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## THE INFLUENCE OF PERSONAL FINANCIAL KNOWLEDGE AND PERSONAL FINANCIAL ATTITUDE TOWARDS BUYING DECISION USING CREDIT CARD IN MANADO CITY

PENGARUH PENGETAHUAN FINANSIAL PERORANGAN DAN PERILAKU FINANSIAL PERORANGAN TERHADAP KEPUTUSAN MEMBELI MENGGUNAKAN KARTU KREDIT DI MANADO CITY

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### ABSTRAK

*Berbagai metode pembayaran dapat digunakan oleh konsumen untuk memenuhi segala macam kebutuhan. Kartu kredit adalah salah satu fenomena dalam perekonomian dunia modern. Sekarang ini, kartu kredit menawarkan konsumen berbagai kelebihan dan kenyamanan. Namun, beberapa krisis finansial yang terjadi dimasyarakat diakibatkan oleh penyalahgunaan fasilitas kartu kredit. Dengan menggunakan pendekatan psikologi, terdapat 2 (dua) faktor yang menjadi tolak ukur utama dalam Penggunaan Kartu Kredit, yaitu Pengetahuan Finansial Pribadi dan Perilaku Finansial Pribadi. Sampel sebanyak 50 peggunaan kartu kredit. Metode yang digunakan adala regresi berganda serta uji hipotesis menggunakan uji F dan uji T. Hasil dari studi menunjukan Pengetahuan Finansial Pribadi dan Perilaku Finansial Pribadi mempunyai efek positif terhadap Keputusan Membeli menggunakan Kartu Kredit di Manado. Hasil dari studi adalah  $Y = -0.948 + 0.687X_1 + 0.383X_2 + e$  dimana persamaan menunjukan peningkatan pada semua nilai variabel lepas yang mengarah kepada perubahan positif pada keputusan membeli dengan kartu kredit sebagai variabel terikat baik secara bersamaan dan masing-masing.*

*Kata kunci: Pengetahuan Finansial, Perilaku Finansial, Keputusan Membeli, Kartu Kredit.*

### ABSTRACT

*Abstract: Many types of payment methods that can be used by consumers to meet all kinds of needs. Credit card is a phenomenon in the modern economic world. Present, credit card give consumers with so many advantages and conveniences offered. Some of the financial crisis that occurred in the community caused by the misuse of credit card facilities. With psychology approach, there are two factors that can used as the major determinants of credit card practices, there are: Personal Financial Knowledge and Personal Financial Attitude. The finding from this study states that Personal Financial Knowledge and Personal Financial Attitude has positive effects towards Buying Decision using Credit Card in Manado. Sample determined for 50 consumers. Tools of analysis using Multiple Regression, hypothesis test using F test and T test. Result of the findings is  $Y = -0.948 + 0.687X_1 + 0.383X_2 + e$  which shows that an increase in all independent variables (X) leads to a positive change of unit in buying decision using credit card as dependent variable both simultaneously and partially.*

*Keywords: Financial Knowledge, Financial Attitude, Buying Decision, Credit Card.*

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## 1. INTRODUCTION

### Research Background

Today, many types of payment methods that can be used by consumers to meet all kinds of needs, making the increase in factors that affect consumer behavior in the fulfillment of their needs. The rapid growth of the economy supporting the growth of the instrument such as banks and financial assistance programs of the government, also has a big hand in the creation of a diverse consumer behavior.

One important factor is the type of payment. According to Bank of Indonesia, the payment based on type is divided into two (2) types of cash and non-cash. In Indonesia, there are many different types of payment instruments, those are: check, debit cards and credit cards. The last name is a phenomenon in the modern economic world.

There was a variety of attractive offers from credit card issuers, among others point rewards, discounts and The purchase of goods by installments at 0% interest. Despite the convenience and benefits offered by the credit card issuer for credit card holders, of course, the use of credit cards has a lot of risk in it such as; a) Abuse by irresponsible parties on behalf of the rightful owner of the credit card to do certain things, and b) When the risk occurs due to late payment card holder is unable to pay its obligations at maturity or a high interest rate loan. Many benefit and facilities that consumers can get from using credit cards are the factors that lead to changes in consumer behavior in purchasing a product or service.

### Research Objectives

This research aims are to know how:

1. Personal financial knowledge and financial attitude affect buying decision using credit card simultaneously.
2. Personal financial knowledge affect buying decision using credit card partially.
3. Personal financial attitude affect buying decision using credit card partially.

### Theoretical Framework

#### Marketing

Marketing is (Kotler-Armstrong, 2005:5) “the process by which companies create value for customers and build strong customers relationship in order to capture value from customers in return”. And Mcdaniel, *et al.* (2011) defines marketing as “the activity, set of institutions and processes of creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners and society at large”. Based on several defenitions above, researcher can defined that Marketing is the processes, set of activity to create value, communicating the value to consumers, deliver it and exchanging offering.

#### Consumer Behavior

Schiffman, *et al.* (2001) consumer behavior is defined as the behavior that consumers display in seeking, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their personal needs. And Mcdaniel, *et al* (2011:191) defines consumer behavior is the processes a consumer uses to make purchase decisions, as well as to use and dispose of

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purchased goods or services, also includes factor that influences purchase decisions and product use. Based on several definitions above, researcher can define that consumer behavior is the processes a consumer uses to deciding to buy their needs or not.

### **Financial Knowledge**

Giesler-Veresiu (2014:849) defines financial literacy is the ability to understand how money works in the world; how someone manages to earn or make it; how that person manages it; he/she invests it (turn it into more) and how that person donates it to help others. While Mandell (2004:163) defines financial literacy is the ability to evaluate the new and complex financial instruments and make informed judgment in both choice of instruments and extent of use that would be in their own best-run interest. Based on several definitions above, researcher can define that financial literacy is the knowledge and understanding all about the money, what are they, where they come from, how to make them, and ability to manage them.

### **Financial Attitude**

Chowa, Despard and Osei-Akoto (2012:7) defines financial attitudes is someone's beliefs and values related to various personal finance concepts, such as whether someone believes it is important to save money. According to Jodi and Phyllis (2008), financial attitude can be considered as the psychology tendency expressed when evaluating recommended financial management practices with some degree of agreement or disagreement. Based on several definitions above, researcher can define that financial attitude is the belief and values of consumers about some financial concept and their expression about some financial practices.

### **Buying Decision using Credit Card**

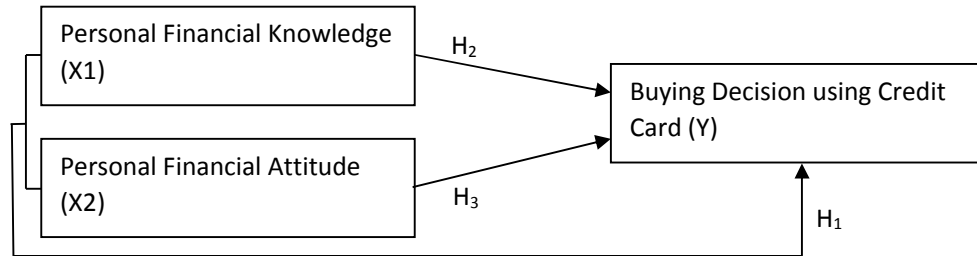
The process that a consumer takes in his decision making is quite interesting to most of the large companies. They are extremely trying to research the consumer buying process to find out what consumers buy, where and how they buy, when and why they buy. It is easier for researchers to find the answers for what, how, where, when and how much consumers buy but it is not that much easy to find why they buy. The reason is "the answers are often locked within the consumer's head" (Kotler et al. 2008:265). And if we related it with credit card practices, Pirog III and Roberts (2007:15) states consumers who regularly use credit card as their main method for payment are more likely to spend more than those consumers who uses other methods of payment and tend to use it beyond their ability to pay. Based on several definitions above, researcher can define that buying decision using credit card is a processes when consumers purchase goods or services to fulfil their personal needs using credit card as the payment tool.

### **Previous Research**

Jusoh and Lin (2012) conducted a research on personal financial knowledge and attitude towards credit card practices in Malaysia. The objectives of this study aims to identify the personal financial knowledge and attitude towards credit card practices among working adults in Ipoh, Malaysia. And also identifies respondent gender, education level and monthly income towards credit card practices. There were 100 people being chosen to be the respondent of this study by the simple random sampling method. And the result been tested by using t-test showed that there were no significant differences in credit card practices between male and female. The ANOVA test showed that there were significant differences in credit card practices between education levels while there were no significant differences in credit card practices between monthly in-come. And the Pearson correlation test showed there was no significant relationship

between personal financial knowledge ad credit card practices and also there was ni significant relationship between attitude and credit card practices.

**Conceptual Framework**



**Picture 1. Conceptual Framework**

Source : kajian teori, 2015

There are three main hypothesis those can be drawn and further examined, which are :

H<sub>1</sub>: There is an effect of Personal Financial Knowledge and Attitude on Buying Decision using Credit card simultaneously.

H<sub>2</sub>: There is an effect of Personal Financial Knowledge on Buying Decision using Credit card.

H<sub>3</sub>: There is an effect of Personal Financial Attitude on Buying Decision using Credit card.

**2. RESEARCH METHOD**

**Type of Research**

This is a quantitative type of research that aims to analyze the effect of personal financial knowledge and personal financial attitudes on buying decision using credit card.

**Place and Time of Research**

This research has conducted in Manado city from May until June 2015.

**Population and Sample**

According to Sekaran (2003:265), population is the entire group of people, events, of things of interest that the researcher wishes to investigate. In this research, number of population is undefined. According to Hair et al. (1995), number of samples is equal to 5 times the number of the questions in the questionnaire. This research consists of 2 independent variables and 1 dependent variable. Total question in questionnaire is 9 questions. So the numbers of sample must be 5 (five) times the total questions (9 questions) or equal of 45 (rounded into 50) respondents. This research has done by using purposive sampling method. This research has done by using purposive sampling method.

**Data Collection Method**

Data collection method that was used is questionnaire. Questionnaire is a way of collecting data to provide written question to be answered by the respondents, so that the researcher obtain field

data/empirical research to solve problem and to test the hypothesis that has been established (Sekaran, 2003:266).

**Measurement Research Variable**

Questions in the questionnaire made by using Likert scale, respondents will not have problems in understanding and filling out the questionnaire, and it is easy for the researcher to measure, interpreting and analyze the data.

**Data Analysis Method**

**Validity and Reliability Test**

Validity test is to analyze the validity of questionnaire. An instrument measure is valid if the instrument measure what ought to be measured. Reliability test is established by testing for both consistency and stability of the answer of questions.

**Heteroskedasticity Test**

Newbold, et al (2003:508) explains that models in which the errors do not all have the same variance are said to exhibit heteroscedasticity. When this phenomenon is present, the least square is not the most efficient procedure for estimating the coefficient of the regression model. Moreover, the usual procedure for deriving confidence interval and test of hypothesis for these coefficient are no longer valid.

**Multicollinearity Test**

Multicollinearity test is used to knowing high correlation between independent variable in multiple linear regression. High collinearity between independent variables will disturb relationship between independent and dependent variables. The simple linear regression isn't need multicollinearity test. Multicollinearity test couldn't be performed if the research use variables that had been use by prior research with same phenomena in different place.

**Multiple Regression Analysis**

Multiple linear regression analysis model is a linear relationship between two or more independent variables (X1, X2, ...Xn) with the dependent variable (Y). This analysis to determine the direction of the relationship between the independent and dependent variables related positively or negatively, and to predict the value increase or decrease.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Whereas:

- Y : Buying Decision using Credit card : Intercept
- $\beta_1, \beta_2$  : The regression coefficient of each independent variables e : Error scale
- X<sub>1</sub> : Personal Financial Knowledge
- X<sub>2</sub> : Personal Financial Attitude

**3. RESULT AND DISCUSSION**

**Validity and reliability test**

**Table 1. Validity and Test Result**

Question	R counted	R table (0.05)	Status
X1.1	0.372	0.279	Valid
X1.2	0.587	0.279	Valid
X1.3	0.780	0.279	Valid
X2.1	0.337	0.279	Valid
X2.2	0.725	0.279	Valid
X2.3	0.644	0.279	Valid
X3.1	0.438	0.279	Valid
X3.2	0.734	0.279	Valid
X3.3	0.667	0.279	Valid

Source : Data processed SPSS 21 , 2015

**Table 2. Reliable and Test Result**

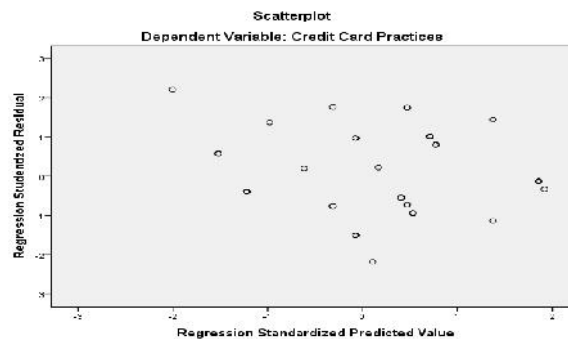
Cronbach's alpha	Status
<b>0.796</b>	Highly Reliable

Source : Data processed SPSS 21, 2015

Data above shows that the significant score for each statement is > 0.279. Can be conclude that each statements are valid. The alpha score Cronbach's for each statements > 0.6 so can be conclude also that each statement is highly reliable.

**Test of Classical Assumption**

**Heterocedasticity Test**



**Picture 2. Heterocedasticity Test**

Source : Data processed SPSS 21, 2015

Picture above is scatterplot graphics for heterokedasticity test. The picture shows that the points are spread randomly and there is no clear pattern is formed, the points are spread out below and above 0 on the Y axis. So there is no heterokedasticity identified in the regression model, and the regression model can be used to predict the decision variable.

**Multicolinearity Test**

Variable	Collinearity Statistics	
	Tolerance	VIF
<b>Personal Financial Knowledge</b>	0.926	1.080
<b>Personal Financial</b>	0.926	1.080

**Attitude**

**Table 3. Multicollinearity Test**  
Source : Data processed SPSS 21, 2015

The calculation multicollinearity through VIF and tolerance. VIF value of Personal Financial Knowledge (X1) 1.080, Personal Financial Attitude (X2) 1.080, are <10, this means that there is no connection between the independent variables.

**Normality Test One-Sample Kolmogorov-Smirnov Test**

	Unstandardized Residual
<b>N</b>	50
<b>Kolmogorov-Smirnov Z</b>	1.200
<b>Asymp. Sig. (2-tailed)</b>	.112

**Table 4. Normality Test**  
Source : Data processed SPSS 21 , 2015

Results obtained in table .4 shows significant value = 0.112. That if it is associated with decision-making basis for normality that Figures significances (Sig)> = 0.05 which means that the data is normally distributed.

**Multiple Regression Analysis.**

Model	Unstandardized Co
<b>(Constant)</b>	-0.948
<b>Personal Financial Knowledge</b>	0.687
<b>Personal Financial Attitude</b>	0.383

**Table 5. Multiple Regression Analysis**  
Source : Data processed SPSS 21 , 2015

$$Y = -0.948 + 0.687X_1 + 0.383X_2 + e$$

X1: Personal financial knowledge  
X2: Personal financial attitude

Constant (a) -0.948 shows the value of personal financial knowledge (X<sub>1</sub>) and personal financial attitude (X<sub>2</sub>) toward buying decision using credit card (Y), Means that if all independent variables are equal to zero (0) then the buying decision using credit card (Y) is predicted to be -0.948.

Then personal financial knowledge (X<sub>1</sub>) value at table shows 0.687, so if other variables are equal zero (0) the The personal financial knowledge (X<sub>1</sub>) predicted to be 0.687 or have influenced to buying decision using credit card and the way will be the same on the second independent variable, personal financial attitude (X<sub>2</sub>) who have had 0.383 as the value.

**Coefficient determination (R<sup>2</sup>)**

Model	R	R Square	Adjusted R Square
<b>1</b>	0.953	0.909	0.905

**Table 6. Coefficient determination (R<sup>2</sup>)**  
Source : Data processed SPSS 21, 2015

Table .6 shows that the value of coefficient of determination  $R^2 = 0.909$ . It means that 90.9% the buying decision using credit card (Y) can be explained by the variation in personal financial knowledge and personal financial attitude. The rest 9.1% can be explained by factors outside of the research.

**Hypothesis testing F-test and T-test**

**Table 7. F-test and t-test**

Model	F test		T test	
	F	Sig	T	Sig
<b>Constant</b>	234.929	0.000	-2.350	0.023
<b>Personal financial knowledge</b>			15.450	0.000
<b>Personal financial attitude</b>			10.414	0.000

Source : Data processed SPSS 21, 2015

The result of F test shows that  $F_{Count} > F_{Table}$  ( $234.929 > 3.186$ ). Which means Personal Financial Knowledge ( $X_1$ ) and Personal Financial Attitude ( $X_2$ ) have a simultaneous effect on buying decision using credit card (Y). Furthermore, it can be concluded that personal financial knowledge and personal financial attitude have a significant relationship on buying decision using credit card. And hypothesis  $H_{01}$  could be accepted.

The result of T test shows variable  $X_1$  which is personal financial knowledge data output  $t_{counted} = 15.450 > t_{table} = 1.676$  indicated that personal financial knowledge has a partial effect on buying decision using credit card. Which were proved that the hypothesis  $H_2$  could be accepted. Variable  $X_2$  which is personal financial attitude data output  $t_{counted} = 10.414 > t_{table} = 1.676$  indicates that personal financial attitude has a partial effect on buying decision using credit card. Which were proved that the hypothesis  $H_3$  could be accepted.

This research has been conducted to analyze how personal financial knowledge and personal financial attitude simultaneously and partially Influence buying decision using credit card in Manado.

In this research, data was collected from 50 respondents that were categorized by gender, age, education level, occupation and also income level. The data was taken from everyone who's live in Manado and must be the credit card holder.

With the multiple regression analysis method, the regression procedure has divided into 2 kind of variable. Those are 2 independent variables and 1 dependent variable. The research analyzed the influence of personal financial knowledge and personal financial attitude towards buying decision using credit card partially and simultaneously. From the analysis that has conducted by using multiple linear regression analysis, it found that both of the Independent Variables, personal financial knowledge and personal financial attitude, has positive influence to the Buying Decision using Credit Card.

This result had supported by Hogarth, Hilgert, Schuchardt (2002) theory that stated someone who is have good understanding in financial knowledge (tested by quiz) tend to undertook more positive financial management behaviors and used more financial products and services. In this case, person who have more knowledgeable tend to use financial products and services more and also have a positive behavior on financial management.



Personal experiences more influence a person to use credit cards compared with advice or experiences of others. In this study it was found that the experience and the invitation from family or friends do not make a person affected to use a credit card. Of course finance is both privacy and only ourselves that can make decisions without interference from other parties. Therefore, the level of knowledge of personal finances will be very important in deciding whether someone will use a credit card or not.

Personal financial attitude also had a significant effect in the use of credit cards. The result had supported by Lown and Ju (1992) and Godwin (1997) that stated willingness, ability and demographic have positive relation on buying decision using credit card. The willingness to buy, ability to buy and demographics of the community is an indicator that affects to use a credit card or not

Even if using a credit card will get a big profit, it would not be a reason if the items to be purchased is not important. The second indicator is the ability to buy, the results of the study found that more than half of the respondents did not agree that should still make payments with credit cards even though they have cash on the spot. This is clear because the credit card payment will be given charge or the additional fee in the amount of interest varies according to the bank credit card dealers.

The attitude of society we can see from the records demographics (gender, age, occupation, education, and income per month) from them. One statement that I use in searching for a picture of the effect of demographic indicators Manado society in general in the use of credit cards is "credit cards is something that must be owned by people who have worked". With varied types of work (I've grouped) course raises a variety of answers. Almost as much as a quarter of the total respondents answered a credit card is a must-thing for those who have worked and almost all of them are private employees. Meanwhile, almost half of respondents did not agree. This type of work does not become a yardstick for sure whether a credit card is a must-thing or not.

#### **4. CONCLUSIONS AND RECOMMENDATIONS**

##### **Conclusion**

1. There is an effect of Personal Financial Knowledge on Buying Decision using Credit Card
2. There is an effect of Personal Financial Attitude on Buying Decision using Credit Card
3. There is a simultaneous effect of Personal Financial Knowledge and Personal Financial Attitude on Buying Decision using Credit Card

##### **Recommendations**

Therefore, several recommendations given are: Someone will be interested to use a credit card if he has a positive experience with the credit card itself. Positive experiences such as awareness of its usefulness, ease of use, can be adjusted by income and other things that are persuasive. Which means before we start using financial products or services, we need to know it well, to avoid many kind of misuse or fraud. Based from result, more we know and understand about financial matter, it will be more useful and safe for us.

The results showed that most of the respondents stated willingness and ability to buy, not at all encourage them to make transactions using credit cards.

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Researcher suggest to the people who are credit card holder to use the source wisely. Savings, do invest and buy important things are kind of positive effort in financial. Stay out from consumerism.

Credit card these days are one form of technological advances. Where the credit card itself was created for the various advantages, needs, convenience and safety of users. However, on the other hand, it turns out the use of credit cards creates a negative side as some form of fraud, stacking bills and consumerism. Banks that distribute credit cards, not the responsible parties. However, researcher suggest that it would be nice if more people understand and know exactly what it credit cards is and what the positive and negative sides.

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