

# "MAJU BERSAMA MEMBANGUN EKONOMI BANGSA"

ICEBUSS 2016

International Conference on Economics, Business  
and Social Sciences (ICEBUSS)

## ICEBUSS 2016



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***PROCEEDINGS***  
***INTERNATIONAL CONFERENCE***  
***ON ECONOMICS, BUSINESS AND SOCIAL SCIENCES***  
***(ICEBUSS 2016)***

# ***PROCEEDINGS INTERNATIONAL CONFERENCE ON ECONOMICS, BUSINESS AND SOCIAL SCIENCES (ICEBUSS 2016)***

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## **RECTOR'S WELCOME**

I am delighted to welcome you to ICEBUSS 2016 in Malang, Indonesia. The Purpose of ICEBUSS is to bring together researchers and practitioners all over the world to share new ideas and present latest development in the theoretical and practical area of Economics, Business and Social Sciences. This year's conference brings together more than 177 presenters and practitioners to discuss the latest issues.

We are honored to have keynote speakers in the conference: Professor Raghavendra Rau from University of Cambridge and we are hoping that all participants of the conference to take time not only for paper and presentation, but also actively engage one another and to take this opportunity to further develop your professional link.

The conference will not be possible to be organized the dedicated effort of many individuals who have contributed to the various process that make up this event. For their dedication, I sincerely convey my appreciation. My sincere gratitude also goes to our institution's partner that provide their support a joint host Global Virtus Center for Corporate Governance Ukraine, cohosts and sponsors in this conference.

Rector  
University of Islam Malang

**Prof. Dr. H. Maskuri, M.Si**

## **SPEECH FROM DEAN**

**Nur Diana, SE, MSi**

Dean of Faculty of Economics University of Islam Malang

In the Name of Allah, the Most Beneficent, the Most Merciful.

It is with great pleasure that I welcome the participants of the International Conference Economic, Business and Social Sciences 2016. The Prophet Muhammad (peace be upon him) said 'Acquire knowledge and impart it to the people.' (Al Tirmidhi). The quest for knowledge has been from the beginning of time but knowledge only becomes valuable when it is disseminated and applied to benefit human kind. It is hoped that ICEBUSS 2016 will be a platform to gather and disseminate the latest knowledge in economics, business and social sciences.

Academics, Scientists, Researchers and practitioners of economics, business and social science will be able to share and discuss new findings and applications of economics, business and social sciences. It is envisaged that the intellectual discourse will result in future collaborations between universities, research institutions and industry both locally and internationally.

This is our first ICEBUSS and we shall continue to conduct it every year, wish that research fellow and academics from universities in Indonesia and in foreign countries take part we would like to express our highest gratitude those who have participated as both presenters and participants.

We would like to express our highest gratitude those who have participated as both presenters and participants. We would also like to extend our sincerest appreciation to all the host University of Islam Malang and Global Virtus Center for Corporate Governance Ukraine and Co-host : Universitas Esa Unggul Jakarta, Universiti Malaya Kelantan, , UPN Veteran Yogyakarta, Universitas Islam Madura Pamekasan, Sekolah Tinggi Ilmu Ekonomi ASIA, Universitas Ma Chung, Universitas Darma Persada Jakarta , Universitas Islam Lamongan, Sekolah Tinggi Manajemen Informatika & Komputer ASIA, Universitas Hangtuah Surabaya, Universitas Tama Jagakarsa Jakarta, Sekolah Tinggi Ilmu Ekonomi Widyagama Lumajang and Magister Manajemen UNISMA.

Please accept our deepest apologies for all the imperfection during the seminar. Till we meet again next year. God Willing , Insya Allah.

## **KEYNOTE SPEECH**

### **"THE GLOBAL PATTERN OF ALTERNATIVE FINANCE"**

**Professor Raghavendra Rau**

Judge Business School University of Cambridge

Although various forms of alternative finance have long existed, the combination of weaker financial institutions following the financial crisis, disruptive disintermediation-Enabling technology and underlying socio-economic as well as cultural shifts is challenging the paradigm of how finance will be provisioned in the future. The UK alternative finance industry alone has raised more than £1.6 billion for individuals, start-ups, small and medium firms, social enterprises and good causes between 2011 and 2015. Several economies, particularly the US, Europe and emerging markets, are already witnessing significant alternative capital formation and financing activities in venture capital, consumer credit, SME finance, high-tech and creative industries, social impact investing, development and renewable energy sectors.

However, little academic research is currently available to inform policy makers, regulators, industry players and other stakeholders about why various forms of alternative finance are emerging or how new financing instruments and intermediaries are functioning and evolving. There are a number of unanswered research questions of relevance to these stakeholders. How and why do funders invest, lend or donate through alternative finance channels? From fundraisers' perspective, how do they compare alternative finance instruments and channels with financing alternatives available via the traditional financial system? In a macro-economic context, is alternative finance expanding the existing pool of capital/credits or merely rechanneling it? What is the socio-economic impact of alternative finance in terms of job creation, revenue generation and community engagement at local, regional and national levels? Do some economies have a comparative advantage in enabling alternative finance, and if so, why? How will public policy and regulations affect the trajectories of alternative finance? Are developments in alternative finance a threat or an opportunity for incumbent financial institutions, and how is their response influencing broader change within the financial system?



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Professor Raghavendra Rau (Judge Business School University of Cambridge)

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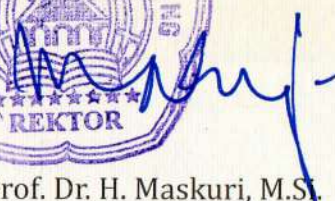
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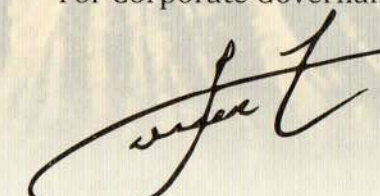
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# **Financial Literacy, Locus of Control and Credit Card Behaviors**

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## **ABSTRACT**

Knowledge and skills in finance is required by individual to make choices of related financial products. Self control and the demographics of person come into play a role to encourage him to make decision. Therefore, this study aims to determine the effect of a financial literacy, locus of control and demographic factors on credit card usage behavior. Individual behavior in using a credit card associated to spending activity and payment patterns in paying off credit card bills. Sampling was conducted on people that live in Surabaya who have a credit card either as main or additional card holder. The data collection use questionnaires form, which is distributed to shopping center visitors in Surabaya within a week period, in order to obtain 105 respondents. SEM-PLS test was conducted to examine the influence of financial literacy, locus of control and demographic factors such as age, sex, income, education, marital status of credit card usage in Surabaya. The results showed that financial literacy and demographic factors significant influence use of credit card usage behavior. While, locus of control factor did not significantly influence credit card usage behavior.

*Keyword:* financial literacy, locus of control, demographic, behavior finance

## **BACKGROUND OF STUDY**

Credit card as a means of a substitute for cash, this card provides credit facilities to the owners. At maturity period, the bills payment would be paid fully in cash or minimum payment and the leftover paid in installments. When consumers make transactions, they do not need to carry cash; therefore a growth of credit cards continues to show positive. Bank Indonesia (BI) released that credit cards number until November 2015 amounted to 16.86 million cards, or increased by 5.25% from 15.97 million cards in previous year. Transaction growth around from 10%-12%, while credit card transaction volume reached 281.31 million transactions. The value of transactions credit cards usage in 2015 achieved Rp. 280.54 trillion (Himawan, 2016).

Changes in work environment and residence have a role form person's behavior follow these changes. Social and cultural change in line technological advances such as online shopping will shape persons behavior when they shop (Omelia, 1998; Pinto, Parente, & Palmer, 2000). As a result, they will able to use a credit card wisely, while the others unable to manage their shopping behavior as well (Dungan, 2003). Education about financial literacy in community need to improve continuously, so it can encourage people responsible to their financial decision making in line with increased in knowledge.



One of challenges this research is how to define financial literacy, because there is no standard definition this concept in research literature (Remund 2010). As a result, there were significant differences in methods that used to assess financial literacy in research studies. Most financial literacy measurement focused on individual cognitive aspects, that individual have to demonstrate their knowledge and skills required to make choices in financial markets (Huston, 2010). Financial literacy measured according to self respondent assesment about how financial perspective knowledge owned affects financial behavior related to use of credit cards. Agarwal, Driscoll, Gabaix and Laibson (2009) shows five behavior related to the use of credit card, which are (1) always pay credit card bills in full; (2) use more than balance and bear interest; (3) pay minimum payments when billed; (4) there are late fee for late credit card payments; and (5) charged over-limit when exceeding limit on credit card funds.

Psychological factors on credit card holder provide a boost while shopping. Self control indispensable everyone in transact. The consumer spending uncontrolled create opportunity failed to pay (Sumarto, Subroto, and Arianto, 2011). Sayono (2009) stated behavior payment credit card can be understood when the bill is due. The bill was paid back in full payment, payment at least by 10% of total bill and subject to interest, or payment less than 10%. Payment behavior less or equal to 10% can be classified in credit card defaults category. That study proves that credit card holders have a high income, well educated graduate or postgraduate only use credit card for security reasons.

Facilities provided on a credit cards to help consumers make payments more practical, fast, safe, and comfortable. It encourages any credit card holders have different motivation vary over use of credit cards. One factor that associated with use of credit cards is demographic factors, such as: age, family size, Family life cycle, sex, income, occupation, education, religion, race, generation, nationality, and social class (Kotler & Keller, 2009). Demographic variables so popular for marketers, due to these variables are closely related to the needs and desires of consumers. Themba and Tumedi (2012) found that demographic factors of age, sex, income, education, marital status associated to use and credit card ownership.

Ownership credit cards more than one tend to own by individual incomes and higher education, woman, adults, and single. Consumers often use credit cards occur on low-income individual, higher education, man, adult, and already married. Tunah and Tatoglu (2010) stated that internal factors individual namely income, expenditure and investment affect use of credit cards frequency. Sridawati (2006) also indicated preference the community in credit cards usage is education, average expenditure per month, and technology that has a positive coefficient, means the higher value of these variables, the higher level of credit card usage.

Research on credit card usage behavior has been done especially among students, but this topic still interesting for examination. The social and cultural factors in line to changes financial knowledge individual factor that is also important to continue to study. Psychological factors that owned by individual still created a challenge for further research related to behavioral finance, because psychological factors encourage individuals to make decisions. Therefore, this study

will be focused on user's credit card with regard to financial literacy influence, locus of control and demographic factors of credit card users.

## **LITERATURE REVIEW**

### **Credit card**

Credit derived from a “credere” or “creditum”. Credere from the Greek which means trust, creditum from Latin means belief in truth (Taswan (2010: 309). Credit conducted based on trust of parties who have more money with the ones who were less have money. Based on Undang-undang No. 10, 1998 on banking, credit expressed as the money provision or bill. According to the agreement both sides, the borrower obliged to obligation after a certain time period to interest amount and principal debt that has been set. Credit management must be implemented according to the agreement, in order to maintain liquidity, solvability, and profitability of banking system. In addition, the appropriate credit provision will help propelling economic and sosial welfare, so the credits were used as an instruent monetary.

Credit card is a retail transaction settlement and credit system. Publisher credit card provides a facility when they lend customers a sum of money. Customers who bought goods and services do not need to carry cash to much; even customers had the payment in future in accordance the time value of money concept (Joyce, 2005). However, the use of credit cards also have drawbacks, even Ausubel (1991) stated there were more disadvantages than advantages, such as, the monthly expenditure increase bigger. Credit card users tend to consumptive thus their payments credit increase. In case of payment arrears, then users will be charged interest. The longer loan repayment, their credit interest espense will increase.

Cashmere (2011) shows two major functions of credit cards usage, for transaction and withdraws cash money in ATM. Furthermore, some credit card issuers will cooperate with certain stores to draw cardholder, for example by giving merchandise to cardholder, so they interested to use credit card. Another benefit from use of credit cards is:

1. Retail spending transactions through counter by reducing credit card number limit.
2. Cash withdrawal through ATM maximally 60% of credit cardholder limit, but these transactions charged additional up to 4% deducted from the limit left value. If there were delayed payment, there will be charged to certain interest.
3. Cash transactions swipe in appropriate limit card at the store cash provider.
4. Payment online transactions.

Credit card users will show a different behavior, individual who can control expenditure will pay the bills on time and make financial planning, the management of all cash inflow for personal or family interest. However, some of them can not control their expenditure that leads to credit card debt (Ida and Dwinta, 2010). The payment methods that can be made by credit card users are:

1. Full payment 100% of total bill maturity so users not subject to interest.
2. Minimum payment 10% of total bill, but it will be charged interest.
3. Instalment payment credit card by choice a period of 3 or 6 or 12 month period.

4. Repayment swipe cash by utilizing cardholder services to pay all the bills, so double fee will be charged.

### **Financial Literacy**

Financial literacy is individual knowledge about finances. Chen and Volpe (1998) stated financial literacy can be seen based on the level knowledge financial basic, saving and borrowing knowledge, insurance, and investment. Knowledge financial basic measures personal financial knowledge, calculation wealth owned, tax from debt, financial planning, and spending cash patterns. Saving and borrowing knowledge reflect financial literacy about lending rates, annual interest rate, and credit card usage level. Insurance literacy used to measure awareness levels risk management faced by someone. Further, investment knowledge measures about choosing investment product, retirement preparation, and diversified investment products.

Financial literacy has an implication on personal financial behavior. Saving and borrowing knowledge able to prevent someone bound in credit card debt (Shaari Hassan, Mohamed, and Sabri, 2013). Individuals, who have low financial literacy, will tend to have a problem with debt. Individuals who have high financial literacy will be better in managing debt (Lusard, Mitchell, and Curto, 2009). Stango and Zinman (2007) stated that individuals who are not able to count interest rate correctly on loan amount would impact in borrow more money, so accumulating wealth in lower quantities. Lusardi and Tufano (2008) found individuals who are highly underestimate bank interest rate will be difficult to pay off debts. Hilgerth, Hogarth, and Beverly (2003) showed a positive relationship between financial knowledge and financial behavior.

H1: Financial literacy has a positive influence on credit card user behavior.

### **Locus of Control**

Locus of control shows the extent to which a person's beliefs are controlled or out of controlled about something that happened to person (Daum and Wiebe, 2003). The locus of control idea is based on what psychologists call social learning theory, which suggests that an expectation is reinforced when the expected events or behavior actually occur in the future. If you expect something to happen and it does, your expectation is reinforced, and if your expectation does not occur, your expectation is weakened. Rotter (1966) said locus of control divided into two sources of internal and external sources. Internal locus of control explains a person's belief that events in his life are determined by efforts and personal behavior. Meanwhile, external locus of control explains a person's belief that events in his life are influenced by fate, chance, and other power out his personal capacities. This research use locus of control from Rotter's which is developed by Terry Pettijohn, a professor in psychology department at Mercyhurst College in Erie, Pennsylvania.

A person with internal locus of control will be responsible for financial management, that is result of the actions or his behavior and decide about right and wrong as a guideline behavior. While, external locus of control tend to responsible on other parties as well as their situational

factors (Respati, 2011). Santosa (2012) stated locus of control may limit and control various activities including the use of credit cards. Someone who has an internal locus of control is likely to abuse credit card lower than external locus of control. Someone who has an external locus of control tends to be consumption, that compulsive buying because they have credit card (Stevie, 2009).

H2: Locus of control has a positive influence on credit card user behavior.

### **Demographic factors**

Demographic factors indicate individual population structure (Nosic and Weber, 2010) consist of age, sex, income, education, and married status (Themba and Turnedi, 2012). Age shows the level of maturity when someone have a credit card. According to Themba and Turnedi (2012), the more mature person's age will have a credit card more than one and frequent use of credit cards. 18-25 years is the most widely age credit cards usage (Bulut and Koprulu, 2010). Themba and Turnedi (2012) also Bulut and Koprulu (2010) showed that men inclined more often use credit cards, and then women own more than one credit card. Higher income level will make someone easier to have a credit card. Individuals with monthly income around Rp. 5-10 million have a tendency pay off credit card debt up to 100%. High school graduates have more credit cards more than university graduates, but Themba and Turnedi (2012) showed that higher education level (graduate or postgraduate) will encourage someone to have credit cards. They also used banks for safety reasons. Single person has a credit card more (Themba and Turnedi, 2012), whereas married person more often use credit cards to pay daily necessities (Bulut and Koprulu, 2010).

H3: Demographic factors (age, sex, income, education and married status) influence on credit card user behavior.

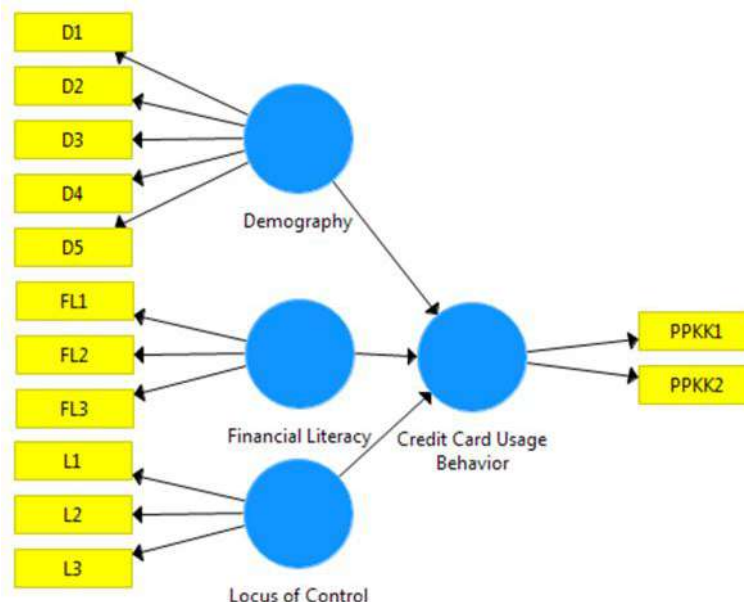
## **RESEARCH METHODOLOGY**

The population of research is person who has a credit card and domiciled in Surabaya. The sample collection used convenience technique on visitors in shopping center in Surabaya, until obtained 125 respondents. The dependent variable is behavior of credit card usage. Independent variable is financial literacy, locus of control and factor demographic of credit card users (age, sex, income, education and married status). Coding for variable will show at Table 1.

Variable	Coding
Age (D1)	1: <17 years; 2:18-22 years; 3:23-30 years; 4: 31-40 years; 5: 41-50 years; 6: >50 years
Sex (D2)	1: Men; 2: Women
Revenue (D3)	1: <Rp.3.000.000,-; 2: Rp.3.000.001-10.000.000,-; 3: Rp.10.000.001-20.000.000,-; 4: >Rp.20.000.001
Education (D4)	1: < High School; 2: High School and equal level; 3: Diploma; 4: Undergraduate; 5: Postgraduate
Marital status (D5)	1: Single; 2: Married; 3: divorce
Financial literacy (FL)	likert scale 1 (strongly not agree) to 5 (strongly agree)

	1: FL1 - Financial Literacy high (mean score > 3.66 2: FL 2 - Financial Literacy middle (mean score > 2.33 - 3.66) 3: FL 3 - Financial Literacy low (mean score 1 - 2.33)
Locus of control (LC)	If the answer false number: 2,3,5,6,9,10,12,13,14,16,19,20 score 5 point If the answer true number: 1,4,7,8,11,15,17,18 score 5 point Classification total point: 1. LC1 - Internal Locus of control (65 -100) 2. LC2 - Internal and External Locus of control (40 - 60) 3. LC3 - External Locus of control (0 – 35)
Credit card usage behavior (PPKK)	PPKK 1 – Spending behavior: - Shopping basic needs (1) - Expenditure items other than basic needs (coded 0) PPKK 2 - Credit card payments - Paying full payment (coded 1) - Paying bills at least 10% (coded 0)

Data will tested by Structural Equation Modeling (SEM) i.e. Partial Least Square (PLS) to analyze the relationships between variables contained in this study. PLS model based equations components or variant that can be seen from drawing shape. A picture box shaped show manifest variable or empirical indicators. Round or oval-shaped is latent variables or constructs comprised of independent variables (exogenous) and dependent variable (endogenous). Diagram path in this study are as follows:



**Picture 1. Diagram Path**

Model analysis in this study:

$$PPKK = \quad + \quad {}_1D_1 + \quad {}_2D_2 + \quad {}_3D_3 + \quad {}_4D_4 + \quad {}_5D_5 + \quad {}_6FL_1 + \quad {}_7FL_2 + \quad {}_8FL_3 + \quad {}_9LC_1 + \quad {}_{10}LC_2 + \quad {}_{11}LC_3 + e$$

## RESULTS AND DISCUSSION

This study uses a questionnaire that was distributed on shopping center in Surabaya. Data obtained 125 respondents, but there were 12 ineligible questionnaires, so that only 113 questionnaires used for further testing. Test results for demographic factors have been grouped according to age, sex, income, education, married status, and credit card ownership.

Table 1 shows the majority of respondents are 23-30 years, just instead 4% were in age group 18-22 years. That is, credit card ownership is dominated respondents at group 23-30 years and 51% were male. Their occupation mostly are private employees and entrepreneur. Their income are grouping consist of 19% in Rp.0 – Rp.3,000,000; Rp.3.000.001-Rp10.000.000 by 42%; 17% of respondents with income between Rp 10,000,001-Rp 20,000,000, as well as largest proportion of 22% have incomes above Rp.20.000.001. Mostly their educational background are 48% undergraduate, 21% postgraduate, 18% high school/ vocational, 12% diploma, and only 1% their education below highschool or equal level. This study shows that credit card holder is dominated by individuals who have good education. Furthermore, status respondent 78 was married and 33 unmarried or single respondents.

Table 1. Respondent Background Demographic

Description	Male	Female
Age:		
18-22 years	4	1
23-30 years	19	15
31-40 years	14	12
41-50 years	14	12
> 50 years	7	15
Work:		
College student	7	4
Private employees	23	31
Entrepreneur	25	11
Professional	3	9
Education:		
< High School	0	1
High School and equal level	11	9
Diploma	4	10
Undergraduate	32	22
Postgraduate	11	13
Income:		
<Rp.3.000.000,-	10	11
Rp.3.000.001-10.000.000,-	20	28
Rp.10.000.001-20.000.000,-	12	7
>Rp.20.000.001	16	9
Status:		
Single	19	14
Married	39	39
Divorce	-	2
Total	58	55



Table 2 shows the main card holder of 81% and 19% has an additional card, and 14 respondents own both type of credit card (main and additional card). Mostly main card owned by women than men, with holding number at most one or two cards by both men and women in almost equal proportions, but there was a small number has more than 9 credit cards. Additional cards are owned more by men than women in almost equal proportions for one and two additional cards. However, 69% of respondents are also men and women do not have an additional card. The credit card ownership is mostly done by own (32%) and most given deals by telemarketing or marketing officers from bank publisher (60%). Type of credit card is 78% visa, master card, American express and other card types. Categories card owned mostly gold (37%) and platinum (34%). Whenever transact credit card holders inclined to pay own. Most respondents use credit cards for purchases of goods and basic needs (93%), the other (7%) use credit cards for purchases of basic necessities. Activity spending on goods other than basic necessity includes fashion shopping, entertainment / beauty, health / sports, maintenance / repair cars, utilities (electricity, water, telephone), airline tickets / hotel / travel, electronics, and pay school fees.

Table 2. Credit Card Ownership

<b>Description</b>	<b>Male</b>	<b>Female</b>
Main credit cards ownership:		
Yes	45	47
No	13	8
Main card number owned:		
1	22	27
2	16	12
3	20	16
Additional credit cards ownership:		
Yes	19	16
No	39	39
Additional card number owned:		
None	-	1
1	37	36
2	13	12
3	8	6
Submission process:		
Apply by personal	19	17
Apply by companies	3	-
Offer by telemarketing	33	35
Others	3	3
Type of credit card:		
Visa	44	44
American express	-	1
Master	12	8
Others	2	2
Category of credit card:		

Description	Male	Female
Silver	5	17
Gold	24	18
Platinum	21	17
Titanium	6	2
Others	2	1
Credit card payments:		
Parents	7	3
Himself/ herself	43	46
Husband or wife	6	5
Others	2	1

After analysis of demographic factors above, this analysis is continued to validity and reliability test of indicators that used in this study. Indicators declared invalid if loading factor above 0,50 to construct purpose. The results of analysis are shown in Table 3 and 4.

Table 3. Loading Factor Test for First Round

Demography		Financial Literacy		Locus of Control		Credit Card Usage Behavior	
D1	0.887	FL1	0.518	LC1	0.351	PPKK1	0.088
D2	0.000	FL2	0.168	LC2	0.970	PPKK2	1.000
D3	0.785	FL3	0.967	LC3	0.832		
D4	0.220						
D5	0.888						

Loading factor in Table 3 shows the indicator variable demographic, consist of: Demographics (D2, D4), indicator variable financial literacy (FL2), indicator variable locus of control (LC1) and indicator variable PPKK (PPKK1). That indicators show loading factor less than 0:50, so it is declared invalid. Then that indicators will be removed. The result of loading factor after that process can be seen in Table 4.

Table 4. Loading Factor Test for Second Round

Demography		Financial Literacy		Locus of Control		Credit Card Usage Behavior	
D1	0.876	FL1	0.542	LC1	0.989	PPKK2	1.000
D3	0.807	FL3	0.959	LC3	0.981		
D5	0.893						

Test results in the second round show that factor loading are more than 0:50, therefore the indicators have met convergent validity. The indicator variable D1 (Age), D3 (Revenue) and D5 (Married Status) are construct of D (Demography). Indicator variables FL1 (financial literacy high) and FL3 (financial literacy low) are construct of FL (financial literacy). Indicator variable

LC1 (internal locus of control) and LC3 (external locus of control) are construct of LC (locus of control). Testing validity to reflective indicators use correlation between scores items with score constructs. The indicators declared valid if have highest loading factor to intended construct compared loading factor to other constructs.

Table 5. Cross Loading

	D	FL	LC	PPKK
D1	0.876	0.127	0.048	0.092
D3	0.807	0.048	0.100	0.082
D5	0.893	0.211	0.052	0.081
FL1	0.258	0.542	0.162	0.148
FL3	0.084	0.959	0.239	0.439
L1	0.069	0.247	0.989	0.089
L3	0.085	0.262	0.981	0.066
PPKK2	0.099	0.428	0.080	1.000

Table 5 above shows loading factor indicator D (D1, D3, D5) higher than other constructs. As loading factor D1 for D is 0876 was higher than loading factor value D1 to FL (0127), LC (0048) and PPKK (0092). Other similar terms also appear in other indicators that latent constructs can predict indicators on their block better than indicator in other block. Reliability test according to composite reliability value from block indicator that measures construct equal to 0.894 (D), 0.181 (FL), 0.001 (LC), and 1,000 (PPKK). If composite reliability values above 0.70 is said to be satisfactory, if composite reliability value 0.50 - 0.70 then the whole test has moderate reliability, conversely, if the value below than 0.50 has low reliability. That means that only variable FL and LC have low reliability because those variable have a value lower than 0.50, but those variable included in this analysis, with consideration that all variables stated is declared valid. Furthermore, research model to test the effect of demographic factors, financial literacy and locus of control to credit card usage behavior show value R-square 0.212. This number indicates that variability construct credit card usage behavior can be explained by model constructs demographic variables, financial literacy and locus of control only 21.2%.

Table 6. Path Coefficients and the Significant Value

	Original Sample (O)	Sample Mean (M)	Standard Error (STERR)	P Values
FL -> PPKK	0.460	-0.439	0.166	0.003
LC -> PPKK	0.025	-0.026	0.082	0.379
D -> PPKK	-0.166	-0.170	0.100	0.048

Table 6 shows financial literacy significantly affects credit card usage behavior with p-values less than 0.05 as much as 0.003. The original sample estimate is positive at 0.460.

Positive direction relationship between financial literacy and credit card usage behavior show high financial literacy will influence behavior of use credit card, especially payment behavior.

Participants in the current study were financially independent on someone else and personally responsible for paying their own credit card bills. Financially independent individuals using their credit cards without experiencing any negative financial consequences, will not be putting himself or family responsible with their financial condition. Furthermore, financial independence and small amount of credit card debt shows a high personal responsibility of credit card users where the parent's role is also participate. Individual with financial knowledge will have intention to use a credit card as well as credit card debt amount more responsible as guidelines set. The higher level of respondents' financial literacy, will make respondents more wise and responsible credit cards usage. Their level of good financial understanding help respondents were not delay nor overdue credit card bills. Paying off credit card bills in full and on time were taken to reduce delays risk or delinquent credit card payments, such as interest on debt. If the earned income fixed but liabilities continued to rise, it would be increasing default risk even blacklist. Therefore, the hypothesis (H2) stated that financial literacy significant effect to behavior of use credit card usage is acceptable.

Variable locus of control does not significantly influence behavior credit card usage for p-values more than 0.05, i.e. by 0.379. Thus hypothesis (H3) expressed rejected. This is similar to Santosa (2012) who used locus of control variable on sixty three R & D employees in PT Kinocare Era Komestindo that uses credit cards. As well as research Dwinta and Ida (2010) on 130 respondents of Maranatha Christian University student. Both results showed locus of control has no effect on behavior of use credit card. The results of this paper also show locus of control did not significantly affect the use of credit cards.

The locus of control attitude on credit cards user is an attitude in pay off credit card balances or others loan, purchase items that represent the identity, as well as spending habits for others in their social group, and repayment deficit. Internal individual have more responsible financial behavior than external individual. External locus of control has less likely to invest more effort necessary to get more responsible financial management behavior. The results showed that locus of control does influence consumer financial management behavior. They feel free responsible for daily life (DeSarbo & Edwards, 1996; Kongsompong, 2006). Furthermore, respondent who has an internal locus of control is likely to abuse credit card lower than external locus of control or respondent who has an external locus of control tends to be consumption, that compulsive buying because they have credit card, can not explain in this research.

Next, demographic variables (age, income and married status) significantly affect behavior of use credit card (credit card payment) with p-values less than 0.05, i.e. by 0.0048. The original sample value is negative of -0.166 that indicates negative correlation between demographic and credit card usage behavior. The younger person (productive age 23-30 years) entered the early days of work, will be more productive that tend to use credit cards more wisely based on current income ability. They will try to pay credit card bills in full. A fresh graduate's who just entered work will get standard salary not too high, likewise someone who has already

enter working age over five years. They will earn salary not to exceed Rp. 10 million, therefore increasing income tends to offset increase in fulfillment. If there are other expenses that appear on credit card transactions (transactions spending on goods other than basic needs), bill repayment will be prioritized. The hypothesis (H1) in this studies show that demographic factors significantly influence the behavior of the use of credit cards are accepted.

### **CONCLUSIONS AND RECOMMENDATIONS**

The low and high level of financial literacy as well as demographic factors (age, income, marital status) influence credit card usage behavior in paying credit card bills. It showed that higher financial literacy will affect their behavior using credit cards wisely. However, locus of control factors did not affect credit card usage behavior. Thus individual who have self-control and external factors did not affect credit card usage behavior. This study indicated that there are still other factors that influence credit card usage behavior, because model in this study only have small contribution. Because of that, for the next research can be developed on other demographic factors as well as social, economic, and psychological development.

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## **APPENDIX: Questionnaire**

### **Section 1: Credit card holder**

- |   |   |
|---|---|
| 1. Do you the main credit cardholder?     | Yes    No                                 |
| 2. How many main credit card do you have? | 1   2   3   4   5   6   7   8   9 or more |

3. Do you have additional credit card? Yes No
4. How many additional credit card do you have? No 1 2 3 4 5 6 7 8 9 or more
5. How do you apply that credit card?
- a. Apply by own inisiative
  - b. My company where I work
  - c. Tele-marketing offering
  - d. Others: \_\_\_\_\_
6. What mostly type of credit card do you have? (choose only one answer)
- a. VISA
  - b. AMERICAN EXPRESS CARD
  - c. MASTER
  - d. JCB
  - e. Others: \_\_\_\_\_
7. What the highest category credit card do you have?
- a. Silver
  - b. Gold
  - c. Platinum
  - d. Titanium
  - e. Others: \_\_\_\_\_
8. Who will pay your credit card monthly bills?
- a. Parents
  - b. My self
  - c. My husband/ my wife
  - d. Others: \_\_\_\_\_

## Section 2: *Locus of Control*

- |  |      |       |
|--|------|-------|
| 1. I usually get what I want in life                   | True | False |
| 2. I need to be kept informed about news events.       | True | False |
| 3. I never know where I stand with other people.       | True | False |
| 4. I do not really believe in luck or chance.          | True | False |
| 5. I think that I could easily win a lottery.          | True | False |
| 6. If I do not succeed on a task, I tend to give up.   | True | False |
| 7. I usually convince others to do things my way.      | True | False |
| 8. People make a difference in controlling crime.      | True | False |
| 9. The success I have is largely a matter of chance.   | True | False |
| 10. Marriage is largely a gamble for most people.      | True | False |
| 11. People must be the master of their own fate.       | True | False |
| 12. It is not important for me to vote.                | True | False |
| 13. My life seems like a series of random events.      | True | False |
| 14. I never try anything that I am not sure of.        | True | False |
| 15. I earn the respect and honors I receive.           | True | False |
| 16. A person can get rich by taking risks.             | True | False |
| 17. Leaders are successful when they work hard.        | True | False |
| 18. Persistence and hard work usually lead to success. | True | False |
| 19. It is difficult to know who my real friends are.   | True | False |
| 20. Other people usually control my life.              | True | False |

### Section 3: Financial Knowledge

1 strongly not agree; 2 not agree; 3 neutral; 4 agree; 5 strongly agree

Financial Knowledge	1	2	3	4	5
1. I know the difference between credit cards and debit cards					
2. I know how to solve disputes on credit cards					
3. I know cost of credit card ownership					
4. I know cancellation process of credit card					
5. I know payment process accordance to each bill					

### Section 4: Credit card Usage Behavior

Credit card Usage Behavior	1	2	3	4	5
1. Credit card make me happy					
2. I always pay the bills using credit card					
3. I think it would be unwise to use a credit card.					
4. Using a credit card as same as showing personal debt amount.					
5. The cost of credit cards is too high					
6. If I use a credit card, my debt will be increase every day.					
7. I want to apply increasing credit limit.					
8. I would like to have more credit cards than are currently owned.					
9. I want to try all types of credit cards.					
10. I always pay full payment for my credit card					
11. Within a few months, I am trying to keep the balance and interest payment					
12. Within a few months, I pay only a minimum payment					
13. Within a few months, I was charged a late fee because of late payment.					
14. Within a few months, I prosecuted on charges of excess credit card limits					

### Demography:

1. Sex

a. Man

b. Woma

2. Age

a. 17 years

b. 18 - 22 years

c. 23 – 30 years

d. 31 – 40 years

e. 41 – 50 years

e. > 50 years

3. Marital status:

a. Single

b. Married

c. Divorce

4. Occupation:

- a. Students
- b. Private employees
- c. Entrepreneur
- d. Professional: doctor, accountant, lecture, etc

5. Education:

- a. below high school
- b. High school and equal level
- c. Diploma
- d. Undergraduate
- e. Postgraduate

6. How much monthly personal income do you get: (income source: salary, honorarium, pocket money, others)?

- a. Rp. 0 – Rp. 3.000.000
- b. Rp. 3.000.001 – Rp. 10.000.000
- c. Rp. 10.000.001 – Rp. 20.000.000
- d. Rp. 20.000.001 and more