

THE INFLUENCE OF FINANCIAL LITERACY AND PERSONALITY TRAITS ON RETIREMENT PLANNING STRATEGIES AMONG FULL-TIME EMPLOYEES OF INDONESIA**Rian Ashari, Fendi, May Goverish, Silvia Sri Mustika**

Universitas Prasetiya Mulya, Indonesia

Email: rian.ashari@ymail.com, fendicaleb85@gmail.com,may.goverish@hchubindonesia.co.id, mustikasilvia1002@gmail.com**Abstract**

The purpose of this paper is to examine the impact of financial literacy and Personality traits on retirement planning strategy among full-time employee in Indonesia. This study applies a quantitative approach and the data were collected through online survey and compose of 358 respondents of full-time employess in Indonesia. The study reveals that age, income, and openness significantly related to pursuing active planning retirement strategy. Financial knowledge and behavior do not significantly affect the intention to pursue any retirement planning strategy. We expect this study to contribute into significant implication for Government, financial practitioners advisor, financial services authority (OJK) & Banking regulations include an individual worker. Earlier research on retirement planning focused on financial characteristics of the individual separately from the individual's subjective norms (age, income, dependents, personality traits). This study combine those factors and see how each factor influences the final retirement planning strategies.

Keywords: Retirement planning strategy, personality traits, Financial literacy**INTRODUCTION**

In today's society, preparing for retirement has become increasingly important due to factors such as longer life expectancy and changing economic landscapes. However, retirement planning is often neglected or put off by many individuals, particularly in developing economies like Indonesia (Moreno-Herrero et al., 2017).

The conditions of Indonesia's ratio of saving pension fund to GDP, is about 5.4%, a tenth of Malaysia which is having similar demographics (productive age population declining). Indonesia's saving pension situation is similar to India. However, India productive age population is still growing (Niu & Zhou, 2018).

This study explores the impact of financial literacy and personality traits on the retirement planning behavior of full-time employees in Indonesia, with the aim of designing interventions to improve workers' preparedness for retirement (Widjaja et al., 2020).

Financial literacy and personality traits have a significant impact on Planning behavior and retirement planning (Larisa et al., 2020). Previous studies have shown that personality traits play a crucial role in shaping individuals' financial behaviors and decision-making processes (Popovici, 2012). For example, individuals with high levels of conscientiousness and self-control tend to be more disciplined in Planning and planning for the future, while those with low levels of conscientiousness and impulsiveness may have difficulties in

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following through with Planning plans. Additionally, financial literacy is essential in helping individuals understand basic financial concepts, make informed decisions about Planning and investing (Hasler & Lusardi, 2017; Lusardi & Mitchell, 2007), and navigate the complex world of retirement planning. this study aims to provide insights into effective strategies for promoting retirement planning among full time workers in Indonesia.

The study also takes into account the unique context of full-time employees in Indonesia, as the country faces specific challenges when it comes to retirement planning (Larisa et al., 2020). For example, Indonesia has a relatively low level of financial literacy compared to other countries in the Asia-Pacific region (Larisa et al., 2020; Pak & Mahmood, 2015). This limited understanding of financial concepts, combined with the insufficient focus on preparing for retirement within the society, may impede individuals' capacity to save effectively for their future. The results of this research will contribute to the current body of knowledge on retirement planning and offer valuable perspectives for policymakers, employers, and organizations dedicated to promoting financial literacy and retirement planning in Indonesia. Ultimately, by examining how financial literacy and personality traits impact full-time employees' Planning habits towards retirement in Indonesia, this study seeks to guide interventions and initiatives that empower individuals to make informed financial choices, enhance their financial acumen, and plan adequately for their retirement. In summary, both financial literacy and personality traits play a significant role in influencing Planning behavior and retirement planning among full-time employees in Indonesia

RESEARCH METHOD

The work analyzes 358 observations from the full-time employees of Indonesia. More than 95% of the sample are adults between 24-59 years old. Indonesian most populated island, Java, are represented by 79.6% of observations. Other highly populated islands, such as Sumatra and Bali, represented by 10.1% of observations. The remainder represents Kalimantan and eastern islands.

The questionnaire was used to measure constructs used in this research framework, and the instrument was adopted using validated measures from previous studies (Ghozali, 2016). Independent variables also include the three components of financial literacy: financial knowledge (FK), financial attitude (FA) and financial behavior (FB). For each, binary variables were set based on a battery of questions we adopted 14 items from the study of Osvaldo Garcia Mata (2021) for financial perceived and financial attitude, 19 items from the study of Muskan and Ritu (2022) for personality traits; Neuroticism (NR), Extraversion (EX); Openness (OP), Agreeableness (AG) and Conscientiousness (CO).

The works of Grigion Potrich et al., 2015; Klapper et al., (2015) and Chen and Volpe (1998) motivated the establishment of thresholds for financial knowledge, high financial attitude and high financial behavior. Potrich et al. (2015) called high financial knowledge to those getting at least 10 out of 13 points in a battery of questions applied in Brazil.

From the total number of individuals, 358 answered:

Yes or no, in at least one of the questions regarding how they intend to finance their retirement (Hidayat, 2015). These questions define the person's intention toward different strategies: private pension plan (DPLK), renting or selling properties, investing in financial assets (stocks, bonds), government pension plan or BPJS, or relying on family or friends.

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- a. Yes or no, in the the questions regarding their financial knowledge (7 questions), behavior (5 questions), and attitude (2 questions). The individual gets 1 on financial knowledge for answering 6 questions (out of 7) or more correctly. Each gets 1 on financial behavior for answering “yes” on 4 questions (out of 5). Each gets 1 on financial attitude for answering “yes” on 2 questions (out of 2).
- b. 5 points likert scale on questions regarding neuroticism (7 questions), extraversion (4 questions), openness (5 questions), agreeableness (3 questions), and conscientiousness (3 questions).

For analyzing the effects determinants factors over planning for retirement, binary logistics regression model for each strategy was put to the test.

RESULT AND DISCUSION

The sample analyzed includes 358 observations corresponding to Indonesian full-time employees with majority of age between 24 to 47 (91.1% of sample). As shown in the following table, majority of them have high score in financial characteristics (75% for each of literacy, behavior, and attitude). Concerning personality traits, majority of the respondents have high scores in extraversion and conscientiousness (>50% for each).

Table 1 Descriptive Statistics

Variable	Total	
	N	%
<i>Retirement Planning Strategies</i>		
Private pension fund (DPLK)	257	71.8
Property	304	84.9
Financial assets (stocks, bonds, etc)	236	65.9
Civil Servant Pension or BPJS	313	87.4
Family or friends	68	19
No strategy	2	0.56
<i>Financial Characteristics</i>		
Financial knowledge (high score)	274	76.5
Financial behavior (high score)	279	77.9
Financial attitude (high score)	275	76.8
<i>Subjective Norms</i>		
Age		
18-23	3	0.84
24-39	155	43.3
40-47	168	46.9
48-59	30	8.38
>60	2	0.56
Dependents		
0	50	14
1-3	248	69.3
>=4	60	16.8
Income (millions IDR/month)		
<5	20	5.6
5-<10	87	24.3

Variable	Total	
	N	%
10-<20	91	25.4
20-<30	40	11.2
>30	120	33.5
<i>Personality Traits</i>		
Neuroticism (high score)	8	2.2
Extraversion (high score)	197	55
Openness (high score)	94	26.3
Agreeableness (high score)	83	23.2
Conscientiousness (high score)	210	58.7

Indonesian full-time employees have differences concerning financing their retirement: 71.8% consider relying on private pension fund (DPLK), 84.9 relying on property, 65.9 relying on financial assets, 87.4% relying on civil servant pension plan or BPJS, and 19% relying on family or friends. Only 0.56% have no strategy yet to finance their retirement.

We consider private pension fund (DPLK), property, and financial assets as active retirement planning. They are not mandated by the government and in the case of property and financial assets, they require initiative from the individual.

Table 2 Determinants of Active Retirement Planning

Strategies/Variables	Private Pension		Property		Financial Assets	
	Beta	p	Beta	p	Beta	p
Financial knowledge (high score)	0.469		-0.145		0.072	
Financial behavior (high score)	-0.221		-0.837**		-0.571	*
Financial attitude (high score)	0.215		0.04		0.003	
Age	-0.106		-0.171		-0.788	***
Dependents	0.045		0.482		-0.422	*
Income (millions IDR/month)	0.221	**	0.03		0.678	***
<i>Personality Traits</i>						
Neuroticism (high score)	0.219		0.045		-0.008	
Extraversion (high score)	0.137		0.092		-0.15	
Openness (high score)	0.208		-0.168		0.686	***
Agreeableness (high score)	0.038		-0.111		-0.017	
Conscientiousness (high score)	0.361	*	0.491	*	-0.067	

Income and openness significantly and positively related to considering financial assets for retirement ($p < 0.01$). Age significantly and negatively related to considering financial assets for retirement ($p < 0.01$).

Income somewhat and positively related to considering private pension plan (DPLK) for retirement ($p < 0.05$).

Financial behavior somewhat and negatively related to considering property for retirement ($p < 0.05$).

We consider government pension plan or BPJS, and relying on family or friends for retirement fund as passive retirement planning. They don't require any initiative from the individual. Government pension plan or BPJS are mandated and taken from the monthly salary automatically without any interference from the individual.

Table 3 Determinants of Passive Retirement Planning

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Strategies/Variables	Govt. Pension or BPJS		Family or Friends	
	Beta	p	Beta	p
Financial knowledge (high score)	0.364		0.115	
Financial behavior (high score)	-0.272		-0.439	
Financial attitude (high score)	-0.007		0.784	**
Age	0.626	**	-0.195	
Dependents	0.035		-0.99	
Income (millions IDR/month)	-0.35	**	-0.231	*
<i>Personality Traits</i>				
Neuroticism (high score)	0.528	*	0.272	
Extraversion (high score)	-0.001		0.012	
Openness (high score)	-0.215		0.229	
Agreeableness (high score)	-0.067		0.138	
Conscientiousness (high score)	0.35		0.23	

Age somewhat and positively related to considering government pension plan or BPJS for retirement ($p < 0.05$).

Financial attitude somewhat and positively related to considering relying on family or friends for retirement ($p < 0.05$).

The influence of income to active retirement planning can be approached by the fact that Indonesia has a relatively low income when compared to other countries. According to IMF, when adjusted to purchasing power parity (PPP), in 2024 Indonesia rank 97 out of 192 countries in GDP/capita. Its GDP (PPP)/capita is 28% lower than world's average. In such situation, Indonesian workers income will be used much to accommodate living cost with little left for retirement savings. The finding that income also somewhat significantly and positively related other active strategy such as private pension plan (DPLK) supports this idea. Thus, the higher the individual income the more likely that person has the ability to pursue active retirement planning such as investing in financial assets (Rendall et al., 2021).

Investing in financial assets such as stocks requiring the individual to be open to assets that are not directly and physically accessible like property. The conventional wisdom among Indonesian older generation is to buy property or gold, where the risk of depreciation is low, and then let the time appreciate those assets. Investment in stocks requires higher acceptance of risk (Sachdeva & Lehal, 2023). Therefore it is sensible that openness is related to the pursuing financial assets as a retirement planning strategy.

The influence of age can be seen as complementary between active and passive retirement planning strategies. Age significantly and negatively related to active retirement planning such as financial assets (Wang et al., 2021). It is somewhat significant ($p < 0.05$) and positively related to passive retirement planning strategies such as government pension or BPJS and relying on family/friends for retirement funding. Younger generations are most likely more open to risky assets than the older generations. In such situation, older generations would prefer less risky plan of retirement funding such as government pension or BPJS.

Financial behavior somewhat and negatively related to considering property for retirement ($p < 0.05$). The financial behavior aspect in this study is structured to represent discipline of the respondents in managing money (keeping a budget, setting financial goals, spending within limits). Respondents with high score in financial behavior can be considered prudent in managing their money. Property is a type of asset that is stable and thus suitable for prudent respondents. However, as the increase of Indonesian workers' wages has not been keeping up with the increase of property prices, it's difficult for them to buy a second

property as an investment to be sold or rented in the future. It is more affordable to accumulate other assets (stocks, bonds) with small monthly payments.

Financial attitude somewhat and positively related to considering relying on family or friends for retirement ($p < 0.05$). The financial attitude aspect in this study is structured to represent preference between spending and saving, and whether the respondents are considerate when buying things. High score in financial attitude represents preference for spending but considerate when buying things. This attitude is likely to represent people who has relatively low incomes. They have no disposable incomes (thus likely only to spend for the basic necessities) and consequently very considerate when buying things. As there is no disposable incomes, they nothing to save or invest for retirement. It is understandable that they are considering relying on family or friends for retirement.

CONCLUSION

This paper investigates the influence of financial literacy and personality traits on retirement planning strategies among full-time employees in Indonesia. This study uses quantitative approaches by collecting data from 358 respondents through online surveys. Survey results show that age, income and openness significantly related to active retirement planning strategies. On the other hand, financial knowledge and attitude do not have significant influence to any retirement planning strategies.

These findings give practical implications to governments, financial practitioners, and Financial Services Authority of Indonesia (OJK), to develop financial literacy and retirement planning knowledge among full-time employees. This study combines factors such as age, income, dependents, and personality traits in analyzing retirement planning strategies, which were previously studied separately.

Overall, this study emphasizes that financial literacy and personality traits play important roles in determining the retirement planning strategies among full-time employees in Indonesia. This study is expected to give additional insights to policy makers and organizations dedicated to promote financial literacy and retirement planning in Indonesia

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