a specific purpose, such as investing or opening a business					

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