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Financial Literacy Impact Analysis for The Banking Customer Moral Hazard with Socio-Demography Characteristic as a Moderation Variable

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Abstract - **This research aims to know the financial literacy impacts for the banking customer moral hazard and socio-demography characteristic impact in to strengthen that relation. The sample using is the purposive sampling technique with the non-civil servant customer getting the productive credit from bank in Kabupaten Kerinci and Kota Sungai Penuh. Data in this research is primary data that is the questioner response from informant. Data analysis using is PLS-SEM with validation test, reliability and t-test. The t-test result shows the financial literacy impacts for moral hazard is not significant and socio-demography characteristic impact in to strengthen that relation is not significant, as well.**

Keywords - **The Financial Literacy, Moral Hazard, Socio-Demography Characteristic.**

I. INTRODUCTION

Moral hazard is often a problem occurred in the current economy. Dowd (2008) explained that moral hazard is frequently occurred on the banking industries having the significant roles in economy. Moral hazard impact on the banking industries has been researched by the last researches such as Ngalawaa, Tcana, and Veigi (2007), Gramstad (2014), Boyd (2013) and Ibrahim Ragimun (2014). Moral hazard is a negative behavior getting to harm some people for collective and personal benefits. It's because there is the asymmetry information between a principle and agent. It could be occurred because customers more understand with their financial conditions, while bank realized the limited condition of customers base on the submitted proposal. Moral hazard is a nothing serious form from agent in to obey the contract.

Banking industries have an important role to keep and increase the economy of people so that needed a more attention for a bank health rate in order to give some benefit to the people (www.ojk.go.id). Credit has a significant role for financing the people economy and is a drive of the people economy growth. Asymmetry information between a principle and agent is one of the factors to decrease the decision making quality for a supplier's credit. Less information is often gotten by bank such as the customer financial report which has not audited independently, financial condition is not the real condition, the proposal credit for business has a the high risk and credit is not used to the right requirement with a submitted proposal. It is a moral hazard which has been done by customers or prospective customers and it could be misleading the decision making for a supplier's credit.

Disney and Gathergood (2011) explained that financial literacy with credit and described that illiterate family financially had a less property, used the high cost credit, reported routinely their credit arrears or they have a difficult to pay their debts. Base on the interview with productive credit division in Kabupaten Kerinci and Kota Sungai Penuh that is Bank 9 Jambi, Mandiri and BRI on 16,17 and 18 May 2018 is saying that customers have a low education and less knowledge about the financial tend to report their income more than their real income to get credit, so they have a difficulty when paying their credit arrears and often avoiding it.

In circular letter financial services authority (OJK) No /SEOJK.07/2017 managed the implementation for financial literacy in the customer financial services sector. It's done as implementation from a regulation of financial services authority no 76/POJK.07/2016 about literacy increasing and financial inclusion the customer financial services sector. The implementation of increasing financial literacy activities for consumer expected will be increasing the knowledge, skill and faith affecting an attitude and behavior to increase the decision making quality and financial management to reach the welfare.

Financial literacy gives some big benefit for the financial services sector. Financial institutions and the society need each other so, the more high the financial literacy rate the many people will be using the financial goods and services. That thing will be decreasing possibility of the failed credit harming the financial services actors caused by incomprehension financial service user.

Education rate, gender, age, and income will make a different someone perspective then the decision making quality will be different, as well. The aim research is verifying the financial literacy impact analysis for the banking customer moral hazard with socio-demography characteristic as a moderation variable so bank will be considering a supplier credit with the good decision quality. That thing expected will decrease the credit problems in order to the economy in bank area coverage will increase. This research result expected could give some contribution for bank to identify the moral hazard problems, in order to the aim organization could be reaching for the economy welfare in that bank area coverage.

II. Literature Review And Hypothesis

1. Moral Hazard

Moral hazard is the stakeholder behavior both bank such as stockholder, management and customer creating an incentive to do the fraud from the business ethic and legal for group or personal benefits (Silva and Yoshitomi, 2001). Dowd (2008) identified that moral hazard is a condition where one side has a responsibility for the benefit to another side. Krugman (1999) explained that moral hazard used to explain several borrower behavior and bank is brave to take a high risk during a crisis monetary in Southeast Asia on1997-1998.

2. Financial Literacy

Financial literacy theory appeared after getting perspective from several theories such as economy, psychology, sociology, and management to explain the personal financial behaviors (sabana, 2014). Shon et al. (2012) described that financial literacy referring to knowledge and skill needed to handle the financial problems and making decision. Financial services authority (OJK) defined financial literacy as a knowledge, skill, and faith to affecting an attitude and behavior to increase the decision making quality and financial management to reach the welfare.

3. Socio-Demography Characteristic

Socio-demography characteristic is a characteristic describing a society differentiation base on an age, gender, education, job, religion, race, income, status, marriage, geography, social status. Robb and Sharpe (2009) demography factor is a characteristic, attitude and behavior sciences and affected by gender, age and education rate.

4. Hypothesis Development

A. Financial Literacy and Moral Hazard.

Sabana (2014) stated that several behavior theories have been used in the financial literacy and financial behavior study. Several researches have related between the financial literacy and financial behavior (Hilgret et al., 2003; Lusardi, 2008; Borden et al., 2008; French and McKiliop, 2016. Hilgret et al., (2003) created a financial practice index base on the own self prospering behavior in the cash flow management, credit management, savings, investment practice, then setting on there is a positive correlation between the financial literacy score and the financial practice index score so confirming that financial science related with a financial practice.

The relation between science and moral has been explained in axiology theory. Sumantri (1996) stated that axiology is value theory related with the functions of knowledge. Nuzullah, Yadri, Fitria (2015) explained that science must have adjusted with culture and moral so we get an advantage from the science functions. Financial literacy is a financial knowledge and skill expected that will be used with a moral value and financial transactions, if financial literacy is more increasing so moral hazard is decreasing. The relation between financial literacy and moral hazard has been explained in Borden et al (2008). That research identified that financial education seminar effectively increasing the financial knowledge, increasing a responsibility, and decreasing to avoid the credit arrears, we got a hypothesis is following:

H_1: financial literacy has a negative affected to moral hazard.

B. Financial Literacy, Socio-Demography Characteristic, And Moral Hazard

Several researches have been explained socio-demography characteristic variable in their research. Killiani and Sivaraman (2006) found that socio-demography characteristic such as gender, marriage status, age, religion, education, job, study discipline, income, parents education and job, has affected financial literacy. The last research has related between socio-demography characteristic and ethics. Swaidan, Cloninger and Nica (2006) found that oldest consume, has a high education, female, and got married has been more sensitive for the ethic activities than the young consume, has a low education, male, and single. Woodyard and robb (2011) found that socio-demography characteristic such as education, age, race, ethnic has a significant affected to a bad attitude. Cumming et al, (2013) formulated the theory of gender diversity impact for a securities fraud. Base on the ethic, gender diversity is as a significant moderation variable to a fraud frequency.

The science ethic is what a good or bad and about the rights and obligations (moral). Moral is the act which is being judge it's a good or bad. Moral hazard is the bad act caused the one side act harming another side. This research used socio-demography characteristic variable as a moderation variable to strengthen the financial literacy variable for moral hazard. Socio-demography characteristic such as marriage status, age, and education could make financial literacy more strength so it will be decreasing moral hazard. We got a hypothesis is following:

H_2: socio-demography characteristic strengthening the financial literacy impact for moral hazard.

III. Methodology

There are three variables in this research that are financial literacy as an independent variable, socio-demography characteristic as moderation variable and moral hazard as dependent variable. Collecting data in this research is using questioner and processed through Smart PLS 3.0 application. The research population is customer bank who getting a productive credit in Kabupaten Kerinci and Kota Sungai Penuh. Sample in this research got through purposive sampling with the following criteria:

1. Customers get a productive credit from bank in Kabupaten Kerinci and Kota Sungai Penuh and are active in five last years.
2. Customers are non-civil servant.

IV. Discussion And Analysis

Respondents in this research are customers getting a productive credit, non-civil servant in BRI, BNI, Mandiri, and Bank 9 Jambi Kabupaten Kerinci and Kota Sungai Penuh.

Table 1. Respondent Characteristic

No	Characteristic		Percentage (%)
1	Gender		
		Male	38.5
		Female	61.5
		Total	100
2	Age		
		< 20 Years	0.0
		20-40 Years	71.8
		>40 Years	28.2
		Total	100
3	Marriage status		
		Single	12.8
		Married	69.2
		Other	17.9
		Total	100
4	Education rate		
		<Undergraduate	10.3
		Associate Degree Diploma (D1,D2,D3)	15.4
		Bachelor Degree (S1)	66.7
		≥ Master Degree (S2)	7.7
		Total	100
5	Income		
		<5.000.000	53.8
		5.000.000 – 10.000.000	28.2
		>10.000.000	17.9
		Total	100

Diagram 1. Path Way Diagram Development.

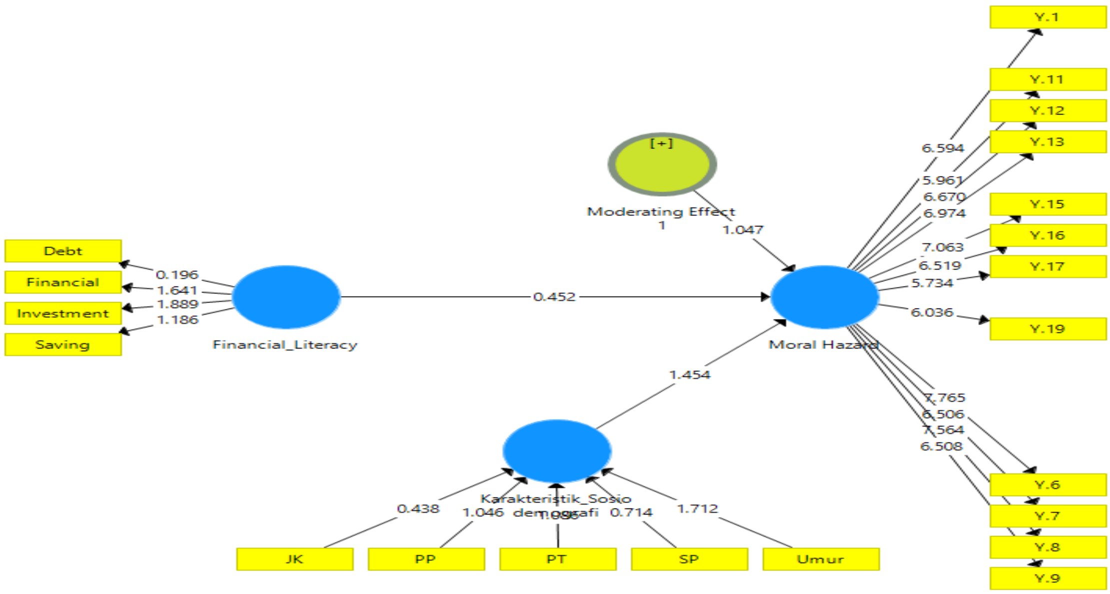

Table 2. Hypothesis Test Result

Exogenous	Endogenous	Original Sample (O)	T *Statistics* (|O/STERR|)	P-Values
Financial literacy	***Moral hazard***	-0.118	0.452	0.651
Socio-Demography Characteristic	***Moral hazard***	0.565	1.454	0.147
Moderating Effect 1	***Moral hazard***	0.200	1.047	0.295

Base on the test result table 2, we could be known that T-statistics has a taking effect between financial literacy and moral hazard as much as 0.452. Test result is showing T-statistics < 1.645 that's mean financial literacy has not a significant impact for moral hazard. So that hypothesis 1: financial literacy has a negative affected to moral hazard, so it's not proven.

Base on the test result table 2, we could be known that T-statistics has a taking effect between socio-demography characteristic and moral hazard as much as 1.454. Test result is showing T-statistics < 1.645 that's mean socio-demography characteristic has not a significant impact for moral hazard. Then there is an impact between moderating effect 1 for moral hazard showing on T-statistics as much as 1.047. The result is showing T-statistics < 1.645. That's mean there is no significant impact between moderating effect 1 for moral hazard caused moderation variable has a nothing significant score, while moderating effect 1 has a nothing significant score, as well. So we're saying that socio-demography characteristic variable included on the homologist moderator type that's mean socio-demography characteristic variable is potentially to be moderation variable. Therefore, hypothesis 2 is not proven.

Base on the questioner response in this research about socio-demography characteristic the customers getting a productive credit could be known that most of the respondent are female (61.5%), in an age range 20-40 years (71.8%), got married (69.2%), bachelor degree (66.7%) and income less Rp. 5.000.000,- (53.8%). While the financial literacy respondent rate in this research based on the each dimension perception financial management, savings literacy, debt literacy, investment literacy are 3.96, 4.18, 3.81 and 4.04. Base on that result could be known that financial literacy has the average 3 from scale likert 1-5, it proves that respondents have the good financial literacy.

The reaction average of respondents for the moral hazard variable is 2.37. the moral hazard variable has a scale likert 5-1 that's mean the more high a respondents perception, so the more low a moral hazard. Base on the result, moral hazard has the average under 3 it proves that the moral hazard respondents have pretty high however hasn't been reaching scale 1.

The result is not finding the negative impact to financial literacy for moral hazard and socio-demography characteristic in to strengthen that relations. It's guessing occurred because the respondent varieties that's not equal. More than 50% respondents are female in an age range 20-40 years, got married, bachelor degree and income less Rp. 5.000.000,- while more less 50% another characteristic. Beside it, seem from the respondent perception average about moral hazard and financial literacy is approach the neutral score. Therefore, we give a suggestion for the next research to find a various sample, because in this research is not found the variables impact.

V. Conclusion

1. Financial literacy has a negative affected to moral hazard, so hypothesis 1 is not proven.
2. Socio-demography characteristic moderation variable and moderating effect 1 variable have not a significant impact for moral hazard variable, so we could say that Socio-demography characteristic included on the homologist moderator type that's mean socio-demography characteristic variable is potentially to be moderation variable affecting the exogenous and endogenous variable strength. So, hypothesis 2: socio-demography characteristic strengthening the financial literacy impact for moral hazard, it's not proven.

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