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The Influence of Financial Well-Being, Financial Literacy, Financial Capability, and Money Attitude on Local Farmers' Attitude in Using Agricultural Banking Service in Blitar Regency, Indonesia

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Abstract

The purpose of this research is to generate the correlation between several variables of financial perceptions which consist of financial well-being, financial literacy, financial capability, and money attitude towards local farmers' attitude in using agricultural banking services in Blitar Regency. This research uses the theory which stated that financial perception has direct influences on the individual financial attitude. A total of 502 sample which includes local farmers in Blitar Regency were selected through a systematic random sampling technique. The instruments of this study using previous questionnaire that have been adjusted in terms of language and evaluated by using reliability testing. The output from data collection were analysed using multiple linear regression technique. The findings indicate that there is a high and positive linear relation ship between financial well-being, financial literacy, money attitude, and local farmers' attitude in using agricultural banking services in Blitar Regency. On the other hand, financial capability variable indicates insignificant relationship with local farmers' attitude in using agricultural banking services. The findings also proved that the combination of predictor variables of financial perception contributed significantly to the local farmers attitude in using agricultural banking services in Blitar Regency. This study suggested that the manager of Blitar Raya Agricultural Bank should focus more in developing the local farmers' knowledge in terms of the importance of financial well-being, the level of financial literacy, and money attitude by changing the curriculum of bi-weekly workshop which supported by several material related with financial knowledge.

Keywords: financial well-being, financial literacy, financial capability, money attitude, financial attitude

Introduction

Blitar is a regency in Indonesia with a central agricultural bank named Blitar Raya Agricultural Bank. Blitar Raya Agricultural Bank itself had been established in 2006 but the bank started its operational activities by accepting several clients in 2015. The first five years after the establishment were being used to process the bank legalization and legal permission, which had stalled due to lack of access in the funding collection from the province government. Four years after that, the agricultural bank

management focused on developing programs and socializing the function of agricultural banks to the community in Blitar. And at the end of 2020, Blitar Raya Agricultural Bank has 401 clients who come from all areas in Blitar Regency.

However, compared to the total number of farmers in Blitar Regency, the number of clients registered at Blitar Raya Agricultural Bank is still very small. For the example, in 2020, the number of bank clients is only around 0.07% from the total population who work as farmers. According to the interview researcher conducted with Business Development Manager at Blitar Raya Agricultural Bank, the agricultural bank manager routinely conducts monthly socialization with a rotating system for each sub-district in Blitar Regency. The socialization that has been carried out for the last two years has focused on introducing several services offered by Blitar Raya Agricultural Bank and the benefits farmers will receive from these programs. As an entity that has orientation and vision to improve the welfare of farmers in Blitar Regency, Blitar Raya Agricultural Bank should be able to empower larger number of clients. In fact, based on an interview, it was stated that the current number of registered clients is very far from the target set at the beginning of the year, which is 15% of the total population of people who work as farmers in Blitar Regency. In this study, financial well-being, financial literacy, financial capability, and money attitude will be used as variables to in order to generate more information about the correlation between several financial perception variables towards the low interest of farmers to use bank services in Blitar Regency.

Literature Review

Financial Attitude in Using Banking Service

An attitude in using banking or other financial institution services is one way that indicates people's tendency in their financial activities. Indirectly, their habitual banking activities are able to interpret their financial life qualities. There are several researches stated that higher involvement of modern financial services, including bank services, indicated their progressive mindset in managing and doing their financial and money-related matters (Pratiwi et al., 2019).

Financial Well-Being

Financial well-being can be interpreted as several subjective perceptions toward individual financial situation. These perceptions are including the current situation of personal financial wellness and individual freedom from financial anxiety (Aripin et al., 2017). Financial wellness or financial well-being originally can be measured by using personal efficiency in doing financial management. Both financial wellness and individual freedom from financial anxiety indicate how subjects interpret their situation related with financial progress.

Financial Literacy

Financial literacy usually can be defined as how people choose to manage their money in value and conduct several financial activities such as insuring, investing, saving, forecasting, and budgeting. Those activities are conducted in order to achieve personal or general financial goals (Hogarth & Hilgert, 2002).

Financial Capability

Financial capability is direct variable which shows current ability from an individual in doing their general life activities by using the strength of their money (Dewi et al., 2020). An individual who is capable to learn how to manage money and personal finances, become good consumers when purchasing goods or services and understand the risk in both positive and negative terms (Sabri & Zakaria, 2015).

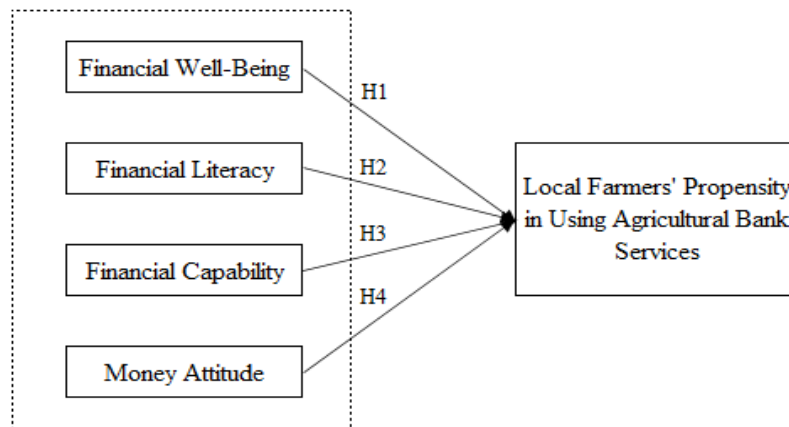
Money Attitude

Money attitude can be interpreted as several ways which people choose in order to manage their money (Pereira & Coelho, 2019). Money attitude is directly connected with life aspiration. Furthermore, money attitude is linked with people behavior in doing personal financial management directly (Nickerson et al., 2007).

Conceptual Framework

Researcher uses framework below which comprises several variables that will be used. In this framework, researcher needs to measure four variables of financial perception from local farmers in Blitar Regency and generate the correlation between the result with local farmers' attitude in using agricultural banking services. Those variables of financial perceptions are financial well-being, financial literacy, financial capability, and money attitude.

Figure 1: Research Framework



Research Hypothesis

The hypothesis for this study will be stated as follows:

H1: Financial Well-Being has positive correlation with Local Farmers' Attitude in Using Agricultural Banking Services in Blitar Regency.

H2: Financial Literacy has positive correlation with Local Farmers' Attitude in Using Agricultural Banking Services in Blitar Regency.

H3: Financial Capability has positive correlation with Local Farmers' Attitude in Using Agricultural Banking Services in Blitar Regency.

H4: Money Attitude has positive correlation with Local Farmers' Attitude in Using Agricultural Banking Services in Blitar Regency.

Methodology

This research uses a survey design method by providing questionnaire as the basic instrument in the data collection process. The questionnaire is divided into five parts, linear with the number of variables used

in this research including Part A (Local Farmers' Attitude in Using Banking Services), Part B (Financial Well-Being), Part C (Financial Literacy), Part D (Financial Capability), and Part D (Money Attitude). The five points questionnaire is used to measure each variable modified from several previous researches. A reliability test of the constructs was conducted. The Cronbach's alpha of each variable is shown in Table 1.

Table 1: Cronbach alpha for each variable

Variable	Cronbach Alpha (α)	Status
Local Farmers' Attitude in Using Agricultural Banking Service	0.899	Reliable
Financial Well-Being	0.786	Reliable
Financial Literacy	0.642	Reliable
Financial Capability	0.758	Reliable
Money Attitude	0.845	Reliable

A total of 51 questionnaires were given out to the local farmers in Blitar Regency which selected from random sampling method. Through the process, 502 responses have collected to support this study. Questionnaire were distributed by using the face-to-face meeting. On the other words, researcher contacted and appointed directly the respondents to seek cooperation for the questionnaire. Output from the data collection process was analyzed through quantitative approaches with the use of R Studio Program. Furthermore, multiple linear regression analysis was used as the inferential method in this study.

Result and Discussion

Regarding the multiple linear regression model, it can be concluded that there are several correlations between independent variables which consist of financial well-being, financial literacy, financial capability, and money attitude towards local farmers' attitude in using agricultural banking services in Blitar Regency. Financial Well-Being (FWB), Financial Literacy (FL), and Money Attitude (MA) have positive correlation (coefficients) with local farmers' attitude in using agricultural banking service in Blitar Regency. However, Financial Capability (FC) variable generates negative coefficient.

Table 2: Multiple linear regression result

Model	Estimate	Std. Error	t-value	Pr(> t)
(Intercept)	-2.79095	0.08807	-31.692	2.00E-16***
Financial Well-Being (FWB)	1.06958	0.12157	8.798	2.00E-16***
Financial Literacy (FL)	0.13707	0.23767	0.577	0.04642***
Financial Capability (FC)	-0.75744	0.45769	-1.655	0.0983
Money Attitude (MA)	1.68439	0.30881	5.454	6.19E-08***

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

The intercept shows the constant value in -2.79095, means that the local farmers' attitude in using agricultural banking services will be -2.79095 in value when the financial well-being, financial literacy, financial capability, and money attitude values are zero. Financial Well-Being (FWB) variable generates the regression coefficient at 1.06958, indicates that if the Financial Well-Being indicator increase at one point while the other variables are at a constant value, the local farmers' propensity in using agricultural banking services will increase by 1.06958. Financial Literacy (FL) variable generates the regression coefficient at 0.13707, indicates that if the Financial Literacy indicator increase at one point while the other variables are at a constant value, the local farmers' propensity in using agricultural banking services will increase by 0.13707. Financial Capability (FC) variable generates the regression coefficient at -0.75744, indicates that if the Financial Capability indicator increase at one point while the other variables are at a constant value, the local farmers' propensity in using agricultural banking services will decrease

by 0.75744. Money Attitude (MA) variable generates the regression coefficient at 1.68439, indicates that if the Money Attitude indicator increase at one point while the other variables are at a constant value, the local farmers' propensity in using agricultural banking services will increase by 1.68439.

Therefore, partial hypothesis testing or t-test is conducted to indicate the existed correlation between independent variables which consist of financial well-being, financial literacy, financial capability, and money attitude towards local farmers' attitude in using agricultural banking services in Blitar Regency. The existence of correlation between variable will be determined by looking at the sigma-t $\{Pr(>|t|)\}$. The T-value less than 0.05 indicates that there is a correlation between independent and dependent variable. However, if the T-value is greater than 0.05, it can be concluded that there is no correlation between independent and dependent variable. The output from T-test statistic will be displayed in the table as follows.

Table 3: Partial hypothesis testing result

Hypothesis	Structural Path	Std. Error	Pr(> t)	Status
H1	Financial Well-Being (FWB) → Local Farmers' Attitude in Using Agricultural Banking Services in Blitar Regency (Y)	0.12157	2.00E-16	Accepted
H2	Financial Literacy (FL) → Local Farmers' Attitude in Using Agricultural Banking Services in Blitar Regency (Y)	0.23767	0.04642	Accepted
H3	Financial Capability (FC) → Local Farmers' Attitude in Using Agricultural Banking Services in Blitar Regency (Y)	0.45769	0.09830	Rejected
H4	Money Attitude (MA) → Local Farmers' Attitude in Using Agricultural Banking Services in Blitar Regency (Y)	0.30881	6.19E-08	Accepted

Based on Table 3, the result or hypothesis testing by using T-test in R Program shows that the T-value of H1 is 2.00E-16, which is less than 0.05. The result indicates that the H1 is accepted and financial well-being indeed has positive correlation with local farmers' attitude in using agricultural banking services in Blitar Regency. In hypothesis 2, it has stated that financial literacy variable has direct positive correlation with local farmers' attitude in using agricultural banking services in Blitar Regency. Therefore, the result or hypothesis testing by using T-test in R Program shows that the T-value of H2 is 0.04642, which is less than 0.05. The result indicates that the H2 is accepted and financial literacy indeed has positive correlation with local farmers' attitude in using agricultural banking services in Blitar Regency. Meanwhile in hypothesis 3, it has stated that financial capability variable has direct positive correlation with local farmers' attitude in using agricultural banking services in Blitar Regency. Therefore, the result or hypothesis testing by using T-test in R Program shows that the T-value of H3 is 0.0983, which is greater than 0.05. The result indicates that the H3 is rejected and financial capability indeed has no correlation with local farmers' attitude in using agricultural banking services in Blitar Regency. And for 4th hypothesis, it has stated that money attitude variable has direct positive correlation with local farmers' attitude in using agricultural banking services in Blitar Regency. Therefore, the result or hypothesis testing by using T-test in R Program shows that the T-value of H4 is 6.19E-08, which is less than 0.05. The result indicates that the H4 is accepted and money attitude indeed has positive correlation with local farmers' attitude in using agricultural banking services in Blitar Regency.

Stimulant test of F test is conducted to analyze the significant correlation between the whole independent variables including financial well-being, financial literacy, financial capability, and money attitude towards local farmers' attitude in using agricultural banking services in Blitar Regency. The significant correlation between independent variables and dependent variable will be determined by looking at the p-value. The p-value less than 0.05 indicates that there is a significant correlation between independent and dependent variable. However, if the p-value is greater than 0.05, it can be concluded that there is insignificant correlation between independent and dependent variable. The output from F test statistic will be displayed in the table as follows.

Table 4: Stimulant path testing result

Model	Stimulant Path	DF	p-value	Status
MLR	Financial Well-Being (FWB), Financial Literacy (FL), Financial Capability (FC), and Money Attitude (MA) has significant correlation with Local Farmers' Attitude in Using Agricultural Banking Services in Blitar Regency (Y)	999	2.20E-16	Accepted

The coefficient of determination (R^2) is conducted to measure the ability of multiple linear regression model from this research in explaining the dependent variable. The coefficient of determination is between 0 and 1. The small value (R^2) means that the ability of free variables (financial well-being, financial literacy, financial capability, and money attitude) in explaining variations the dependent variable (local farmers' attitude in using agricultural bank service) is very limited. Similarly, a value approaching 1 means that the independent variable provides almost all the information needed to predict dependent variable variations. The result for R^2 is stated as follows.

Table 5: Coefficient of determination testing result

Model	Residual Std. Error	Multiple R-squared	Adjusted R-squared
MLR	0.5331	0.8278	0.8271

Regarding table 5, the value of multiple R-squared is 0.8278 which means that 82.78% of the variance from local farmers' attitude in using agricultural banking services can be explained by using these independent variables used in the research, which consist of financial well-being, financial literacy, financial capability, and money attitude. However, 17.22% of the variance from dependent variable is indeed explained by other variable beyond this research.

Conclusion

According to the analysis that has been carried out in the previous chapter, several variables of financial perception used in this study have positive correlation with local farmers' attitude in using agricultural banking services in Blitar Regency. Financial well-being, financial literacy, and money attitude are proven as the factors that significantly influence the dependent variable, which is local farmers' attitude in using agricultural banking services. On the other hand, one of financial perception variable taken in this study, which is financial capability, has no correlation or doesn't significantly influence the dependent variable. Therefore, in order to reach the main goals of Blitar Raya Agricultural Bank, which are increasing the number of client and support local farming development, the manager of Blitar Raya Agricultural Bank should considerate the development of local farmers' financial perception including the importance of financial well-being, the level of financial literacy, and money attitude.

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