THE EFFECT OF FINANCIAL LITERACY AND DEMOGRAPHIC FACTORS ON THE DECISION MAKING OF ONLINE CREDIT ON MILLENNIALS IN JABODETABEK

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ABSTRACT

The purpose of this study is 1). To determine the effect of Financial Literacy on online credit decision-making. 2). To determine the effect of gender demographic factors on online credit decision-making. 3). To determine the effect of demographic factors of age against online credit decision-making. 4). To determine the effect of education demographic factors on online credit decision-making. 5). To determine the effect of the demographic factor of occupation on online credit decision-making. 6). To determine the effect of income demographic factors on online credit decision-making on millennials in JABODETABEK. The study used the Partial Least Square (PLS) method to analyze the data. This study was conducted on 150 millennial respondents at JABODETABEK, with a convenience sampling technique. Data collection techniques using survey methods that distribute questionnaires which are then processed with the SmartPLS 3 program. The results of pls data show that there is a significant positive influence between financial literacy and online credit decision making. There are significant and positive influences on demographic factors of Gender, Income, Employment on online credit decision making while in age and education demographic factors have a negative influence on online credit decision making.

Keywords: Financial Literacy, Demographic Factors (Gender, Age, Education, Occupation, Income), Millennial JABODETABEK.

INTRODUCTION

Credit decision making is a very important thing to manage carefully because if you go wrong in decision making can cause fatal influence for individuals or groups. Credit decision-making takes quite a long time and the procedure is complicated in the process. Because a customer must choose from one of the alternatives from various alternatives that exist (Griffin, n.d.).

In today's era of digitization, credit is not only through banks but can be done online, or is often called online loans. This technological advancement also facilitates customers in the process of taking credit. Easy procedures and requirements make customers less calculate the impact of online credit decision making. The problem that can occur due to wrong credit decision-making is failing to pay or called bad credit. Here is data from the Financial Services Authority's 90-day success rate.

In addition to bad credit, other problems can arise due to lack of financial knowledge, namely lack of understanding and reading the terms and conditions in credit collection. According to the Legal Aid Society (LBH) in 2020, there were 148 complaints on online loans, the most widely handled cases were about the right to privacy. Where online credit requires to use of customer data that has been agreed upon from the beginning.

This lack of knowledge of credit information makes it easy for a person to decide to borrow at the bank without being balanced with the ability to return the borrowed funds. Lack of literacy or knowledge of the community in finance can make people wrong in their calculations and financial planning (Hidayati and Kartawinata, 2017). While the results of research conducted by Andriani, Idham, Cardinal (2017) prove that financial literacy has a positive and significant influence on credit decision making.

Results from the National Financial Literacy Survey (SNLIK) conducted by the Financial Services Authority (OJK) in 2019 showed that the financial literacy index reached a 38.03% increase from the previous year in 2016 which was 29.7% then it can be said that there was an increase of 8.33%. Walaupun experienced an increase in financial literacy in the community, but with a percentage of 38.03% is still categorized as *less literate* or low in financial literacy (OJK Report 2020).

Based on figure 2 above can be seen the increase in the accumulation of online loan distributions amounting to Rp 155.90 trillion or 91.30% YoY in December 2020 compared to the previous year. The data also showed the largest loan distributions were on the island of Java compared to outside Java.

The increase in the number of significant funds in 2020 due to the *Coronavirus Disease* (Covid-19) pandemic has the impact of job losses or layoffs, based on data from the Ministry of Manpower and BPJS employment noted that there are 2.8 million workers who lost their jobs spread throughout Indonesia. Because the loss of work and sources of income causes them to have to find alternatives to still be able to meet their living needs, namely through online loans with easy procedures and requirements.

Online loans based on this technology are also very helpful for MSMEs in capital management so that these entrepreneurs can run their businesses and turn back the wheels of the family economy in today's difficult era.

Based on the results of research Akudungu et, al (2009) (Oktaviani et al 2017) shows that there is a difference in the chances of credit success between someone who

has credit knowledge and who does not know, while other factors that affect is the demographic factor of a person consisting of the gender, age, and education of the borrower.

According to the results of the study (Margaret, n.d.) shows that financial literacy is needed in decision making for its future. Individuals who are more financially liberal, tend to make fewer mistakes in financial decisions, and as a result, are better financial conditions. (Meier, n.a. 2008) While according to (Tslitsa, 2016) the results of his research is financial literacy and income there is a positive influence on credit collection. Age, profession, and education have a negative influence on decision-making.

Gender has differences in terms of physical and psychological so it can affect a person's behavior, especially in terms of managing his finances. According to (Khrisna, n.d. 2010) the level of financial literacy in male students is lower than women. Contrary to the results of research (Andrew and Linawati, 2018) men are better at financial decision-making than women because men have a broader knowledge of finance.

Age influences a person's maturity so that the more mature the age then one's behavior in the taking of decisions will be more rational (Arabia, n.a.2011), contrary to the results of research (Harli, n.d.) that age has a negative and significant influence on consumptive behavior.

Education can also affect a person's decision making, the higher the level of education, the more knowledge he has so that he can make better decisions and carefully (Kusumawardana, n.a.2008) based on the results of research conducted (Rita, n.a. 2010) that education negatively affects the use of credit cards.

Occupation has a negative and insignificant influence on credit card usage behavior (Rita, n.a. 2010) Contrary to the penelitian results performed by (Darmawan & Fatiharani, 2019) there is a positive and partially significant influence on demographic factors on credit taking.

Income had a positive and significant effect on the credit card used in the study (Rita, n.a. 2010). According to (Agustini, n.d.2017) someone has an income increase or greater income then spending will increase.

Referring to the above studies then to determine what factors influence online credit decisions making researchers are interested in the title:

"The Effect of Financial Literacy and Demographic Factors of *Online* Credit decision making on Millennials in JABODETABEK"

FORMULATION OF THE PROBLEM

Based on the background, the formulation of the problem in this study is to determine the effect of financial literacy, demographic factors of online credit decision making.

Research Question

Based on the formulation of the problem in this study and so that the problem does not widen due to time constraints and the ability to conduct research, the researcher arrange the problem question as follows:

1. Does financial literacy affect Online Credit Decision Making on millennials in JABODETABEK?
2. Does Gender Demographics Factors affect Online Credit Decision Making on millennials in JABODETABEK?
3. Does Age Demographics Factors affect Online Credit Decision Making on millennials in JABODETABEK?
4. Does Education Demographics Factor affect Online Credit Decision Making on millennials in JABODETABEK?
5. Does Occupation Demographics Factor affect Online Credit Decision Making on millennials in JABODETABEK?
6. Does Income Demographic Factors affect Online Credit Decision Making in Millennials in JABODETABEK?

Research Purpose

The purpose of this research:

1. To determine the effect of Financial Literacy on Online Credit Decision Making on millennials in JABODETABEK.
2. To determine the effect of Gender Demographic Factors on Online Credit Decision Making on millennials in JABODETABEK.
3. To determine the effect of Age Demographic Factors on Online Credit Decision Making on millennials in JABODETABEK.
4. To determine the effect of Education Demographic Factors on Online Credit Decision Making on millennials in JABODETABEK.
5. To determine the effect of Occupation Demographic Factors on Online Credit Decision Making on millennials in JABODETABEK.
6. To determine the effect of Income Demographic Factors on Online Credit Decision Making on millennials in JABODETABEK

LITERATURE REVIEW

Decision-Making Theory

Decision-making is the result of an action chosen among several alternative options. According to GR Terry (2016), decision-making can be interpreted as the basic selection of criteria against the nature of two possible alternatives. Morhead and Griffin (2014) argued that there is a rule for leaders before making decisions that require leaders to seek information first and then spread the results of the decision to others.

The decision to Take Credit

Credit making decision is an act of decision in taking a trust (credit) given by a private institution (bank and nonbank) with agreed conditions. Credit management decisions have an important meaning for a financial institution to productive sectors as the main business of financial institutions. (Kurniawan, B. J., Suryoko, S., & Listyorini, S. (2016).

Financial Technology

(Schueffel P. 2016, n.d.) Fintech defines fintech as a new financial industry that applies technology to increase financial activity. Schueffel argues that the above definitions are broad enough to include financial services improvement technologies that are enhancers (APIs, device-dependent technology, signature scanning, etc.) and those that are disruptive (Chat Bots, Blockchain, artificial intelligence, etc.)

Financial Literacy

According to financial literacy consists of several financial skills and knowledge owned by a person to be able to manage the money or use some money to improve his standard of living and aim to achieve prosperity. Financial literacy is the process by which individuals use a combination of skills, resources, and contextual knowledge to process information and make decisions with knowledge of the financial consequences of decisions made Financial literacy relates not only to the knowledge of finance but also about the ability to manage finances and make financial decisions that are relatively appropriate for future interests. (Lusardi, n.d.)(Shaari, n.d. 2013)

Credit

Credit is the ability to carry out a purchase or hold a loan with a promise that payment will be made and deferred at an agreed time frame. (Mulyono, n.d. 2007)

Demographic Factors

According to the results of a Survey in (Indonesian public Financial Services Authority. 2013, n.d.), *the Indonesian National Strategy For Financial* Literacy (2013: 16) states that the scale of demographic measurement or demographic factors used in measuring the level of financial literacy of Indonesian people, including:
a. *Gender* (Gender)
b. *Age* (Usia)
c. *Education Level* (Education Level)
d. *Occupation* (Occupation)
e. *Geographic Distribution*
f. *Income Expenditure*

According to in stating that there are several demographic characteristics namely age, gender, education, family, and work. Demographic factors influence an individual's investment decision-making. (Loix, n.a.)(Harli, n.d.2015)

Gender

Sex is a biological difference in humans known as men and women. Men are generally interested in things that are practical, fast, challenging, confident, and act as protectors. Women are generally more cautious, slower, timid, and act as initiative takers and stimulants. (Lutfi. (2010)., n.a.)

Age

Age is a unit of time that measures the length of a creature or a living thing (since they were born or existed). Age affects the level of knowledge and experience and mindset a person has. The older a person will develop his catch and mindset so that the knowledge he has is increasing. (Notoatmodjo, n.d.2003)

Education

Education is the level of mastery of science possessed by a person about how his ability to understand things well. According to education is the increasing mastery of science possessed by a person and the ability to understand things well. (Iswantoro, n.a.2013)

Occupation

Work is a profession carried by a person in doing activities that provide results either in the form of experience or material that can support his life. (Puspitasari, n.d.2014)

Income

Income is money received by a person in the form of salary, rental wages, interest, income, or receipt of business results. Income is the acquisition of value or the result of one's sacrifice or effort in doing a job to meet daily needs. (Lutfi. (2010)., n.a.)

Picture 1 Frame of mind
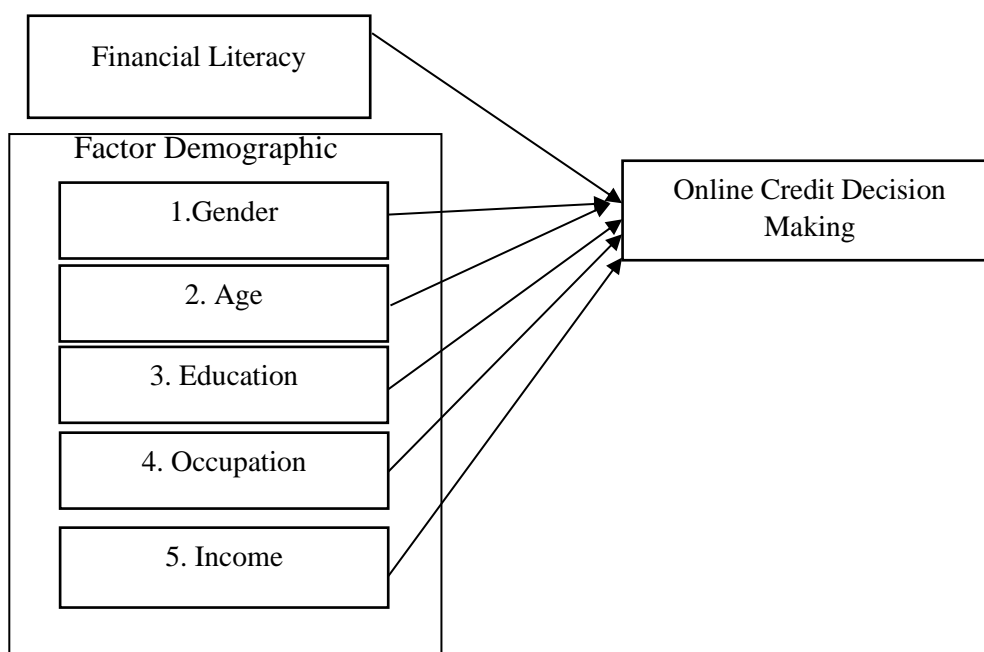
Research hypothesis

The hypothesis is the simplest answer that needs to be proven to be true, based on the formulation of the problem, the goals to be achieved in this study, as well as the literature review that has been explained, while the hypotheses in this study are as follows:

Hypothesis 1 (H1)

H_0: Financial information has no significant effect on online credit decision-making.

H_1: Financial information has a significant effect on *online* credit decision-making.

Hypothesis 2 (H2)

H_0: Demographics (Gender) factors have no significant effect on *online* credit decision-making.

$_{H1:}$ Demographics (Gender) factors have a significant effect on *online* credit decision-making.

Hypothesis 3 (H3)

$_{H0:}$ Demographics (Age) factors have no significant effect on *online* credit decision-making.

$_{H1:}$ Demographics (Age) factors have a significant effect on *online* credit decision-making.

Hypothesis 4 (H4)

$_{H0:}$ Demographics (Educational) factors have no significant effect on *online* credit decision-making.

$_{H1:}$ Demographics (Educational) factors have a significant influence on *online* credit decision-making.

Hypothesis 5 (H5)

$_{H0:}$ Demographics (Occupational) factors have no significant effect on *online* credit decision-making.

$_{H1:}$ Demographics (Occupational) factors have a significant influence on *online* credit decision-making.

Hypothesis 6 (H6)

$_{H0:}$ Demographics (Income) factors have no significant effect on *online* credit decision-making.

$_{H1:}$ Demographics (Income) factors have a significant effect on *online* credit decision-making.

RESEARCH METHODS

In this study, the authors used a causal associative research approach. The object in this study was *online* credit-making decisions and the subject of study was the millennial generation who were in the JABODETABEK region. The sampling method used in this study is using the *nonprobability sampling* method with *convenience sampling* technique. The data collection method used in this study was the questionnaire method. In this study, the analytical methods used are descriptive analysis and multiple linear regression analysis. The analysis tool used is Smart PLS 3.

RESULTS AND DISCUSSIONS

Another method for assessing discriminant validity is to look at *the Average Variance Extracted* (AVE) value. Here are the AVE values in this sting.

Tabel 1 Matriks *Average Variance Extracted* AVE

Variable	Average Variance Extracted (AVE)	Keterangan
GENDER	**1,000**	Valid
P.	**0,730**	Valid
WORK	**1,000**	Valid
INCOME	**1,000**	Valid
EDUCATION	**1,000**	Valid

|			
HP		**0,732**	Valid
AGE		**1,000**	Valid

Source: processed data (2021)

After the next two validates tests are the reliability test of the exogenous Petipa. The reliability test on the outer model can be measured by criteria namely *the values of composite Reliability* and niali *Cronbach's alpha* from each construct. The recommended *values of composite reliability* and *Cronbach's alpha* are over 0.7, but in development research, because the *loading factor* limit used is low (0.5), low *composite reliability* and alpha *cromlechs* are still acceptable as long as convergent validity requirements and discriminant validity have been met.

Table 2 Composite Reliability Test Results

	Cronbach's Alpha	Composite Reliability	Information
JK	1,000	1,000	Reliable
LK	0,991	0,991	Reliable
PEK	1,000	1,000	Reliable
PEND	1,000	1,000	Reliable
PENDI	1,000	1,000	Reliable
PK	0,986	0,987	Reliable
USIA	1,000	1,000	Reliable

Source: processed data (2021)
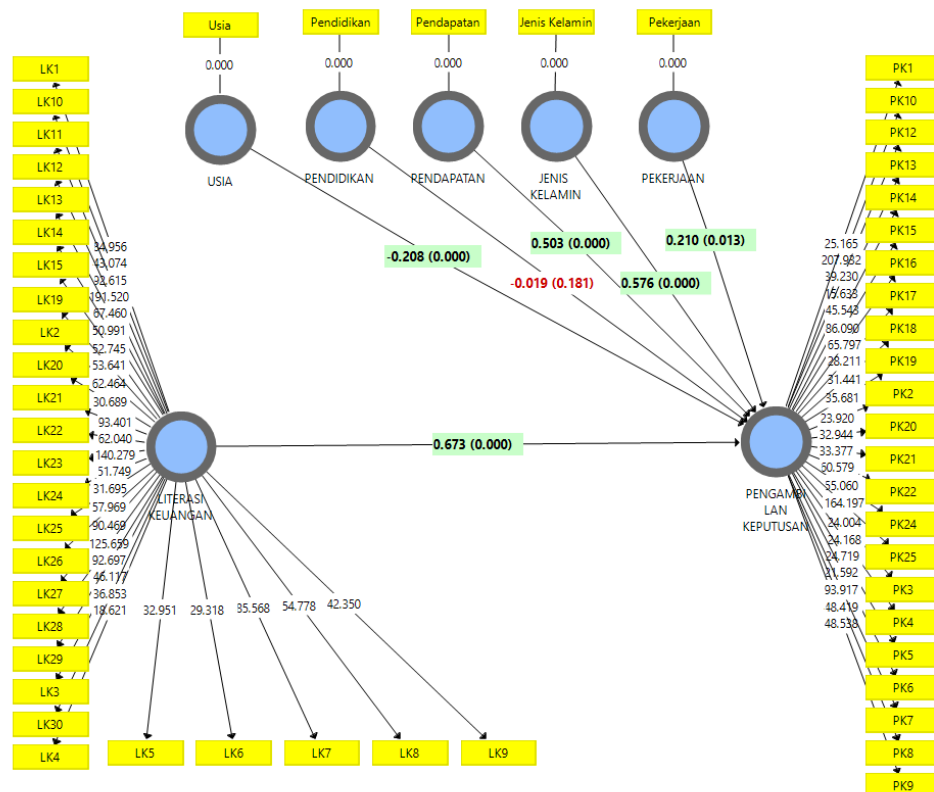
Gambar 2 Estimated results of Bootstrapping PLS model

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Based on the results of the estimated PLS model with the bootstrapping technique above, it can be seen that the entire path is significant with a p-value of < 0.05. The results of this direct influence significance test can be seen in the following table:

Table 3 Partial Influence Testing Results

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (| O/STDEV|)	P Values
JK -> PK	0,576	0,560	0,133	4,323	**0,000**
LK -> PK	0,673	0,676	0,071	9,462	**0,000**
PEK-> PK	0,210	0,197	0,094	2,237	**0,013**
PEND -> PK	0,503	0,504	0,049	10,309	**0,000**
PENDI -> PK	-0,019	-0,016	0,020	0,914	**0,181**
USIA-> PK	-0,208	-0,200	0,054	3,826	**0,000**

Source: Data Processing Results (2021)

Hypothesis Testing

Based on the results of the above test, the results of the test hypothesis are obtained as follows:

Hypothesis 1 (H1)

Based on bootstrap estimates using a sample of 150 showing the relationship of the influence of Financial Literacy on Decision Making, the value p-value obtained is 0.000 with a statistical t of 9,462 and a positive marked path coefficient of 0.673. Because the value of p-value of the path < 0.05, t statistics > 1.65, and the coefficient of the positive path then Ho hypothesis 1 was rejected and Ha accepted, which concluded that Financial Literacy has a positive and significant effect on online credit decision making.

Hypothesis 2 (H2)

Based on a *bootstrap* estimate using a sample of 150 showing the relationship of gender influence on decision making, the value p-value obtained is 0.000 with a statistical t of 4,323 and a positive marked path coefficient of 0.576. Because the value of p-value of the path < 0.05, t statistics > 1.65, and the coefficient of the positive path then Ho hypothesis 2 was rejected and Ha accepted, which concluded that Gender had a positive and significant effect on *online* credit decision making.

Hypothesis 3 (H3)

Based on *bootstrap* estimates using a sample of 150 showing the relationship of age influence on decision making, the value p-value obtained is 0.000 with a statistical t of 3,826 and a negative marked path coefficient of -0.208. Because the value of p-value of the path < 0.05, t statistics > 1.65, and the negative path coefficient then Ho hypothesis 3 was rejected and Ha accepted, which concluded that Age negatively and significantly affects online credit decision making.

Hypothesis 4 (H4)

Based on *bootstrap* estimates using a sample of 150 showing the relationship of the influence of Education on Decision Making, the value of the p-value obtained is 0.181 with a statistical t of 0.914 and a negative marked path coefficient of -0.019. Because the value of p-value of the path > 0.05, t statistics < 1.65, and the negative path coefficient then Ho hypothesis 4 was accepted and Ha rejected concluded that Education has a negative and insignificant effect on online credit decision making.

Hypothesis 5 (H5)

Based on *bootstrap* estimates using a sample of 150 showing the relationship of the influence of occupation on Decision Making, the value p-value obtained is 0.013 with a statistical t of 2.237 and a positive marked path coefficient of 0.210. Therefore, because the value of p-value of the path < 0.05, t statistics > 1.65, and the positive path coefficient then Ho hypothesis 5 was rejected and Ha accepted concluded that the Occupation had a positive and significant effect on online credit decision making.

Hypothesis 6 (H6)

Based on *bootstrap* estimates using a sample of 150 showing the relationship of income influence on decision making, the value p-value obtained is 0.000 with a statistical t of 10,309 and a positive marked path coefficient of 0.503. Therefore, because the value of p-value of the path < 0.05, t statistics > 1.65, and the positive path coefficient then Ho hypothesis 6 was rejected and Ha accepted concluded that Income had a positive and significant effect on online credit decision making.

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

Conclusions

Research on the influence of Financial Literacy and Demographic factors on online credit decisions that have been conducted can produce the following conclusions:

1. Financial literacy has a positive effect on online credit decision-making.
2. Demographic Factors (Gender) positively affect *online* credit decision making, in this study more men take up the literature for *online* credit.
3. Demographics (Age) factors negatively affect *online* credit decision-making. Where the higher the age, the decrease in the Senegambian keputan for *online* credit.
4. Demographic Factors (Education) do not affect online credit decision-making even though higher education does not make a person hesitate to take *online* credit decisions to make ends meet.
5. Demographic Factors (Occupation) affect *online* credit decision-making. High-risk jobs as entrepreneurs with erratic incomes, making more decisions to do credit *online*
6. Demographic Factors (Income) affect *online* credit decision-making. Where the greater a person's income, his needs will increase and his lifestyle is different.

Limitations

Although researchers have tried to design and develop this study in such a way, there are still some limitations in this study that still need to be revised in future studies, among others:

1. The sample was selected based on the millennial generation and jabodetabek regional domicile.
2. The research model only tests the influence of variables/constructs linearly, so the results are still possible to conduct research by testing the relationships between variables and describing the overall influence.

Suggestions

Based on the results of research that has been done, several suggestions can be considered for future research, namely:

1. For *online* credit service providers should further improve procedures and requirements for prospective customers taking credit so that it will minimize default or bad credit.
2. For OJK as a regulator and policymaker, you should make regulations for the age limit of credit borrowers more enhanced, so that people who borrow are old enough and have maturity in thinking when in credit decision making.
3. Further research is expected to conduct research in all ages not limited by millennials only and the population taken can be more thorough outside JABODETABEK.
4. Further research is expected to conduct testing with more developed models so that the results of the study can give a better picture.

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