

The Influence of Financial Literacy, Locus of Control, Income, Education Level, and Money Attitude on Retirement Financial Planning

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Abstract

This study examines the relationship between Financial Literacy, Locus of Control, Income, Education Level, and Money Attitude toward Retirement Financial Planning. Through the questionnaire method with respondents as many as 342 civil servants in Kab. North Buton and using the SPSS statistical tool to test the proposed hypothesis. The results showed that the five variables (X) tested simultaneously on civil servants in North Buton Regency had a significant positive effect on retirement financial planning. Partially it was found that financial literacy (X1), locus of control (X2), and money attitude (X5) had a significant positive effect on retirement financial planning (Y), while income (X3) and education level (X4) had an insignificant positive effect towards retirement financial planning (Y).

Keywords: *Financial Literacy, Financial Planning, Income, Locus of Control, Money Attitudes.*

INTRODUCTION

Making financial decisions is a complex and often challenging task, in line with Kahneman's concept of Behavioral Finance (which suggests that emotional and psychological factors play a significant role in individual financial decision-making. This becomes clear when we reflect on the personal experience of managing finances and planning retirement. Financial planning, as defined by the Financial Planning Standards Board, Indonesia, is an integrated and planned process that aims to achieve one's life goals in accordance with Financial Planning theory.

However, data from the GoBear Financial Health Index (FHI) survey in 2019 indicates non-compliance with Financial Planning theory, showing that the majority of Indonesians aged 35 years do not have financial planning for retirement. Most respondents only started planning for retirement at the age of 41, illustrating the influence of the Present Bias phenomenon in Behavioral Economics, where individuals tend to delay long-term financial planning.

A survey by the Financial Services Authority in 2013 showed that Indonesians' awareness of pension plans is still very low, which is in line with Behavioral Economics theory that states that individuals are often less concerned about the future and tend to face optimism bias regarding retirement. They may expect financial support from family and relatives, as explained in the expectation-based reference-dependence theory.

To achieve financial well-being, everyone needs to have healthy knowledge, attitudes, and the implementation of personal finance. The extent of a person's knowledge, attitudes, and implementation in managing finances is known as financial literacy (Widyati, 2012). According to Lusardi and Mitchell (2011), individuals with high financial literacy tend to plan for retirement, so improving financial literacy is very important for prosperous old age. Chen and Volpe (1998) state that financial literacy is a form of knowledge and ability to manage finances and understanding related to savings, insurance, and investment. According to Lusardi and Mitchell (2014), financial literacy is defined as the ability and knowledge in terms of managing and use finances owned by individuals to achieve welfare and improve living standards.

The locus of control was first proposed by Rotter (1966). Larsen and Buss (2002) define the *locus of control* as a concept that refers to individual beliefs about events that occur in the individual's life. Ariani (2015) defines *locus of control* as the way an individual sees an event whether the event is influenced by the person or not. Rotter (1966) divided *the locus of control* orientation into two: *internal locus of control* and *external locus of control*. According to Reiss and Mitra (1998), *internal locus of control* is the perspective that all results obtained—good or bad—are due to certain actions and factors within themselves. Meanwhile, *external locus of control* is a perspective where all the results obtained, good or bad, are outside

of their self-control, but outside factors such as luck, opportunity, and the destiny of individuals who fall into this category who put responsibility out of control.

Income is the result of selling the production factors owned by the production sector. Income 2014 divides income into two types: personal income and *disposable* income. Where individual income is income generated by or paid to individuals before deducting taxes, some of it is saved by households, that is, individual income minus income tax. Disposable income is the amount of current income that can be spent or saved by households. Hilgert *et al.* in Andrew and Linawati (2014:36) stated that personal income is a person's overall gross annual income that can be obtained from various sources of income.

Education is a series of efforts and processes carried out by a person to optimize their abilities, control attitudes, and behavior in social life, and improve their ability to think better. The level of education is an educational process pursued by individuals formally according to the level of student development and is evidenced by the use of formal diplomas.

Currently, money is considered an important and inherent factor in everyday life, wherever we are. Money is a motivator that is considered very strong in economic growth and nation-building (Furnham & Argyle, 1998). *Money attitude* is a consequence of one's observations of others and one's own decisions with the situation required in the decision towards money. *A money attitude* is often interpreted as a motivation for money. Furnham and Agyle (1998) stated that money has the power to provoke anxiety and unhappiness for its owner. Robert and Jones (2001) stated that money is very important among people, especially those who have a high level of consumption, even when people do not hesitate to borrow to meet these needs.

Retirement financial planning is an important process to ensure that individuals can have sufficient savings for their desired lifestyle during retirement. Retirement planning is a form of acceptance, preparedness, and willingness by individuals due to changes in which they no longer work, which are manifested in the form of behavior. This involves the ability of individuals to make decisions about when to save, how much to save, when to stop working, and when to start using resources that have been saved initially. Planning begins with an individual.

Individuals with healthy personal finances can handle financial matters wisely (Tan et al., 2011).

Research conducted by Afandy and Silvy (2019) and Elvira Unola and Nanik Linawati (2014) also supports Behavioral Finance theory, showing that education level can affect retirement financial planning behavior. The higher a person's level of education, the better their ability to plan for retirement, which is consistent with the Human Capital Theory. However, there is also research conducted by Ariyanti and Silvy (2020) Saputri (2021), which argues that factors such as income and education level may not have much effect on retirement financial planning behavior, in accordance with the concept of Income-Consumption Curve theory.

North Buton District, located in Southeast Sulawesi Province, has a large number of civil servants (PNS), who are considered a promising occupation due to their guaranteed pension and financial security in old age. Although many civil servants in this district have a high level of education, their level of Financial Literacy is not always comparable, which is in accordance with financial literacy theory. Therefore, this study aims to investigate the influence of factors such as Financial Literacy, Locus Of Control, Income, Education Level, and Money Attitude on the retirement financial planning of civil servants in the North Buton Regency, in accordance with the principles of Behavioral Economics. With a better understanding of these factors, it is expected that civil servants in the region can more effectively plan their retirement to enjoy a more peaceful old age, along with the application of Behavioral Finance.

METHODS

The location of this research was carried out in North Buton Regency, this location was chosen because North Buton Regency is one of the large districts in Southeast Sulawesi with a level of survival in terms of economics that is quite difficult so it requires more attention in terms of good financial management to face old age. The object of this research is related to the financial planning of the retirement of Civil Servants (PNS) through influencing variables.

The population studied by researchers in this study were all Civil Servants (PNS) in North Buton Regency. Based on BPS data as of January 2022, it was noted that the number of Civil Servants (PNS) in North Buton Regency was 2,357. Based on the Slovin

calculation above, it can be concluded that the sample size in this study was 342 civil servants.

RESULTS AND DISCUSSION
Multiple Linear Regression Analysis

Table 1. Hypothesis Test

Effect between variables	Coefficients ^a			t	Sig.
	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		
(Constant)	4.314	2.885		1.496	0.136
Financial Literacy (X1) - Retirement Financial Planning (Y)	0.187	0.064	0.130	2.901	0.004
Locus of Control (X2) - Retirement Financial Planning (Y)	0.277	0.068	0.183	4.069	0.000
Income (X3) - Retirement Financial Planning (Y)	0.033	0.289	0.004	0.114	0.909
Education Level (X4) - Retirement Financial Planning (Y)	0.109	0.149	0.040	0.733	0.464
Money Attitude (X5) - Retirement Financial Planning (Y)	0.827	0.041	0.714	20.251	0.000
R	= 0,778				
R ²	= 0,605				
F-Value	= 102,724			Sig F = 0,000	

Based on the regression analysis results in the table above, the variables Financial Literacy (X1), Locus of Control (X2), and Money Attitude (X5) have a significant influence on Retirement Financial Planning (Y), while the variables Income (X3) and Education Level (X4) do not have a significant influence. The overall regression model is also significant, and about 60.5% of the variation in Retirement Financial Planning can be explained by the independent variables in this model.

Discussion

The Effect of Financial Literacy on Retirement Financial Planning

The results showed that the financial literacy variable had a significant positive effect on retirement financial planning. This shows that from the results of the research that has been done, the better the level of financial literacy of civil servants in North Buton Regency, the better the financial planning carried out for the respondent's retirement. This means that civil servants in North Buton Regency have good

knowledge, attitudes, and behavior towards their financial literacy so that they can plan their finances for retirement well. Based on the results of statistical analysis of variables, financial literacy is the variable with the highest average answer score compared to other independent variables.

The Effect of Locus of Control on Retirement Financial Planning

The results of the study state that the locus of control variable has a significant positive effect on retirement financial planning. This is evidenced by the results of data processing in a partial test to determine the effect of the independent variable on the dependent variable. The level of locus of control of civil servants in North Buton Regency is directly proportional to the level of financial planning for retirement. This shows that from the results of the research that has been carried out, the better the level of self-control of civil servants in North Buton Regency, the better the financial planning carried out for the respondent's retirement. Where respondents will be more able to

control themselves in using the money they have in consumptive matters and high self-control will lead individuals to be more concerned with their financial future. This means that respondents who have a high locus of control will be more confident and have good self-control over their behavior in planning finances for their future retirement.

The Effect of Income on Retirement Financial Planning

The results state that the income variable has a positive but insignificant effect on the Y variable of financial planning for retirement. Several things can cause the results in this study, one of which is that 68% of respondents in this study have incomes below three million, which based on the theory of income by Keynes states that a person's income level is directly proportional to the level of individual consumption and saving, but individuals with low income levels will tend to spend their income on consumption needs for their survival. In addition, in terms of age, 75% of respondents are in the age range under 30 years old who have a higher consumptive level due to the influence of digital culture and internet usage, this is supported by the life cycle consumption theory which states that individuals in the age range of twenty to thirty years tend to have less income than their consumption needs so they cannot save for their old age.

Effect of Education Level on Retirement Financial Planning

The results of research conducted on the variable education level or education level show that there is a positive but insignificant effect on financial planning for retirement. This can be caused by the existence of digitalization which makes it easy for all people to access information from all over the world to increase one's insight regarding financial literacy. So the high and low formal education that a person takes does not significantly affect financial planning behavior for his retirement. This is in accordance with the theory of behaviorism and cognitive in learning theory which states that a person will make changes in behavior if the individual is given a stimulus from the environment and strengthened by appreciation, in this case, related to learning personal financial planning. In the education curriculum in Indonesia, learning related to personal financial management is not taught Kiyokasi that knowledge related to financial literacy in this case as said so that the high and low formal education of a

person does not significantly affect the level of one's personal financial planning.

The Effect of Money Attitude on Retirement Financial Planning

The results showed that money attitude has a significant positive effect on financial planning for retirement. This shows that from the results of the research that has been done, the better the attitude of civil servants in North Buton Regency towards money, the better the financial planning for retirement they do. The better a person's attitude towards money he has, the more careful he will be in using his money.

The Effect of Financial Literacy, Locus of Control, Income, Education Level, and Money Attitude on Retirement Financial Planning

The results of the study state that Financial Literacy, Locus Of Control, Income, Education Level, and Money Attitude simultaneously or jointly affect the Retirement Financial Planning of Civil Servants in North Buton Regency. So it can be concluded that the hypothesis that Financial Literacy, Locus Of Control, Income, Education Level, and Money Attitude simultaneously affect Retirement Financial Planning is accepted.

CONCLUSION

1. Simultaneously financial literacy, locus of control, income, education level, and money attitude have a significant positive effect on financial planning for retirement.
2. Partially financial literacy has a significant positive effect on financial planning for retirement.
3. Partially locus of control has a significant positive effect on financial planning for retirement.
4. Partially income has a positive, but insignificant effect on retirement financial planning.
5. Partially, education level has a positive, but insignificant effect on financial planning for retirement.
6. Partially money attitude has a significant positive effect on financial planning for retirement

Based on the results of the partial test of the effect of independent variables on the dependent variable, it was found that the income and education level variables had a positive but insignificant effect, so it is advisable for each employee or other individual to pay more attention to the level of income by looking for other alternative income and starting to learn about financial literacy for a more secure retirement. In

obtaining data, future researchers can collect data through interviews to obtain more in-depth information related to financial planning for retirement and take samples from non-civil servants and a more targeted sampling system. For future researchers to use different independent variables to get information related to financial planning for retirement more broadly, such as lifestyle or other variables.

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