



Financial Literacy and Retirement Savings Ownership

The 3rd GCBME

“Creating Innovative and Sustainable Values-added Businesses in the Disruption Era”

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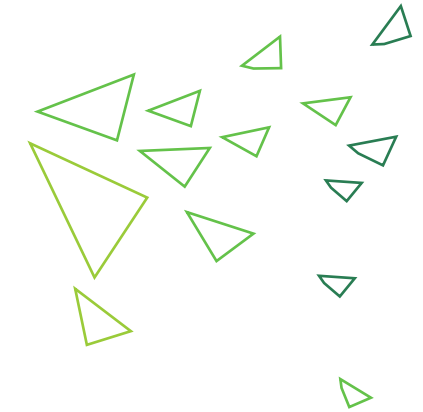
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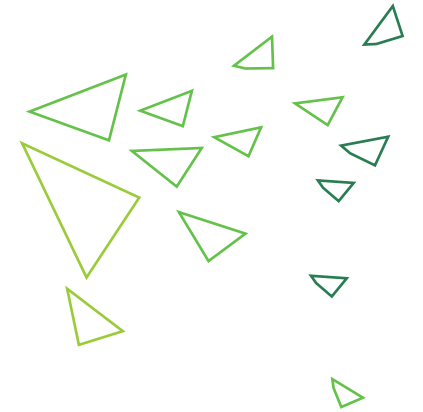




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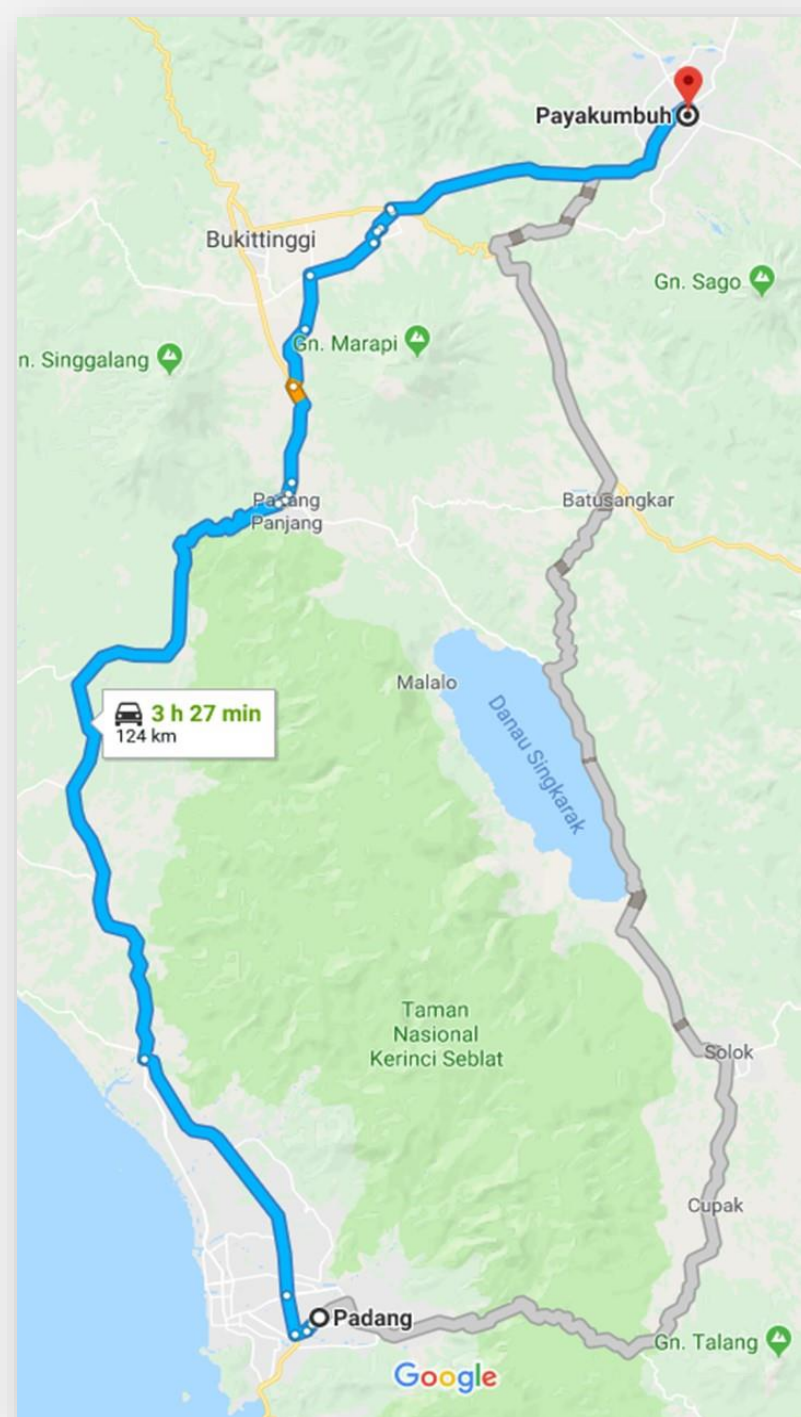
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Abstract

Financial Literacy and Retirement Savings Ownership

- This study aims to determine the relationship of financial literacy and retirement savings ownership. This study also tests whether socio-economic characteristics, such as marital status, number of children, tenure of employment, and amount of monthly income can affect a person's decision to own retirement savings for future prosperity.
- The research method is quantitative, using Spearman correlation test with the sample number of 170 employees from a state owned bank (BUMN) in Payakumbuh, West Sumatra, Indonesia. Results showed that only number of children and tenure of employment of the socio-economic characteristics that have relationship with retirement savings ownership, while marital status and amount of monthly income have no relationship with retirement savings ownership.
- Moreover, results show that financial literacy has a relationship with retirement savings ownership. Hence, improving financial knowledge, especially those directly related to retirement savings, is necessary, along with its early planning and membership, to increase penetration and density of retirement savings in Indonesia





Payakumbuh

West Sumatra
Indonesia

Introduction



Retirement Savings

Penetration in Indonesia still low

2013 1.53%

2016 4.66%



OJK Surveys

the understanding and participation of the Indonesian society to the retirement fund is still very low

1. Do not understand that life after retirement is long
2. Many of the retired communities are dependent on their children or others



Corporate Retirement

retirement savings are one of the key points offered by companies in the work environment to attract, retain, motivate, and ultimately retire their employees.

(Clark, Lusardi, Mitchel: 2017).



Other Countries

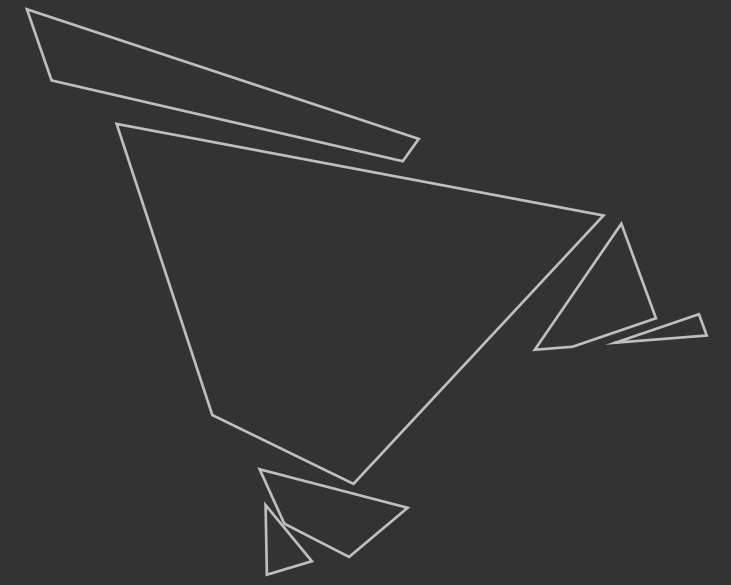
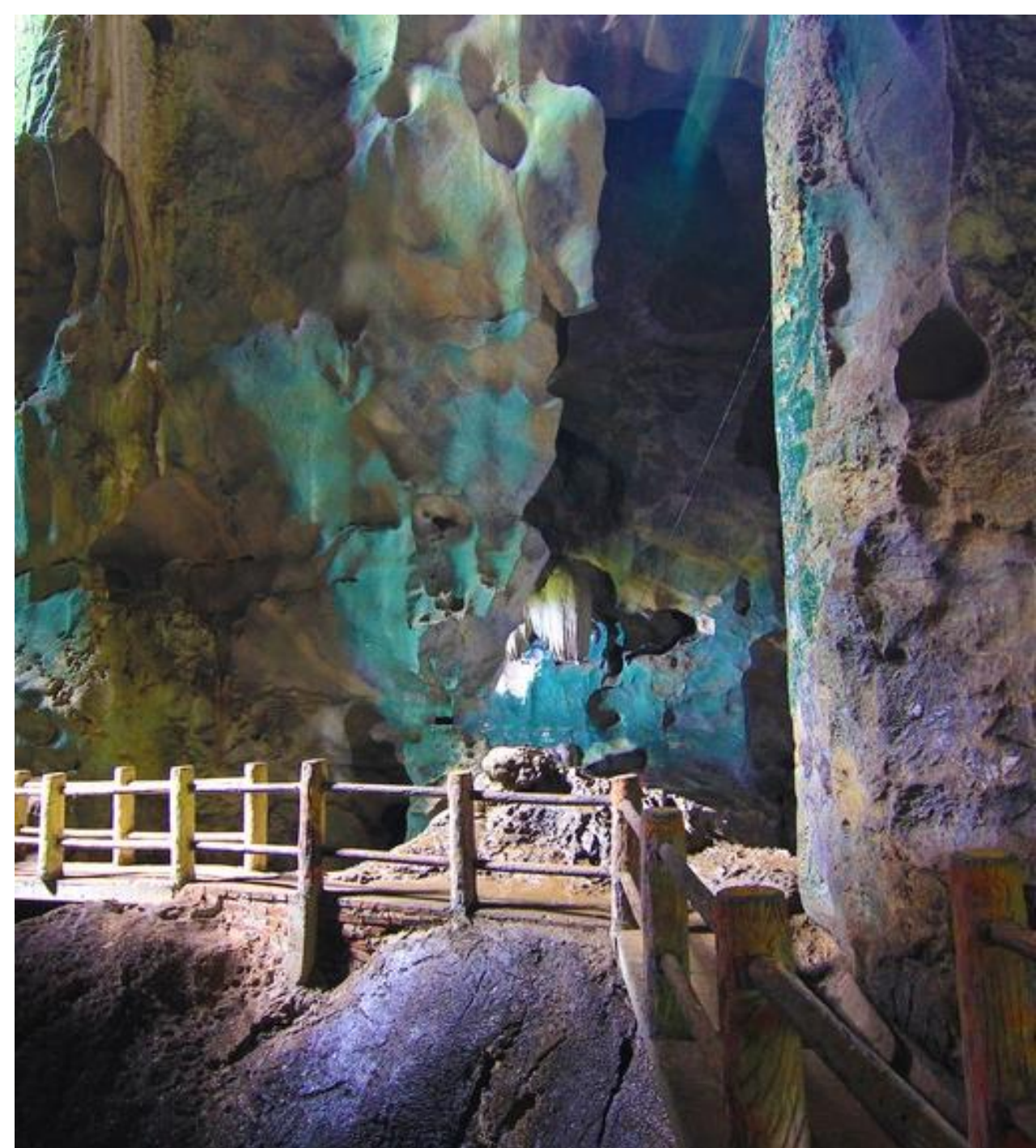
not only do individuals indicate low levels of fin' literacy, but also that low fin' knowledge can be attributed to lack of fin' planning and lack of resources in retirement period

(Lusardi and Mitchell, 2011a, 2014).



Study at State Owned Company

the aim to see the relationship between financial literacy with retirement savings ownership.



Other Research

1.2.1. Socio-economic characteristics

1.2.2. Financial Literacy

1.2.1. Socio-economic characteristics

in Several Countries

most found research related to the relationship between economic demographic characteristics with preparation pensions, where it is found empirical differences among some countries

Different Findings

Based on age demographic factors

Authors still has not found

a study that specifically examines the relationship between socio-economic characteristics with the ownership of retirement savings.



1.2.2. Financial Literacy

(Clark, Lusardi and Mitchel, 2017)

Federal Reserve employees in America found that the most financially knowledgeable employees are more likely to participate in their pension plans, contribute a higher percent of their pay, and hold more equity in their account requirements.



(Rooij, Lusardi, Ales-sie: 2011)

Findings from a Canadian study found that retirement planning is strongly associated with financial literacy. Typically, in Netherlands, most of the retirement saving decision, are beyond employees' control and the pension system is perceived as quite generous, and this might contribute to the low number of households (one in eight) claiming to have thought a lot about retirement.



Investigating the relationship between a person's fin' literacy and the ownership of the person's retirement savings

Considering the low penetration and density of pension products in Indonesia Someone who has higher financial literacy will better show a higher level of retirement savings ownership will be known from the results of this study.



1.3.The Life-cycle Hypothesis theory

The Life-cycle Hypothesis theory of Modigliani (1963)

states that the individual or household in the economy will delay consumption by making a saving. The savings will be collected until the individual / household reaches retirement age. After retirement, new individuals use their retirement savings to meet retirement needs.

The author uses the theory of Modigliani as a basis in doing this research where, whether it is realized or not, the individual will do saving activities to face his retirement.

Furthermore, whether the level of individual financial literacy has any relationship with the ownership of retirement savings will be researched in this study



1.4. Hypothesis



H1

There is a significant relationship between socio-economic characteristics and the ownership of retirement savings.



H 1.a.

There is a significant difference in Retirement Planning ownership based on marital status



H 1.b.

There is a significant difference in ownership of Retirement Planning based on the number of children



1.4. Hypothesis ..2



H 1.c.

There is a significant difference in ownership of Retirement Planning based on the tenure of employment.



H 1.d.

There is a significant difference in Retirement Planning ownership based on the amount of monthly income.



H 2.

There is a significant relationship between financial literacy and retirement savings ownership



Research Methodology

2.1. Research Approach

2.2. Sample and Data Collection



Research Approach

Text In this study, the approach used is a quantitative approach through the use of hypotheses to find the relationship between variables.



Sample

The total population was 274 people and the number of questionnaire returns was from 170 people who subsequently author set as the number of samples in this study



Data Collection

Methods of data collection is using questionnaires

all employees of one of the state-owned commercial banks (BUMN) located in Payakumbuh, West Sumatra Province, Indonesia.

Research Methodology ..2

2.3. Questionnaire Design



Part 1

(1) Section of information related to the background and socio-economic characteristics of the respondents,



Part 2

(2) The question section consists of 5 questions to determine the level of basic financial literacy of the respondents where the question standard refers to Babiarz & Robb research, 2014.



The author adjusts some questions

for ease of understanding of respondents in Indonesia and adjustment of the economic condition of the respondent without removing the original meaning of the question

Research Methodology ..3

2.4. Measurement of variables

Variable	Phenomenon
<i>Dependent Var</i>	
Retirement savings ownership	Retirement savings ownership
<i>Independent Var</i>	
Financial Literacy	Interest
	Inflation
	Bond Price
	Mortgage
	Portfolio
	Score of Financial Literacy
<i>Social Ec Characteristic</i>	
Marital Status	Marital Status Category
Number of Children	Number of Children Category
Tenure of Employment	Tenure of Emp'ment Category
Monthly Income	Monthly Income Category

Research Methodology ..4

2.5. Data analysis technique



Analysis 1

the relationship between socioeconomic characteristics with the ownership of retirement savings



Analysis 2

the relationship between financial literacy and retirement savings ownership



SPSS 2.0

using Spearman correlation test is using SPSS 20 statistical tool.

RESULTS AND DISCUSSION

From statistic test result related to socioeconomic characteristic relationship to retirement savings ownership

Correlation

- Significant
 - number of children
 - tenure of employment
 - financial literacy
- Not Significant
 - marital status
 - the amount of monthly income.

Discussion

- It can be said that there are still incomplete programs to improve the financial literacy of Indonesian society.
- In addition, it should be noted also the cultural community who make pension fund preparation by using traditional instruments

Future Research

- It is very interesting to do the development of a vibrant society culture perform traditional ways of preparing for retirement.
- Using qualitative research methods with the intent to find more in depth



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Thank You