

The Effect of Financial Literacy and Locus of Control on the Performance of Financial Managers of the Regional Financial and Asset Management Agency

Rinto Golorem¹, Josef R. Pattiruhu², Stenly Jacobus Ferdinandus²

1. Research Scholar at Postgraduate Pattimura University, Indonesia

2. Lecturer at Postgraduate Pattimura University, Indonesia

Corresponding Author: Josef R. Pattiruhu (jozefpattiruhu@gmail.com)

ABSTRACT

This study aims to investigate the influence of financial literacy and locus of control on financial management performance. Financial literacy refers to individuals' knowledge and skills in managing finances and making appropriate financial decisions. Meanwhile, locus of control refers to individuals' beliefs about how much they control their own lives and financial outcomes.

The method used in this research is quantitative descriptive method to measure the relationship between financial literacy, locus of control, and performance. The research findings indicate that financial literacy does not significantly influence financial management performance, whereas locus of control has a highly significant impact on financial management performance..

Keywords: Financial Literacy, Locus of Control, Financial Performance

Date of Submission: 20-07-2024

Date of acceptance: 03-08-2024

I. INTRODUCTION

Currently, Indonesia has entered the era of industrial revolution and digital literacy which requires the government to have some financial literacy to be able to manage its finances. The financial literacy target set in Presidential Regulation No. 50 of 2017 is 35%. According to OJK data (2021) the level of literacy in rural areas reaches 34.53% while in urban areas it has reached 41.41%, this shows that people in rural areas are still quite behind compared to people in urban areas, and because the quality of human resources and entrepreneurial spirit is still low (Kusumadewi, 2017).

Financial management is currently a very good discussion topic to be raised (Muntahanah et al., 2021). Financial management is an activity to compile and evaluate finances so that they can be managed in accordance with what has been planned and budgeted (Gunawan et al., 2020). Good financial management requires an understanding of finance (financial literacy), so as to minimise financial problems. Financial literacy is a person's ability to understand and use various financial skills, including personal management, budgeting, and investing. Financial literacy includes knowledge and understanding of financial concepts such as savings, credit, loans, investments, insurance, and pensions. With good financial literacy, individuals can make wiser and more effective financial decisions, manage risks, and achieve financial stability and well-being (Darmawan et al., 2019).

In addition to financial literacy, self-control (locus of control) is also needed in managing finances. Locus of control is a psychological aspect that can affect a person's behaviour in financial control (Bauman and Lucy, 2019). Someone who is able to control finances with responsibility will tend to be better at managing finances, but if there is a lack of personal control in managing expenses, they can spend all their income without thinking about long-term finances (Herlindawati, 2015).

Financial literacy facilitates effective product utilisation and helps businesses develop the right skills and financial products to suit their needs. This is a condition for improving Locus of Control, which enables economic agents to change their mindset about money and profit (Agarwal, 2016). Therefore, financial literacy and Locus of Control are very important in supporting financial decisions. Research by Kasendah & Wijayangka (2019) shows that financial literacy affects the performance of financial managers. This statement is supported by Aribawa's research (2016) which states that good financial literacy can assist in making the right management and financial decisions to improve business performance and sustainability. In addition, research by Anggraeni (2016) shows that financial literacy affects the way a person thinks about financial conditions and strategic decision making, so that the financial management of business owners becomes better. Wulandari's research (2019) also states that financial literacy and Locus of Control have a significant influence on the performance of financial managers.

By looking at this background, researchers are interested in examining the effect of financial literacy and Locus Of Control on the performance of financial managers of the Aru Islands Regency Regional Financial and Asset Management Agency, seeing this as an urgency for the Aru Islands Regional Government to be able to compete in the future. The purpose of this study was to determine and analyse the effect of financial literacy and locus of control on the performance of financial managers at the Aru Islands Regency Regional Financial and Asset Management Agency.

II. THEORY

Performance is the process or result of work produced by employees through various aspects and stages that must be passed, with the aim of improving the performance of these employees. Therefore, performance is an important element for the progress or decline of an organisation. Performance reflects whether an organisation is moving in the right direction or just stagnating.

Financial performance can be measured by both quantitative and qualitative methods. Quantitative performance measures include financial results such as Return on Assets (ROA), Return on Equity (ROE), Return on Investment (ROI), number of goods sold, operating expense ratio, number of customers, and efficiency. Qualitative performance measures include the quality of goal achievement, discipline, effectiveness, assessment from leaders of organisational achievements, and individual behaviour in the organisation (Purnomo and Lestari, 2010). Factors that can improve the financial performance of MSMEs include financial literacy, locus of control.

2.1. Financial Literacy

Financial problems can occur if a person does not have a good understanding of finance (financial literacy). Becoming more skilled in managing finances is crucial to improving business performance. Financial literacy refers to the knowledge and skills in understanding financial concepts to make effective and efficient decisions related to finance (Darmawan, Kurnia, & Rejeki, 2019). Someone who has good financial knowledge will get several benefits, such as being able to make the right financial decisions for the future, having skills in managing finances, investing in the capital market, and being able to reduce financial problems to improve their welfare. Planned behaviour theory is a social psychology theory that predicts human behaviour. This theory shows that backgrounds such as knowledge, experience will affect a person's beliefs in doing something and will ultimately affect that person's behaviour. According to Aulianingrum & Rochmawati (2021), explaining about a person's ability to apply the economic or financial knowledge he has to carry out financial planning, manage finances, and debt management is called financial literacy.

2.2. Locus of Control

Locus of Control is an individual's belief in the extent to which they influence or control events in their life. If a person feels they have little control over what happens to them, they are considered to have an external Locus of Control. In this study, what is relevant to financial management behaviour is Internal Locus of Control. Individuals who have an Internal Locus of Control tend to attribute the events they experience to factors internal to themselves. They believe that the results of their behaviour are influenced by factors within themselves.

2.3 The Effect of Financial Literacy on Financial Management

According to Aulianingrum & Rochmawati (2021), a person's ability to apply economic or financial knowledge to plan finances, manage finances, and take care of debt is called financial literacy. The theory of planned behaviour suggests that individuals' knowledge and experience of financial literacy will affect their intention to manage finances properly and responsibly. The results of research by Novitasari et al. (2021) show that financial literacy has a positive and significant impact on student financial management.

2.4 The Effect of Locus of Control on Financial Management

Locus of Control is a person's perception of their beliefs and ability to organise themselves in the face of certain situations. This is reflected in the way a person organises and controls external factors in response to failure or success in financial management (Biya & Asandimitra, 2020). According to the theory of planned behaviour, attitudes, personality, and emotional aspects are factors that underlie the influence of self-control on financial management. Research by Ritakumalasari & Susanti (2021) shows that Locus of Control affects the way students manage their finances.

III. METHODOLOGY

This research uses quantitative descriptive research because it is to find out how the planning consistency factor and locus of control affect the performance of financial managers at the Aru Islands Regency Regional Financial and Asset Management Agency, while the approach used is an associative approach, which aims to see whether the three variables have a relationship or influence. The tests used in this study are data instrument tests

consisting of validity tests and reliability tests, data analysis tests using data analysis using multiple linear regression analysis, and hypothesis testing.

IV. RESULT

4.1. Validity Test

The validity test is a process to determine whether a questionnaire can be considered valid or not. The significance test is carried out by comparing the calculated r value with the r table value for degrees of freedom (df) = n-2, where n is the number of samples. If the calculated r value is greater than the r table value and is positive, then the question or indicator is considered valid (Ghozali, 2016). Based on the table, the calculated r value is greater than the r table value with a significance level of 95 per cent ($\alpha = 0.05$). The overall validity test for locus of control, financial literacy, financial inclusion, and MSME financial performance shows that all statement items are declared valid because the value of r count > r table.

Table 1 Validity Test Results

Variabel	Indikator	r-Count
Financial Literacy	LK 1	0.836
	LK 2	0.665
	LK 3	0.542
	LK 4	0.808
	LK 5	0.617
Locus of Control	LOC 1	0.832
	LOC 2	0.607
	LOC 3	0.764
	LOC 4	0.649
	LOC 5	0.711
	LOC 6	0.498
	LOC 7	0.918
Financial Performance	KK 1	0.565
	KK 2	0.626
	KK 3	0.775

Source : Primary data processed (2024)

Based on table 1 above, it can be seen that r-count or t-statistics shows that all the above indicators exceed the r-table, namely 0.374 with a significant level of 0.05 with n = 30, then all valid indicator items are obtained so that they can be continued to the next measurement.

4.2. Reliability Test

Reliability test is a reliability test that aims to determine how far a measuring instrument can be trusted. Reliability is related to estimating the extent to which a measuring instrument is consistent when measurements are repeated in different samples. If a measuring instrument is used repeatedly and the measurement results obtained are relatively consistent, then the measuring instrument is considered reliable. Conversely, if a measuring instrument is used repeatedly and the measurement results obtained are inconsistent, then the measuring instrument is considered unreliable. In this test, the reliability test was carried out using Cronbach alpha. Cronbach alpha calculations utilise the help of SPSS, and the critical limit of the apha value to indicate a reliable questionnaire is 0.70. So the Cronbach alpha value > 0.70 is an indicator that the questionnaire is reliable / reliable. Nunnally (1967) in Ghozali (2016).

Table 2 Reliability Test Results

Variable	Cronbach Alpha	Description
Financial Literacy	0.783	Reliable
Locus of Control	0.839	Reliable
Financial Performance	0.877	Reliable

Source : Primary data processed (2024)

From the calculation results, it can be seen the results of the Cronbach alpha value of each variable. From the results of the reliability test of all variables, the alpha cronbach value of each variable is > 0.60. So it can be concluded, that the variables used are reliable.

4.3. Multiple Linear Analysis

Multiple regression analysis is used to test the influence or relationship between financial literacy variables and Locus of Control on financial management. The test results can be seen in table 3 below.

Table 3 Multiple Linear Regression Test Results

Model		Coefficients ^a				
		Unstandardized Coefficient		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.463	2.34		4.47	.000
	Literasi Keuangan	.101	.126	.126	.805	.428
	Locus of Control	.302	.072	.656	4.18	.000

a. Dependent Variable: Kinerja Pengelolaan

Source : Primary data processed (2024)

Based on partial statistical results, hypothesis testing is done by looking at and comparing between the t-count and t-table values. It can be seen that the financial literacy variable obtained a t-count of 0.805 and a t-table of 1.701, so that the t-count is greater than the t-table ($0.805 < 1.701$) with a significant value of 0.428 greater than 0.05 ($0.428 > 0.05$). So H0 is accepted and H1 is rejected, which means that the Financial Literacy variable (X1) has no significant effect on the performance of financial managers at the Aru Islands Regency Regional Financial and Asset Management Agency. The results of this study state that the success or failure of the performance of a financial management employee can be seen from his performance. If the financial literacy is high, the performance of an employee will also be high and vice versa. For this study, financial literacy knowledge is not a determining and dominant factor in determining performance, this can also be other factors of an organisation such as work discipline, leadership involvement, coordination between sub-sections and others can also be a determining factor for successful performance. So that when hiring someone who is in the financial field, it is better if that person must have knowledge and expertise as a superior HR in that field. These results are in line with research conducted by Chyanty (2018) which states that the level of financial literacy partially has a positive and insignificant effect on financial performance in Islamic banks.

Based on partial statistical results, hypothesis testing is done by looking at and comparing between the t-count and t-table values. It can be seen that the locus of control variable obtained a t-count of 4.180 and a t-table of 1.701, so that the t-count is greater than the t-table ($4.180 > 1.701$) with a significant value of 0.000 less than 0.05 ($0.000 > 0.05$). So H0 is rejected and H1 is accepted, which means that the locus of control variable (X2) has a significant effect on the performance of financial managers at the Aru Islands Regency Regional Financial and Asset Management Agency.

Locus of control has a positive and significant effect on financial performance. Which means that if the locus of control increases, financial performance will also increase and vice versa. Locus of control is the extent to which a person believes that what happens is under their own control. Good decision making will have an impact on maximum performance gains and will have a good impact on the continuity of the agency. When someone believes that what happens is of their own free will, it is called internal locus of control. And vice versa if someone believes that what happens is the will of the outside is called the external locus of control (Rotter, 1966).

These results are in line with research conducted by Hesthi Ruscahyono, 2014 the results showed that Locus of control has a significant effect on performance.

V. CONCLUSION

Based on the results of hypothesis testing and discussion, the conclusions that can be drawn in this study are as follows: Financial Literacy has no significant effect on the Performance of Financial Managers at the Aru Islands Regency Regional Financial and Asset Management Agency. Meanwhile, Locus of Control has a significant effect on the Performance of Financial Managers at the Aru Islands Regency Regional Financial and Asset Management Agency.

It is hoped that this research can become one of the references or sources of reference. Due to the limitations of the authors in conducting this research, the results obtained do not represent the theory as a whole. For this reason, the author suggests that future researchers examine other variables in order to find out what variables can affect employee performance. In addition, the sample used in this study was only conducted at one local government apparatus office, so it is hoped that further researchers can examine several other offices in other cities or districts.

REFERENCES

- [1]. Agarwal, U. A. (2016). Examining Perceived Organizational Politics among Indian Managers: Engagement as Mediator and Locus of Control as Moderator. *International Journal of Organizational Analysis*, 24 (3), 415 – 437.
- [2]. Aribawa, D. (2016). Pengaruh literasi keuangan terhadap kinerja dan keberlangsungan UMKM di Jawa Tengah. *Jurnal Siasat Bisnis (JSB)*, 20(1).
- [3]. Aulianingrum, R. D., & Rochmawati. (2021). Pengaruh Literasi Keuangan, Status Sosial Ekonomi Orang Tua, dan Gaya Hidup terhadap Pengelolaan Keuangan Pribadi Siswa. *Jurnal Pendidikan Ekonomi*, 15. <https://doi.org/10.19184/jpe.v15i2.24894>
- [4]. Bauman, A., & Lucy, C. (2019). Enhancing entrepreneurial education: Developing competencies for success. *The International Journal of Management Education*
- [5]. Biya, E., & Asandimitra, N. (2020). Analisis Pengaruh Parental Income, Pembelajaran Di Perguruan Tinggi, Financial Literacy, Financial Attitude, Dan Locus Of Control Terhadap Financial Management Behaviour Di Kalangan Mahasiswa Di Daerah Gorontalo (Studi Pada Mahasiswa Universitas Negeri Gorontalo).
- [6]. Darmawan, A., Kurnia, K., & Rejeki, S. (2019). Pengetahuan Investasi, Motivasi Investasi, Literasi Keuangan Dan Lingkungan Keluarga Pengaruhnya Terhadap Minat Investasi Di Pasar Modal. *Jurnal Ilmiah Akuntansi Dan Keuangan*, 8(2), 44-56. <https://doi.org/10.32639/jiak.v8i2.297>
- [7]. Ghozali, I. (2016). Aplikasi Analisis Multivariete Dengan Program IBM SPSS 23 (8th ed.). Badan Penerbit Universitas Diponegoro.
- [8]. Gunawan, A., Pirari, W. S., & Sari, M. (2020). Pengaruh Literasi Keuangan dan Gaya Hidup terhadap Pengelolaan Keuangan Mahasiswa Prodi Manajemen Universitas Muhammadiyah Sumatera Utara. *Jurnal Humaniora*, 4. <https://doi.org/10.30601/humaniora.v4i2.1196>
- [9]. Herlindawati, D. (2017). Pengaruh kontrol diri, jenis kelamin, dan pendapatan terhadap pengelolaan keuangan pribadi mahasiswa pascasarjana Universitas Negeri Surabaya. *Jurnal Ekonomi Pendidikan dan Kewirausahaan*, 3(2), 158-169.
- [10]. Kasendah, B.S., Chandra, W. (2019). Pengaruh Literasi Keuangan Terhadap Kinerja UMKM. *Jurnal Manajemen dan Bisnis*, 3(1):153-160
- [11]. Kusumadewi, R. N. (2017). Pengaruh Locus of Control Dan Financial Literacy Terhadap Kinerja UKM Pada Pelaku UKM Desa Rawa Kecamatan Cingambul Kabupaten Majalengka. *Prosiding*, 7(1), 915–924.
- [12]. Muntahanah, S., Cahyo, H., Setiawan, H., & Rahmah, S. (2021). Literasi Keuangan, Pendapatan dan Gaya Hidup terhadap Pengelolaan Keuangan di Masa Pandemi. *Jurnal Ilmiah Universitas Batanghari Jambi (JIUBJ)*, 21(3), 1245–1248. <https://doi.org/10.33087/jiubj.v21i3.1647>
- [13]. Novitasari, D., Juliana, J., Asbari, M., & Purwanto, A. (2021). The Effect of Financial Literacy, Parents' Social Economic and Student Lifestyle on Students Personal Financial Management. *Economic Education Analysis Journal*, 10(3), 522–531. <https://doi.org/10.15294/eeaj.v10i3.50721>
- [14]. OJK. (2021). Hasil Survei Literasi dan Inklusi Keuangan Nasional Meningkatkan. Retrieved January 15, 2024, from OJK website: <https://sikapiuangmu.ojk.go.id/FrontEnd/CMS/Article/20549>
- [15]. Ritakumalasari, N., & Susanti, A. (2021). Literasi Keuangan, Gaya Hidup, Locus of Control, dan Parental Income terhadap Perilaku Keuangan Mahasiswa. *Jurnal Ilmu Manajemen*, 9(4), 1440-1450. <https://doi.org/10.26740/jim.v9n4.p1440-1450>.