

The Influence Of Financial Literacy And Future Orientation On Pension Fund Planning Employee Human Capital PT. Bank X

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Abstract. *This research aims to determine the influence of financial literacy and future orientation on pension fund planning. This research method used in this study is a quantitative research method with descriptive and verificative research types. The collected data is primary data obtained from the direct distribution of questionnaires to respondents. The population in this study is Human Capital Employee PT Bank X with a sample of 256. The results of the data analysis indicate that financial literacy and future orientation have an impact on pension fund planning, simultaneously and partially. So, the better the financial literacy and future orientation will increase the pension fund planning itself. Suggestions that researchers can give are by improving the financial literacy program, more detailed information on retirement fund planning options to employees, and promoting a positive future orientation.*

Keywords: *Financial Literacy, Future Orientation, Pension Fund Planning*

INTRODUCTION

The management of pension funds is one crucial aspect of an individual's financial life. Retirement represents a stage in life where one ceases active work and relies on savings or pension programs to meet daily needs. For individuals of all ages, money is a vital element enabling them to fulfill basic needs and sustain life. The significance of money management lies in ensuring a good quality of life during retirement.

According to Biya and Suarya (2016), individuals go through various stages when entering retirement, including career development, career determination, career stabilization, career building, and career decline. Upon reaching the retirement stage, individuals may face different attitudes, such as acceptance, reluctant acceptance, or rejection of retirement. Some individuals might reject retirement due to concerns about income sustainability, social roles, power, or their self-esteem.

Currently, retirement programs have become tools to help individuals prepare for their retirement. In Indonesia, there are pension programs like the Defined Benefit Pension Program (PPMP) and the Defined Contribution Pension Program (PPIP). However, research from the Financial Services Authority (OJK) indicates that only a small portion of the population has prepared for their pension funds, with only about 3% of Indonesians having pension fund plans by the end of 2020.

According to Rahman (2018), many people hold negative views about retirement, perceiving it as a time when physical conditions decline, and they may feel undervalued or no longer needed. This is a significant issue, especially considering the increasing life expectancy, meaning individuals will spend more time in retirement.

In this context, financial literacy and future orientation play a crucial role in retirement fund planning. Financial literacy encompasses the knowledge, skills, attitudes, and behaviors needed to make sound financial decisions. Conversely, future orientation refers to how much an individual thinks about the future and has plans for it.

Given the complexity of retirement fund planning, further research is needed to understand how financial literacy and future orientation influence individual retirement fund planning. This issue becomes more critical as a significant portion of Human Capital employees at PT Bank X will enter retirement in the coming years. Therefore, their understanding of financial literacy and future orientation can affect the extent to which they can prepare for their retirement. Before delving into the main research, the author conducted a pre-research study to understand the level of financial literacy, future orientation, and retirement fund planning among Human Capital employees at PT Bank X.

In this pre-research, by distributing questionnaires to 20 Human Capital employees at PT Bank X, it was found that most respondents were already aware of the importance of retirement fund planning. They were saving, setting aside money, and had pension fund products or insurance. Most also had a good understanding of financial literacy and future orientation, as well as plans for their retirement.

However, further research is needed to identify the influence of financial literacy and future orientation on retirement fund planning and to understand if there are other factors that can affect retirement fund planning. Based on the observed phenomena and empirical data in the field, the researcher is interested in conducting a study with the title "The Influence of Financial Literacy and Future Orientation on Retirement Fund Planning for Human Capital Employees at PT Bank X."

LITERATURE REVIEW

The definition of financial literacy according to Świecka (2019) states that financial literacy is the knowledge and understanding of individuals about financial concepts, financial products, and the ability to apply this knowledge in financial decision-making. Individuals who are financially literate can manage their finances more effectively, make plans for daily expenses, emergency funds, children's education, and retirement (Goyal & Kumar, 2020).

Financial literacy includes understanding financial concepts such as inflation, diversification, and creditworthiness, as well as the mathematical skills required to make wise financial decisions (Awais et al., 2016).

The Financial Services Authority (2019) research identifies several factors influencing the level of financial literacy, including gender, education level, and income. Financial literacy is defined as the level of knowledge and the ability to apply this knowledge to improve financial status. There are four levels of financial literacy in Indonesia, namely Well Literate (21.84%), Sufficient Literate (75.69%), Less Literate (2.06%), and Not Literate (0.41%).

According to Świecka (2019), the dimensions of financial literacy are divided into four as follows, (1) Financial Knowledge, involves understanding the basics of finance, financial management, credit, savings, investments, and insurance; (2) Financial Skills, refer to the ability to apply financial knowledge in financial decision-making; (3) Financial Behavior, involves actions that impact an individual's financial condition, such as budgeting, thinking before purchasing, paying obligations on time, saving, and borrowing; (4) Financial Attitude, reflects an individual's views on money and future planning.

According to Moorthy et al., (2012), future orientation refers to an individual's views on the future and their goals in achieving success and facing potential problems. Individuals with a positive future orientation tend to plan better for future financial goals, such as retirement planning (Howlett et al., 2008). Factors influencing future orientation include optimism, opportunities, identity, and self-efficacy (Beal, 2011). (1) Optimism, reflects an individual's belief in positive experiences in the future; (2) Opportunities, have the potential to influence an individual's views on the future and motivation for long-term financial planning. (3) Identity and Self-efficacy, play a role in shaping individuals' self-understanding and confidence in their abilities, which can affect decision-making and retirement planning.

Moorthy et al., (2012) state that there are four dimensions used to measure future orientation, (1) Desire for a Prosperous Retirement, (2), Perspective on the Future, (3) Efforts Made for the Future, (4) Information about the Future.

Retirement fund planning, according to Moorthy et al., (2012), includes long-term financial planning behavior. Retirement planning is a significant long-term investment that has a major impact on the quality of life in retirement (Yeh, 2022). To measure an individual's retirement fund planning, four dimensions can be used according to Moorthy et al., (2012), (1) Retirement Savings, (2), Retirement Products, (3) Preparation for Retirement, (4) Well-being in Retirement.

RESEARCH METHOD(S)

Data Collection

a. Literature Review

Literature review is a method of data collection by seeking information needed by the researcher through documents, literature studies derived from books or scientific journals, and company websites.

b. Questionnaire

The data collection method involves formulating questions for the research respondents. The assessment scale is more useful when using the Likert scale (Hardani, 2020). This research utilizes closed-ended questions with predetermined answers.

c. Informal Interviews

The researcher conducted informal interviews, involving a question-and-answer session regarding the data under study with some respondents who had filled out the research questionnaire. The results of these interviews will be used by the researcher as supporting data for the study.

Before distributing the questionnaire, the researcher conducted a questionnaire test with the validity test and reliability test. Then, the data analysis encompassed classical assumption includes normality test, multicollinearity test, heteroscedasticity test, autocorrelation test, multiple linear regression analysis, hypothesis testing (F-test & t-test), coefficient of determination.

FINDINGS AND DISCUSSION

Financial literacy and future orientation, each with four dimensions, yield different scores for each dimension. This study was conducted with 256 respondents, who are employees of Human Capital PT Bank X, using a research instrument in the form of a questionnaire to determine and assess whether financial literacy and future orientation have an influence on retirement fund planning. Various tests and data analyses were conducted using SPSS 25.0.

The research begins with the characteristics of the obtained respondents, aiming to gather demographic data about the employees. The dominant characteristics include male gender, age 25-30 years, married status, network & retail banking group, senior manager position, and income range.

Based on the analysis conducted, the research indicates that financial literacy has a strong influence on retirement fund planning with a significance value of 0.000. This suggests that a higher understanding of the four basic concepts of financial literacy—financial

knowledge, financial skills, financial behavior, and financial attitude—among PT Bank X's Human Capital employees can enhance planning for retirement funds. The research reveals that the financial literacy level of PT Bank X's employees scores 89%, categorized as excellent, and retirement fund planning scores 76%, categorized as good.

Employees of Human Capital PT Bank X exhibit excellent understanding of basic financial literacy concepts, particularly in the aspect of financial knowledge, as indicated by a 91% percentage score. This reflects a strong knowledge level in financial topics. The success may result from various supportive factors, including specialized training and education programs organized by Bank X. Additionally, the company's commitment to financial education and employees' access to external resources such as books and seminars contributes to a deep understanding of finance.

Furthermore, the research shows that future orientation also has a strong influence on retirement fund planning with a significance value of 0.000. Employees of Human Capital PT Bank X hold positive views on the four basic concepts of future orientation—desire for a prosperous retirement, perspective on the future, effort made for the future, and future information. The research indicates that the level of future orientation among employees scores 76%, categorized as good.

Respondents, the employees of Human Capital PT Bank X, demonstrate positive views on the basic concepts of future orientation, especially in the aspect of effort made for the future, which scores 85%. This indicates a very good level of effort and preparation for old age, supported by factors such as investment efforts for the future, a deep understanding of retirement planning, high awareness of personal financial conditions, and a strong commitment to planning for old age.

Moreover, the research findings show that financial literacy and future orientation have an influence on retirement fund planning with a significance value of 0.000. This indicates that both financial literacy and future orientation contribute to improved retirement fund planning.

This statement is supported by the research findings, where the financial literacy level of PT Bank X's employees scores 89%, the future orientation level scores 76%, and the retirement fund planning level scores 76%. The calculations demonstrate that when both financial literacy and future orientation are good, retirement fund planning is also good.

The research results indicate that the most mastered basic concept of financial literacy by employees of Human Capital PT Bank X is financial knowledge. This achievement is attributed to various supporting factors, including specialized training and education programs organized by Bank X. Additionally, the company's commitment to financial education and

employees' access to external resources, such as books and seminars, contribute to a deep understanding of finance. As for future orientation, the highest-scored dimension is the effort made for the future. This is based on the research results, where 138 respondents are making efforts to learn how to manage finances for a better future, 160 respondents are motivated to save for old age, and 125 respondents have set long-term goals and work hard to achieve them.

The analysis of multiple linear regression testing shows that financial literacy has a positive influence on retirement fund planning (0.137). Additionally, future orientation also has a positive influence on retirement fund planning (0.576). Therefore, the higher the financial literacy and future orientation, the higher the retirement fund planning. These findings align with previous research conducted by Hajam (2020) titled "The Effect of Future Orientation and Financial Literacy on Family Retirement Planning Mediated by Saving Attitude." The study confirms a positive relationship and influence between financial literacy and future orientation on retirement fund planning in Surabaya City.

The simultaneous hypothesis test (F-Test) obtained an F value of 169.007 with a significance value of $0.000 < 0.05$. The results related to the first hypothesis show the rejection of H_0 because the significance value (Sig.) is 0.000. Therefore, this research confirms that there is an influence of Financial Literacy and Future Orientation on Retirement Fund Planning. The partial hypothesis test (t-Test) calculation for the first hypothesis states that H_0 is rejected because the calculated t-value $>$ t-table with a significance value of 0.000. Thus, this research states that there is an influence of financial literacy on retirement fund planning. The test on hypothesis H_{02} is also rejected because the calculated t-value $>$ t-table with a significance value of 0.000. Therefore, this research states that there is an influence of future orientation on retirement fund planning.

The coefficient of determination results shows a figure of 57.2%, with 42.8% determined by other variables. There are several other factors influencing retirement fund planning.

CONCLUSION

The research findings indicate that financial literacy has an influence on retirement fund planning, demonstrating that an improvement in financial literacy results in an enhanced retirement fund planning. A good level of financial literacy among Human Capital employees of PT Bank X can motivate individuals to plan for their retirement effectively. The research results show that future orientation has an influence on retirement fund planning, revealing that an increase in future orientation leads to an improvement in retirement fund planning. The

positive future orientation held by employees of Human Capital PT Bank X can motivate individuals to plan for their retirement effectively.

The research results from the analysis show that financial literacy and future orientation simultaneously affect the retirement fund planning of employees of Human Capital PT Bank X. The research findings indicate that the coefficient of determination for the two independent variables, financial literacy and future orientation, has a result of 57.2%. This means that the ability of financial literacy and future orientation to explain retirement fund planning is 57.2%. The remaining 42.8% can be explained by other variables not included in this study.

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