

The Effect of Personality Traits and Financial Literation on Financial Behavior

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Abstract. The purpose of this study was to determine and analyze the influence of personality traits and financial literacy on financial behavior in young entrepreneurs of Micro, Small and Medium Enterprises (MSMEs) in Tasikmalaya City. The research method used is quantitative research methods. Data collection obtained through questionnaires, interviews, observation and literature study. The population in this study were 3,599 MSME Entrepreneurs in the City of Tasikmalaya. By using purposive sampling technique, the sample of this research is the beginner entrepreneurs of UMKM Kota Tasikmalaya who have just operated ≤ 5 years, as many as 30 entrepreneurs. The results of the study either partially or simultaneously, personality traits and financial literacy have a significant influence on financial behavior.

Keyword. financial behaviour; financial literacy; personality traits

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INTRODUCTION

Financial behavior is a process of achieving goals through structured and appropriate financial management. Financial behavior is needed to improve living standards, reduce the risk of financial disasters, be able to invest optimally and accumulate wealth within a certain period of time. Good financial behavior must pay attention to the habit of recording expenditure budgets every month, determine and set goals and duties for each finance, carry out financial activities according to the amount of income, and separate needs and wants (Mubarok, 2017).

The financial behavior of the Indonesian people that tends to be consumptive has led to various irresponsible financial behaviors, such as a lack of activities in saving, investing, planning emergency funds and budgeting for future funds. The emergence of financial behavior is the impact of the desire to meet their daily needs in accordance with the income generated. Hilgert, et al (2003) found that someone who has financial behavior in responsible ways will get better financial prosperity.

In behavioral finance there are other psychological factors that can influence financial decision making where financial behavior can be explained in rational and logical theories (Sadalia & Butar-Butar, 2016: 2). Based on previous research, there are several factors that can influence the level of financial behavior related to management and rational financial decision making. From a person's internal factors, there are individual behavioral factors that affect success in managing finances, namely personality traits as a personal character in financial management.

According to Kinicki and Kreitner (2006), personality traits are an inherent system and a characteristic that exists in an individual that contributes consistently to thoughts or ideas, feelings and behavior. Research on personality traits conducted by Pirog and Roberts (2007) shows that personality in a person is closely related to or influenced by lifestyle and

decision making in everyday life or family financial planning. According to Subiaktono (2013), the factor of personality traits is often considered a key factor in the process of making financial decisions.

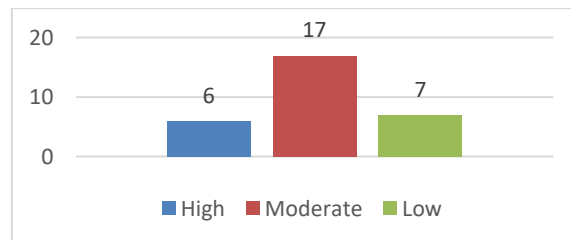
Another factor that plays an important role in changing a person's financial behavior is the presence of sufficient knowledge about finance, known as financial literacy. Financial literacy is one part of financial health that describes a person's knowledge and ability to manage personal finances (C. Aprea et al, 2016: 1). Based on the research background, it is necessary to conduct research to prove whether there is an influence of Personality Traits and Financial Literacy on Financial Behavior in Beginner UMKM Entrepreneurs in Tasikmalaya City.

METHOD

This study used a survey method that was given to the beginner entrepreneurs of Tasikmalaya UMKM, as many as 30 entrepreneurs. The analysis used in this research is quantitative analysis with multiple regression analysis approach. The results of this study are then processed, described and then analyzed to draw conclusions

RESULTS AND DISCUSSION

The majority of MSME entrepreneurs in Tasikmalaya City have a moderate level of personality traits with a minimum value of 119 and a maximum value of 125. However, the level of personality traits for beginner MSMEs in Tasikmalaya City has a low level with as many as 7 entrepreneurs and a level of personality traits for beginner entrepreneurs. UMKM Kota Tasikmalaya with high category as many as 6 people.



Picture 1. Level of Personality Traits
Source : processed data (2020)

In addition to a general description of the level of personality traits, the results of the study were also made into the categorization of the value of each variable indicator based on the following mean and standard deviation values.

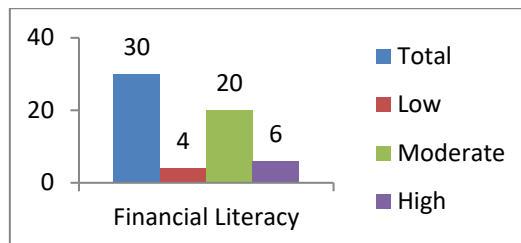
Tabel 1. Value of Meand and Standard Deviation Personality Traits

No.	Variable Indicators	Mean	Standard Deviation
1.	Extraversion	33,5	1,17
2.	Agreeableness	10,5	1,17
3.	Concientiousness	33,5	1,5
4.	Neoriticism	9,5	1,17
5.	Openness to experience	34,5	1,5

Source : processed data (2020)

In describing the financial literacy of the beginner UMKM entrepreneurs in Tasikmalaya City, it will be described based on the amount of data, maximum value,

minimum value, average value, and standard deviation. The standard deviation for the financial literacy of the Tasikmalaya UMKM beginner entrepreneurs that has been converted, shows an average of 141.03 with a minimum value of 114.00 and a maximum value of 166.00. The financial literacy variable consists of 30 MSME entrepreneurs in Tasikmalaya City where 4 entrepreneurs have low financial literacy, 20 entrepreneurs have moderate financial literacy, and 6 entrepreneurs have high financial literacy.



Picture 2. Level of Financial Literacy
Source : processed data (2020)

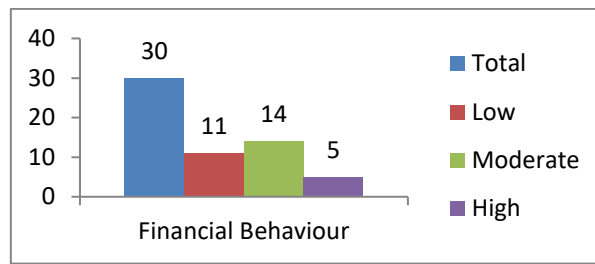
In addition to an overview of the level of financial literacy in general, the results of the study were also made into a categorization of the value of each variable based on the following mean and standard deviation values. The variable indicators consist of 5 (five) aspects, namely 1) knowledge of financial concepts, 2) the ability to communicate about financial concepts, 3) intelligence in managing personal finances, 4) intelligence in making financial decisions, and 5) confidence in making financial planning.

Tabel 2. Value of Meand and Standard Deviation Financial Literacy

No.	Variable Indicators	Mean	Standard Deviation
1.	Knowledge of financial concepts	17	1
2.	The ability to communicate about financial concepts	15,5	1,5
3.	Intelligence in managing personal finances	42,5	3,2
4.	Intelligence in making financial decisions	22,5	2,5
5.	Confidence in making financial planning	41	2,7

Source : processed data (2020)

In the financial behavior variable, there are 30 MSME entrepreneurs in Tasikmalaya City where 11 entrepreneurs have low financial behavior, 14 entrepreneurs have moderate financial behavior, and 5 entrepreneurs have high financial behavior. The following is an illustration of the two variables presented in Figure 3 below:



Picture 3. Level of Financial Behavior
Source : processed data (2020)

In addition to an overview of the level of financial behavior in general, the results of the study were also made into the categorization of the value of each variable based on the following mean and standard deviation values. Indicators of financial behavior variables consist of 3 (three) aspects, namely 1) cash management, 2) consumption, and 3) investment and savings.

Tabel 3. Value of Meand and Standard Deviation Financial Behavior

No.	Variable Indicators	Mean	Standard Deviation
1.	Cash Management	36	3
2.	Consumption	18,5	1,83
5.	Investment and Saving	23	2,33

Source : processed data (2020)

Multiple linear regression analysis is used to determine the effect between two or more independent variables and the dependent variable. Multiple linear regression model calculations were performed using the SPSS for Windows Release 20.0 program. The results of the analysis obtained are as follows:

Tabel 4. Results of Regression Test and Statistical T Test on Financial Behavior

	Model		Standardized Coefficients Beta	t	Sig.
1	(Constant)	145,755	69,977	2,083	0,047
	Personality Traits	1,319	0,548	0,323	2,405
	Financial Literacy	0,422	0,079	0,718	5,349

a. Dependent Variable: Financial Behaviour

Source : processed data (2020)

Based on the results of the multiple linear regression test in Table 7 above, the regression equation is obtained as follows:

$$\text{Financial Behavior} = 145,755 + 1,319 \text{ Personality Traits} + 0,422 \text{ Financial Literacy}$$

The formula above can be explained as follows

A constant value of 145.755 indicates that the variable personality traits and financial literacy, if the value is 0, then the financial behavior of the beginner UMKM entrepreneurs in Tasikmalaya City is 144.755.

The coefficient value of personality traits (β_1) is 1.319 with a positive value. This means that for each increase in the value of personality traits by 1 time, the financial behavior of the beginner UMKM Kota Tasikmalaya entrepreneurs will increase by 1.319 assuming the other variables are constant. The significance value for the personality traits variable is 0.023 at a significance level of 0.05 (5%). This shows that the significance is <0.05 , so it can be concluded that personality traits have a significant contribution to the financial behavior of the beginner UMKM entrepreneurs in Tasikmalaya City.

The financial literacy coefficient (β_2) is 0.422 with a positive value. This means that for each increase in the value of personality traits by 1 time, the financial behavior of the beginner UMKM Kota Tasikmalaya entrepreneurs will increase by 0.422 assuming the other variables are constant. The significance value of the financial literacy variable is 0.000 at a significance level of 0.05 (5%). This shows that the significance is <0.05 , so it can be concluded that financial literacy has a significant contribution to the financial behavior of the beginner UMKM entrepreneurs in Tasikmalaya City.

The Effect of Personality Traits on Financial Behavior

Based on the results of the calculation of multiple linear regression analysis, it was obtained a significance of 0.586 at a significance level of 0.05 (5%). This shows that the significance is > 0.05 , so it can be concluded that personality traits do not have a significant contribution to the financial behavior of the beginner UMKM entrepreneurs in Tasikmalaya City.

The value of 0.065 on the standardized coefficient (Beta) shows the level of correlation between personality traits and financial behavior has a positive relationship. This means that for each increase in the value of personality traits by 1 time, the financial behavior of the beginner UMKM Kota Tasikmalaya entrepreneurs will increase by 0.065, assuming the other variables are constant.

Personality traits are a configuration of unique motives, traits and values that make a distinctive feature of an individual lifestyle. Based on the research results, simultaneously personality traits have an effect on financial behavior. These results can be seen from the F significance test which has a significance value greater than 0.05. The results of this study are in line with the results of research from Mubarok (2017) which states that there is an influence between personality traits and financial behavior.

A person with a good personality level can increase the level of financial behavior. The human personality is formed from various components. There are five personality traits in this study that can shape the level of financial literacy, consisting of extroversion, neuroticism, openness to experience, agreeableness, and conscientiousness).

Someone with an extraversion personality tends to be full of enthusiasm, enthusiasm, dominant, friendly, and communicative. With a good level of extraversion personality, an entrepreneur can be enthusiastic in seeking financial knowledge. The entrepreneur will not carry out a financial behavior without an adequate financial knowledge base. This entrepreneur will also be active in communicating about his financial condition to the parties concerned.

If a person has high levels of Neuroticism, then that person tends to be nervous, sensitive, tense, and anxious easily. On the contrary, people who are low in this dimension tend to be calm and relaxed in dealing with a problem. In financial management, it takes a calm and relaxed personality so that there are no mistakes in making decisions. When financial decisions are taken in a state of tension and high levels of anxiety, it prevents entrepreneurs from thinking rationally before making financial decisions.

In Openness to experience, a person generally looks imaginative, fun, creative, and artistic. In planning financial activities, an entrepreneur should be open to the experiences of

financial activities that occur in his business partners. With this openness, financial knowledge will be more diverse than learning financial knowledge only theoretically.

Agreeableness tend to be friendly, cooperative, trusting and warm. This person tends to spend on impulse, sympathetic, compassionate and sociable behavior so that financial transactions are based on a sense of encouragement and kindness. The higher the agreeableness personality level, the entrepreneurs will experience difficulty in rational financial planning.

Finally, a person with the character of Conscientiousness is generally careful, reliable, orderly and responsible. In terms of financial planning, entrepreneurs must be responsible for the financial condition of their company. Company finances must be organized, written properly and correctly so that the principle of prudence is maintained.

The Effect of Financial Literacy on Financial Behavior

Based on the results of the calculation of multiple linear regression analysis, it was obtained a significance of 0.004 at a significance level of 0.05 (5%). This shows that the significance is <0.05 , so it can be concluded that financial literacy has a significant contribution to the financial behavior of the beginner UMKM entrepreneurs in Tasikmalaya City.

The value of 0.347 on the standardized coefficient (Beta) shows that the level of correlation between financial literacy and financial behavior has a positive relationship. This means that for every increase in the value of financial literacy by 1 time, the financial behavior of the beginner UMKM Kota Tasikmalaya entrepreneurs will increase by 0.347 assuming the other variables are constant.

Financial behavior relates to a person's financial responsibility in terms of financial management. Financial responsibility is a productive process of managing money and assets. The main activity in money management is the budgeting process. The budget aims to ensure that individuals are able to manage financial liabilities in a timely manner by using the income received in the same period. The results showed that simultaneously, demographic, socio-economic factors, personality traits and financial literacy influenced the financial behavior of the beginner UMKM entrepreneurs in Tasikmalaya City.

According to Hilgert, Holgart and Bayerly (2003), a person's financial behavior will be seen from how well a person manages cash, manages debt, savings and other expenses. Managing cash is like how to accurately manage money according to the budget made or not, and many others. A behavior will last longer in a person due to the knowledge that underlies that person's behavior. Likewise, financial behavior will be more rational and responsible if it is based on financial knowledge that is contained in financial literacy.

Understanding of financial literacy is very necessary for business actors, especially for owners of Micro, Small and Medium Enterprises. MSMEs are important to become targets for open access to financial institutions or commonly referred to as financial inclusion, because MSMEs are one of the spearheads of the country's economy that are able to create new jobs and provide higher absorption of human resources, so as to reduce the number of unemployed criminality. The importance of financial literacy for an entrepreneur so that they can manage their finances so that the capital they have can provide reciprocal value to them. Entrepreneurs who have a high level of financial management skills and good financial literacy skills can increase business income.

Effect of Personality Traits and Financial Literacy on Behavior Finance

Based on the results of the F test used to test whether the independent variables, namely personality traits, and financial literacy have an effect on the dependent variable,

namely financial behavior.

The results showed that the significance value of 0.000 was smaller than the α value ($p < 0.05$). Thus, it can be said that personality traits and financial literacy simultaneously affect the financial behavior of the beginner UMKM entrepreneurs in Tasikmalaya City.

Financial behavior can be defined as an individual's ability to manage expenses, savings, investments, and future financial plans (Ozer & Mutlu, 2019: 1). With good financial behavior, someone can monitor how their finances are so that they can be careful in any financial decisions they will make. So many things can affect how a person's behavior in managing finances, be it personal finances or company finances.

In behavioral finance there are other psychological factors that can influence financial decision making where financial behavior can be explained in rational and logical theories (Sadalia & Butar-Butar, 2016: 2). Based on previous research, there are several factors that can influence the level of financial behavior related to management and rational financial decision making. From a person's internal factors, there are individual behavioral factors that affect success in managing finances, namely personality traits as a personal character in financial management.

Another factor that plays an important role in changing a person's financial behavior is the presence of sufficient knowledge about finance, known as financial literacy. Financial literacy is one part of financial health that describes a person's knowledge and ability to manage personal finances (C. Aprea et al, 2016: 1). The ability to manage personal finances is the main key to their success in all stages of life. Someone with high financial literacy is believed to have better financial behavior and can make sound financial decisions in accordance with the current economic environment so that they have better financial results (Scheresberg, 2013: 2).

CONCLUSION

Based on the background, research, research objectives, data processing results and discussion of research results, the conclusions in this study are as follows: (1) The level of personality traits of the beginner UMKM entrepreneurs in Tasikmalaya City is still in the low category where the aspect of Openness to experience dominates; (2) The level of financial literacy of the beginner UMKM entrepreneurs in the City of Tasikmalaya is in the medium category. Entrepreneurs are able to manage personal finances, but have difficulty managing company finances; (3) The level of financial behavior of the beginner UMKM entrepreneurs in the City of Tasikmalaya is in the medium category, where they are able to manage cash well, but the application in terms of consumption, saving and investing is still low; (4) The variables of financial literacy and financial behavior partially influence the financial behavior of the beginner UMKM entrepreneurs in Tasikmalaya City; (5) Personality traits and financial literacy have a simultaneous effect on the financial behavior of the beginner UMKM entrepreneurs in Tasikmalaya City.

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