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# The Effect of Financial Literacy and Credit Procedures on Credit Taking Decisions



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Received: 2024, 03, 01 Accepted: 2024, 08, 30  
Available online: 2024, 08, 30

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KEYWORDS	ABSTRACT
<p><b>Keywords:</b> Financial Literacy, Credit Procedure, Credit Decision.</p> <p><b>Conflict of Interest Statement:</b> The author(s) declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.</p> <p><b>Copyright © 2024 AEFS. All rights reserved.</b></p>	<p><b>Purpose:</b> This study aims to determine the effect of Financial Literacy on Credit Decision Making. To assess the effect of Credit Procedures on Credit Taking Decisions. Moreover, to determine the impact of Financial Literacy and Credit Procedures on Credit Decision Making.</p> <p><b>Research Design and Methodology:</b> The population in this study were debtors of Bank BRI Jayapura City Unit Office who applied for credit in 2021-2022, totaling 1,714 debtors. The sampling technique used in this study is proportional random sampling. Data sources use primary data and secondary data. The statistical analysis method used in this research is Multiple Linear Regression Analysis based on the T Statistical Test technique, F Statistical Test, and the Coefficient of Determination with the help of SPSS version 29 software.</p> <p><b>Findings and Discussion:</b> The results showed that Financial Literacy has a positive and significant effect on Credit decision-making, and credit procedures have a positive and significant effect on credit decisions. Financial Literacy and Credit Procedures simultaneously affect the decision to take credit at BRI Bank Jayapura City Unit.</p> <p><b>Implications:</b> This research is expected to significantly influence future studies in economics, particularly financial management. The results are also likely to serve as a reference and comparison material for further research related to credit decision-making.</p>

## Introduction

A company with an essential role in the development and growth of the national economy is a company in the financial sector. Financial institutions are also an inherent aspect of the life of the wider community. The types of financial institutions are more varied, including banking, financing institutions, insurance businesses, pension funds, pawnshops, and capital markets (Nuritomo, 2014). When deciding to take credit, many factors must be considered, including interest rate factors, services, lending procedures, credit repayment periods, and collateral. These factors must be carefully considered before customers make credit decisions. Another factor that influences customer decisions to take credit is the amount of interest rates set (Sormin et al., 2022).

In making credit decisions, a customer is influenced by behavior. The behavior here is financial behavior in terms of knowledge about financial management, which is called financial literacy. (Martha & Alhadi, 2024). Financial literacy as individual financial knowledge is also a fundamental need for everyone to avoid financial problems. Financial difficulties arise not only from the function of income but also from mistakes in financial management, such as misuse of credit and lack of

financial planning. These things happen because of the individual's lack of financial literacy and experience. So before taking credit at the Bank, customers are expected to have financial knowledge about credit. Financial knowledge is crucial for individuals to understand their financial decisions. People's financial knowledge can be seen by how much financial literacy they have (Hartiningsih et al., 2021).

According to research by Darmawan et al. (2019), Financial literacy positively and significantly affects business credit decision-making. That means that knowledge of financial matters is needed before making decisions to take credit. In research, Anggraeni & Nurdin (2019) state that the financial literacy variable partially influences and is significant in credit decision-making at Bank Mandiri KCP Jamika Unit Office Bandung City; this shows that people who are customers taking credit at Bank Mandiri KCP Jamika Unit Office Bandung City already have a high level of financial literacy.

According to Huda et al. (2019), Credit procedures are stages customers must fulfill in lending. Complicated and non-transparent credit procedures can make it difficult for potential debtors to understand credit requirements and make the right decisions. One of the financial institutions that provide credit is Bank BRI. PT Rakyat Indonesia (Persero) Bank Tbk focuses on serving small communities by helping them with capital issues to improve their standard of living. People's Business Credit (KUR) and Rural Public Credit (KUPeDES) are loan options to meet business capital needs. This allows prospective debtors to maintain their business and accelerate and increase the company's production level. This can be seen from the data on the lending volume conducted by BRI Jayapura City Unit Office for 2020 - 2022, which the author displays in the Table 1.

**Table 1.** Credit Distribution of BRI Jayapura City Unit

Year	Plafond	Number of debtors	Increase-decrease	(%)
2020	145.015.400.000	1.389	-	-
2021	146.651.741.800	1.829	440	31,68%
2022	150.762.600.000	1.714	(115)	(6,29%)

*Data source: Annual report of PT Bank Rakyat Indonesia (Persero) Tbk.*

From 2021 to 2022. The table above shows aggregate data on lending at the BRI Unit Kota Jayapura office. The decline in lending is caused by factors such as low local credit demand, increased credit risk, competition among other banks, work area eradication, regional economic uncertainty, or internal policies.

This study aims to explore the significant effects of financial literacy and credit procedures on credit decision-making among customers of BRI Unit in Jayapura City. By addressing the identified gaps in the literature, this study offers a novel and comprehensive approach to understanding the influence of financial literacy and credit procedures on credit decision-making, particularly among customers of BRI Jayapura City Unit. Unlike previous studies that generally only highlight one aspect, this study integrates two important factors simultaneously - financial literacy and credit procedures - to see how the interaction between these two factors can influence credit decisions. Another novelty of this study is its contextual focus on customers in BRI Jayapura City Unit, which allows the study to present specific insights relevant to regional conditions. This study also introduces a more in-depth empirical analysis of the credit decision-making process, which has been previously under-explored in the literature. By focusing on how financial literacy and credit procedures simultaneously influence credit decisions, this study is expected to uncover new dynamics that have not been widely revealed in previous research, offering hope for improved credit management and financial literacy programs.

The research questions guiding this study are: (1) How does financial literacy influence customer credit decision-making? (2) How do credit procedures impact credit decision-making? and (3) How do financial literacy and credit procedures affect credit decision-making? The primary objectives of this research are to provide empirical evidence on the influence of financial literacy and credit procedures on credit decisions and to offer actionable insights for financial institutions to improve their credit distribution practices. The study aims to contribute valuable knowledge to enhance the

effectiveness of credit management and financial literacy programs, particularly within the BRI Unit in Jayapura City.

## Literature Review

### Credit decision-making

*Credit decision-making* is a critical process that involves choosing whether or not to take out a loan from a financial institution (Wirawan, 2023). This process begins with problem recognition, followed by information search, evaluation of alternatives, decision-making, and post-purchase behavior, which may manifest as satisfaction or dissatisfaction with the credit product (Cesariana et al., 2022). According to Sargeant (2023), credit decision-making is selecting a course of action from two or more alternative options. This decision-making process is crucial as it helps borrowers avoid potential issues after obtaining credit and ensures that the credit aligns with their expectations. Based on the perspectives mentioned above, credit decision-making can be understood as a structured process that involves multiple stages, each influenced by various factors. These stages include recognizing the need for credit, gathering information about available credit options, evaluating the alternatives, and ultimately deciding. The decision is crucial because it determines whether the borrower can manage the credit effectively and whether it meets their financial needs. Proper credit decision-making is essential to avoid post-credit challenges and to ensure that the credit product selected is appropriate for the borrower's circumstances (Nasution et al., 2019).

Recent studies have further explored the factors influencing credit decision-making. Financial literacy has been identified as a critical determinant, with individuals possessing higher financial literacy more likely to make informed credit decisions. Darmawan et al. (2019) found that financial literacy positively and significantly influences credit decision-making, particularly in the context of business loans. Similarly, research by Anggraeni & Nurdin (2019) highlights the importance of financial literacy in the credit decision-making process at Bank Mandiri, indicating that customers with higher financial literacy levels tend to make better credit decisions. This finding is supported by other studies, such as those by Martha & Alhadi (2024), who emphasize that financial literacy is a fundamental knowledge that individuals must have to avoid financial problems, including those related to credit use. The credit procedures play a significant role in shaping credit decisions. Complicated and non-transparent credit procedures can help potential borrowers understand the requirements and make informed decisions (Huda et al., 2019). Transparent and straightforward procedures are critical in helping customers navigate the complexities of credit products and choose the options that best suit their needs. This aspect is particularly relevant in small businesses, where credit decisions can significantly impact business sustainability and growth.

Recognizing the need for credit and conducting thorough information searches before making a credit decision cannot be overstated. Customers who carefully assess their financial needs and gather comprehensive information about available credit options are likelier to make decisions that lead to positive outcomes. Nasution et al. (2019) emphasize that understanding the terms and conditions of credit products and evaluating alternative options are crucial steps in the decision-making process. This approach minimizes the risks of taking out loans and ensures that the credit acquired aligns with the borrower's financial goals. Further research into the decision-making process has revealed that demographic factors, such as age, income, and education, also influence credit decisions. For instance, Hartiningsih et al. (2021) found that younger individuals with higher education levels and income are likelier to engage in thorough information searches and make informed credit decisions. This suggests that demographic characteristics should be considered when analyzing credit decision-making behavior.

### Financial literacy

Financial literacy is a crucial aspect of personal financial management, encompassing a range of processes and activities to enhance individuals' knowledge, skills, and confidence in managing their finances (Jumady et al., 2024). According to the Financial Services Authority (Otoritas Jasa Keuangan, 2013), financial literacy involves activities designed to improve the knowledge, skills, and confidence of consumers and the general public to manage their finances better. This definition underscores the

importance of equipping individuals with the necessary tools to make informed financial decisions, ultimately leading to better financial well-being (Sugianto et al., 2024). Remund (2010) expands on this concept by identifying five key domains of financial literacy. These domains include knowledge of financial concepts, the ability to communicate about financial concepts, the ability to manage personal finances, the capability to make financial decisions, and the confidence to engage in financial planning for the future. These domains highlight the multifaceted nature of financial literacy, emphasizing that it is not just about having knowledge but also about effectively applying that knowledge in real-world financial situations. Making sound financial decisions and planning for the future is essential for achieving financial stability and security.

Building on these ideas, Sugiharti & Maula (2019) categorize financial literacy into four primary aspects: basic financial knowledge, savings and borrowing, insurance, and investment. Basic financial knowledge provides the foundation for understanding more complex financial products and services (Ade Gunawan, 2022). Individuals may need a solid understanding of basic financial concepts to navigate the financial landscape and make informed decisions. Savings and borrowing involve understanding how to manage savings effectively and the implications of taking on debt. Proper management of these aspects is crucial to avoid financial pitfalls such as excessive debt or insufficient savings. Insurance is another critical aspect of financial literacy, as it involves protecting oneself and one's assets against unforeseen risks. A good understanding of insurance products allows individuals to choose appropriate coverage that aligns with their needs and financial situation. Lastly, investment literacy is vital for individuals looking to grow their wealth and secure their financial future. Understanding the risks and rewards associated with different investment options enables individuals to make informed decisions that align with their financial goals.

The significance of financial literacy has gained increasing recognition, with numerous studies demonstrating its impact on financial behaviors. Tahir et al. (2021) found that higher financial literacy correlates with better decision-making in savings, borrowing, and investment, highlighting its role in enhancing overall financial well-being. Lusardi & Mitchell (2017) also emphasize that financial literacy is crucial for retirement security, as it helps individuals effectively plan and save for the future. Financial literacy is especially vital in developing countries due to the complexity of emerging financial products. Klapper et al. (2015) note that many in these regions need more basic financial knowledge, leaving them vulnerable to poor financial decisions. This underscores the need for targeted financial education programs tailored to these populations. Financial literacy benefits individuals and society, contributing to economic stability and growth. Lusardi (2019) asserts that improving financial literacy can lead to more efficient financial markets, as literate individuals are more likely to engage with the financial system and make decisions that enhance market efficiency. These findings underscore the societal benefits of promoting financial literacy through education and policy initiatives.

### **Credit procedures**

*Credit procedures* are the sequential steps that customers must fulfill when applying for and receiving credit from financial institutions (Huda et al., 2019). These procedures are essential for minimizing risks associated with lending and ensuring that the credit process is conducted smoothly and by established guidelines. Chrisna et al. (2020) explain that financial institutions implement credit procedures to mitigate the risks involved in lending. The process begins with preparing a credit plan, followed by the credit decision-making process, which includes initiatives, analysis and evaluation, negotiation, recommendations, and the final credit decision. Subsequently, the process continues with credit disbursement, documentation and administration, credit approval, and credit supervision and debtor guidance. According to Herlina (2018), the credit process involves several key stages: (1) Credit Preparation, (2) Credit Analysis or Appraisal, (3) Credit Decision, (4) Credit Realization and Administration, and (5) Credit Supervision and Follow-Up. Each stage is critical in ensuring that the credit process is thorough, transparent, and effective in meeting the financial institution's and the customer's needs.

The first stage, Credit Preparation, involves the initial steps taken by the financial institution to assess the customer's creditworthiness. This includes gathering relevant information and preparing the necessary documentation to evaluate the credit request. Credit Analysis or Appraisal follows,

where the financial institution carefully examines the customer's financial status, credit history, and the feasibility of the credit request. This stage is crucial for identifying potential risks and determining the likelihood of repayment. Once the analysis is complete, the financial institution moves on to the Credit Decision stage. At this point, based on the findings from the credit analysis, a decision is made regarding whether to approve or deny the credit request. This decision is influenced by various factors, including the customer's creditworthiness, the amount of credit requested, and the financial institution's lending policies. The process proceeds to Credit Realization and Administration if the credit is approved. In this stage, the financial institution formalizes the credit agreement, disburses the funds, and ensures that all administrative requirements are met. This includes documenting the terms and conditions of the credit, setting up repayment schedules, and providing the customer with the necessary information to manage the credit effectively. This customer-centric approach ensures that customers receive the appropriate level of support throughout the credit lifecycle. Finally, the process concludes with Credit Supervision and Follow-Up. This stage involves ongoing monitoring of the customer's credit use and adherence to the repayment schedule. The financial institution may also provide additional support and guidance to the customer to ensure that the credit is used appropriately and that the customer remains on track with their repayments. This supervision is vital for preventing defaults and managing potential issues during repayment.

The importance of well-structured credit procedures cannot be overstated. Effective credit procedures help financial institutions manage risk, maintain the integrity of the lending process, and ensure that customers receive the appropriate level of support throughout the credit lifecycle. Moreover, transparent and efficient credit procedures build trust between financial institutions and their customers, fostering long-term relationships and encouraging responsible borrowing. The role of credit procedures in fostering responsible borrowing is particularly significant, as it underlines the ethical and sustainable aspects of lending practices. Recent studies emphasize the significance of comprehensive credit procedures in maintaining financial stability and promoting responsible lending practices. For example, Jebessa (2020) found that well-implemented credit procedures are associated with lower default rates and higher customer satisfaction. Similarly, (AlSharji et al., 2018) highlight that clear and transparent credit procedures reduce the likelihood of misunderstandings between financial institutions and customers, thereby minimizing the risk of disputes and defaults. In developing economies, where access to credit is often limited, robust credit procedures are particularly important. According to Babajide et al. (2015), the implementation of standardized credit procedures can enhance the accessibility of credit for small businesses and individuals, contributing to economic growth and financial inclusion.

### **The Effect of Financial Literacy on Credit Decision Making**

Financial literacy refers to an individual's ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. It encompasses the knowledge and confidence needed to make informed financial product and service decisions. On the other hand, credit decision-making involves the process by which an individual assesses, evaluates, and ultimately decides whether to take out a loan or Credit from a financial institution. This process includes recognizing the need for Credit, gathering relevant information, evaluating alternatives, and making a final decision. The importance of financial literacy cannot be overstated, as it equips individuals with the tools necessary to make informed and responsible financial decisions. A strong foundation in financial literacy helps individuals avoid common financial pitfalls, such as taking on excessive debt or mismanaging Credit, which can have long-term negative consequences. Similarly, effective credit decision-making is crucial for ensuring individuals select the right financial products that align with their needs and goals.

The relationship between financial literacy and credit decision-making is inherently strong. Individuals with higher levels of financial literacy are better equipped to understand the terms and conditions of credit products, assess the risks and benefits, and make decisions that enhance their financial well-being. Conversely, financial literacy may lead to poor credit decisions, such as taking on debt without fully understanding the implications, resulting in financial distress. Therefore,



improving financial literacy is essential for promoting sound credit decision-making practices. Darmawan et al. (2019) state that financial literacy partially has a positive and significant influence on credit decision-making for Bess Finance Palembang customers. Tsalisa et al. (2022) state that financial literacy positively and significantly affects credit taking. This positive influence indicates that the higher the level of financial literacy a person has, the higher the credit taking and vice versa. Thus, the first hypothesis can be formulated as follows:

**H1:** It is suspected that financial literacy has a significant effect on credit decision-making

### **The effect of credit procedures on credit decisions**

Credit procedures refer to the steps established by financial institutions to facilitate customers' credit applications and ensure the lending process is conducted smoothly and according to plan. These procedures typically include stages such as submitting a credit application, evaluating creditworthiness, and disbursing funds. Well-designed credit procedures are essential for maintaining transparency, efficiency, and alignment with the institution's lending policies. Credit decision-making is how customers evaluate and decide whether to take out a loan from a financial institution. Various factors influence this decision, including the complexity and efficiency of the credit procedures. The benefit of streamlined and straightforward credit procedures is that they can enhance customer confidence and interest in applying for Credit, as they perceive the process to be quick, transparent, and manageable. Conversely, if the credit procedures are overly complicated, time-consuming, or have stringent requirements, potential customers may be discouraged from applying for Credit.

The relationship between credit procedures and credit decision-making is significant. Simple and efficient credit procedures can positively influence a customer's decision to apply for a loan, as they feel reassured that the process will not be burdensome and can access the funds they need promptly. On the other hand, complex and lengthy procedures may deter potential customers, as they perceive the process as a barrier or too time-consuming. Therefore, financial institutions must design efficient and accessible credit procedures to attract customers and increase credit uptake. Huda et al. (2019) state that Credit Procedures positively and significantly affect Customer Decisions in Taking Credit. Thus, the first hypothesis can be formulated as follows:

**H2:** Credit procedures are suspected to affect decisions to take Credit significantly.

### **The Effect of Financial Literacy and Credit Procedures on Credit Decision Making**

Financial literacy refers to an individual's ability to understand and effectively use financial skills, including personal financial management, budgeting, and investment. It encompasses the knowledge and confidence needed to make informed financial product and service decisions. On the other hand, credit procedures are the steps financial institutions establish to process credit applications and ensure that the lending process is carried out smoothly and according to established guidelines. The importance of financial literacy lies in its ability to empower individuals to make sound financial decisions. A well-informed individual is more likely to evaluate credit options critically, understand the implications of taking on debt, and select the most appropriate financial products to meet their needs. Similarly, efficient credit procedures are crucial as they enhance the customer experience by making the credit application process more accessible and less burdensome, encouraging more individuals to seek Credit when needed.

The relationship between financial literacy, credit procedures, and credit decision-making is significant. Financially literate individuals are better equipped to navigate the credit procedures, understand the terms and conditions, and make decisions that align with their financial goals. At the same time, streamlined and clear credit procedures can facilitate better decision-making by reducing the complexity and time involved in the process, making it easier for customers to obtain Credit. These factors are crucial in influencing whether and how individuals decide to take out loans. According to Said & Amiruddin (2017), financial literacy is needed when making decisions so that individuals do not make mistakes when making financial decisions later. Erviani (2023) state that Financial Literacy and Credit Procedures have a simultaneous positive and significant effect on Credit Decision Making. Thus, the first hypothesis can be formulated as follows:

**H3:** It is suspected that financial literacy and credit procedures significantly affect credit decisions.

## Research Design and Methodology

This study uses quantitative research. the population in this study were debtors of Bank BRI Jayapura City Unit Office who applied for credit in 2021-2022, totaling 1,714 debtors. The sampling technique used in this study is proportional random sampling. The data source uses primary data obtained from leaders and employees by collecting or processing the respondent's own data directly, and secondary data obtained through the collection of documents that already exist in the company. The statistical analysis method used in this research is Multiple Linear Regression Analysis based on the T Statistical Test technique, F Statistical Test, and the Coefficient of Determination with the help of SPSS version 29 software. There are several data analysis tests used such as descriptive statistical analysis, research instrument test, classical assumption test, and hypothesis testing.

**Table 2. Operational Definition**

Variable	Code	Indicator	Major Reference
Financial Literacy (X1)	X1.1	Basic financial knowledge	Hidajat, (2016) ; Tsalisa et al., (2022)
	X1.2	Savings and loans	
	X1.3	Insurance	
	X1.4	Investment	
	X1.5	Financial planning and management	
Credit Procedure (X2)	X2.1	Credit realization	Huda et al., (2019) ; Chrisna et al., (2020)
	X2.2	Ease of procedure	
	X2.3	Implementation speed	
	X2.4	Requirements	
Credit Decision (Y)	Y1.1	Need recognition	Paarlberg & Lavigna, (2010) ; Said & Amiruddin, (2017)
	Y1.2	Disbursement	
	Y1.3	Information	
	Y1.4	various alternatives	
	Y1.5	Customer decision	

## Findings and Discussion

### Findings

#### Characteristic Description of Respondents

**Table 3. Characteristic Description of Respondents**

Variable	Measurement	n	%
Gender	Man	58	61,1%
	Woman	37	38,9%
Age (Years)	21 - 25 Years	-	-
	26 - 35 Years	31	61,1%
	36 - 45 Years	42	42,2%
	46 - 50 Years	22	23,2%
	>50 Years	-	-
Work	PNS/BUMN	49	51,6%
	Private Employee	12	12,6%
	Entrepreneurship	34	35,8%
	Others	-	-
Income Level	2.500.000 - 3.400.000	24	51,6%
	3.500.000 - 4.400.000	35	36,8%
	4.500.000 - 5.400.000	35	36,8%
	> 6.000.000	1	1,1%

Source: Data processed year, 2024.

### Research Instrument Test

#### 1. Validity Test

**Table 4. Validity Test Results**

Variable	Instrument	r-calculated	Cronbach Alpha	Result
Financial Literacy (X1)	X1.1	0,439	0,201	Valid and reliable
	X1.2	0,835		Valid and reliable
	X1.3	0,746		Valid and reliable
	X1.4	0,797		Valid and reliable
	X1.5	0,826		Valid and reliable

Variable	Instrument	r-calculated	Cronbach Alpha	Result
	X1.6	0,847		Valid and reliable
	X1.7	0,828		Valid and reliable
	X1.8	0,762		Valid and reliable
	X1.9	0,843		Valid and reliable
	X1.10	0,873		Valid and reliable
Credit Procedure (X2)	X2.1	0,704	0,201	Valid and reliable
	X2.2	0,792		Valid and reliable
	X2.3	0,679		Valid and reliable
	X2.4	0,706		Valid and reliable
	X2.5	0,704		Valid and reliable
	X2.6	0,871		Valid and reliable
	X2.7	0,776		Valid and reliable
	X2.8	0,652		Valid and reliable
Credit Return Decision (Y1)	Y1.1	0,823	0,201	Valid and reliable
	Y1.2	0,754		Valid and reliable
	Y1.3	0,795		Valid and reliable
	Y1.4	0,722		Valid and reliable
	Y1.5	0,797		Valid and reliable
	Y1.6	0,755		Valid and reliable
	Y1.7	0,799		Valid and reliable
	Y1.8	0,749		Valid and reliable
	Y1.9	0,604		Valid and reliable
	Y1.10	0,386		Valid and reliable

Source: Data processed year, 2024.

Based on Table 4, the indicators used to measure each variable have a correlation coefficient value greater than r table with a sample of 95 = 0.201 (df = N-2) which means that each indicator is declared valid.

## 2. Reliability Test

Table 5. Reliability Test Results

Variables	Cronbach's Alpha	Acceptance Standard	Description
Financial Literacy	0,929	0,60	Reliable
Credit Procedure	0,879	0,60	Reliable
Credit Return Decision	0,897	0,60	Reliable

Source: Data processed year, 2024.

Based on the reliability test results displayed in Table 5, it shows that all variables have a degree of reliability above 0.60 so it can be concluded that all independent and dependent variable instruments in this study are feasible / reliable.

## Classical Assumption Test

### 1. Normality Test

#### One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		95
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	3.56530921
Most Extreme Differences	Absolute	.057
	Positive	.057
	Negative	-.045
Test Statistic		.057
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Figure 2. Kolmogorov-Smirnov Test Results



Source: SPSS processed data 29 years, 2024.

Based on Figure 2 above, it appears that the significance value is  $0.200 > 0.05$ , it can be concluded that the sample data is normally distributed.

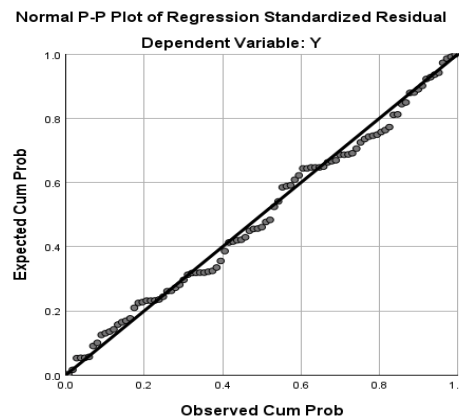


Figure 3. Normality Test Results

Source: SPSS processed data 29 years, 2024.

The normal probability plot graph shows that the data points spread around the diagonal line and the distribution follows the direction of the diagonal line, thus the data distribution is normally distributed.

## 2. Multicollinearity Test

Table 6. Multicollinearity Test Results

Coefficients <sup>a</sup>		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	Financial Literacy	0,505	1,980
	Credit Procedure	0,505	1,980

Source: SPSS processed data 29 years, 2024.

Table 6 shows that all variables used as predictors of the regression model have VIF (Variance Inflation Factor) values 10 and tolerance values greater than 0.1. This indicates that there are no multicollinearity symptoms. Thus it means that all these variables can be used as independent variables.

## 3. Heterocedacity Test

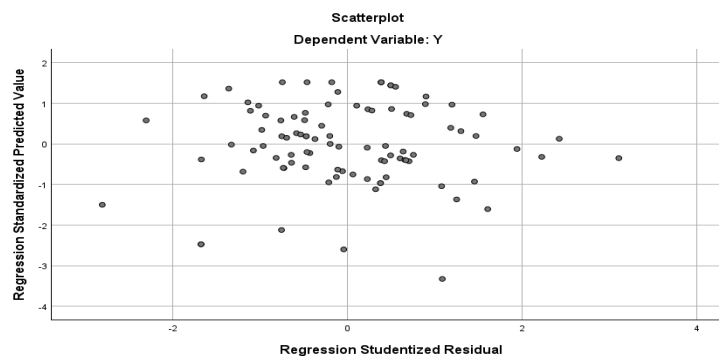


Figure 4. Heteroscedasticity Test Results

Source: SPSS processed data 29 years, 2024

Based on the test results in Figure 4 above, it can be seen that the plot spreads randomly above and below zero on the Regression Studentized Residual axis. Therefore, the regression model formed is declared to have no symptoms of heteroscedasticity.

#### 4. Multiple Linear Regression Test

Table 7. Multiple Linear Regression Results

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1					
(Constant)	13.917	1.952		7.128	.000
Financial Literacy	.196	.059	.273	3.305	.001
Credit Procedure	.623	.084	.610	7.376	.000

a. Dependent Variable: Credit Return Decision

Source: SPSS processed data 29 years, 2024.

The multiple linear regression test results above form the following equation:

$Y = 13.921 + 0.196 X_1 + 0.623 X_2 + e$ , the meaning is:

- The constant value of 13.921 means that without taking into account the two variables analyzed, the employee performance value is 13.921.
- The coefficient value of  $X_1$  of 0.196 means that if Si-BTM increases by one unit, employee performance will increase by 0.196.
- The  $X_2$  coefficient value of 0.623 means that if Integrity increases by one unit, employee performance will increase by 0.623.

#### Research Hypothesis Test

##### 1. Test t (Partial Test)

In this hypothesis test, two events can be carried out, first comparing the calculated t value with the t table value and second looking at the significance value.

- The Effect of Financial Literacy on Credit Decision Making.  
The results of this study indicate that the t value of 3.305 is greater than the t table value of 1.662 with a significance level of 0.001 (less than 0.05). Thus, Hypothesis 1: "Financial Literacy has a significant effect on Credit Decision Making."
- The Effect of Credit Procedures on Credit Taking Decisions.  
The results of this study indicate that the t value of 7.376 is greater than the t table value of 1.662 with a significance level of 0.000 (less than 0.05). Thus, Hypothesis 2: "Credit Procedures have a significant effect on Credit Decision Making."

##### 2. F Test (Simultaneous Test)

Table 8. Simultaneous Test Results

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
1					
Regression	2562.010	2	1281.005	98.632	.000
Residual	1194.874	92	12.988		
Total	3756.884	94			

a. Dependent Variable: Credit Return Decision

b. Predictors: (Constant), Financial Literacy, Credit Procedure

Source: SPSS processed data 29 years, 2024.

The results of statistical calculations show the value of  $F_{hitung} = 98,632$  with a significance of  $0.000b < 0.05$ . These results indicate that simultaneously the Financial Literacy and Credit Procedure variables have a significant effect on Credit Taking Decisions. Thus, hypothesis 3 which reads "Financial Literacy and Credit Procedures simultaneously have a significant effect on Credit Decision Making" is proven to be acceptable.

### 3. Determinant Coefficient Test

**Table 9.** Determinant Coefficient Results

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.826 <sup>a</sup>	.682	.675	3.604	1.754

a. Predictors: (Constant), Financial Literacy, Credit Procedure

b. Dependent Variable: Credit Return Decision

Source: SPSS processed data 29 years, 2024.

The results of the determinant coefficient test above show the magnitude of the influence of Financial Literacy and Credit Procedures on Credit Taking Decisions of 0.675 (67.5%) and the remaining 32.5% is influenced by the contribution of other independent variables not examined in this study.

## Discussion

### The Effect of Financial Literacy on Credit Decision Making

This study reveals that financial literacy positively influences credit decision-making, as the regression analysis shows that individuals with higher financial literacy are more likely to make informed credit decisions. This finding underscores financial literacy as a crucial factor in navigating the credit application process. It aligns with the research by Tsalitsa and Rachmansyah (2016), who also found a positive and significant impact of financial literacy on credit decision-making. From a theoretical perspective, financial literacy equips individuals with the knowledge and skills to understand and evaluate financial products and services. This supports the hypothesis that financial literacy significantly enhances the quality of credit decisions, allowing individuals to assess their financial needs accurately and choose appropriate credit options. The findings align with the theory of planned behavior, which posits that well-informed individuals are more likely to engage in rational decision-making processes.

When comparing these results with previous studies, the findings are consistent with the broader literature on financial literacy and credit behavior. Research by Lusardi & Mitchell (2017) similarly demonstrated that financial literacy is a key determinant of effective financial decision-making, particularly in managing credit and debt. While most studies support these results, variations often depend on demographic factors like age, income, and education. The practical implications are significant. Financial institutions should invest in financial education programs to enhance customer literacy, leading to more informed credit decisions and reduced default risks. Policymakers should integrate financial literacy into educational curricula, preparing individuals to navigate complex financial environments. This study highlights financial literacy as essential for responsible credit decision-making and underscores the need for ongoing efforts to improve financial education. These findings not only provide a clear direction for future research but also emphasize the urgency of action in improving financial literacy and credit procedures to enhance credit decision-making.

### The Effect of Credit Procedures on Credit-Taking Decisions

The results of this study indicate that credit procedures positively influence credit decision-making, as evidenced by the regression analysis. This finding highlights that the ease of credit procedures is a significant factor in determining whether customers decide to take out loans. The

more straightforward and more accessible the credit procedures are, the more likely customers are to be interested in applying for credit. This outcome supports the hypothesis that streamlined credit procedures enhance the attractiveness of credit products, leading to increased customer uptake. This conclusion aligns with established theoretical frameworks that emphasize the importance of process efficiency in consumer decision-making. For example, the theory of reasoned action suggests that individuals are more likely to engage in behaviors that are perceived as easy and manageable. In the context of this study, simplified credit procedures reduce perceived barriers, deciding to apply for credit more straightforward and less burdensome. Consequently, customers are more inclined to proceed with credit applications when they perceive the process as user-friendly.

When comparing these findings with previous research, the results are consistent with studies by Cahyadi & Diatmika (2021), who also found that credit procedures significantly and positively impact credit decision-making. Their research corroborates the idea that customers are more likely to make favorable credit decisions when the application process is streamlined and efficient. Similarly, Situmorang (2020) concluded that credit procedures directly influence customers' decisions, further supporting the notion that ease of access is crucial in credit uptake. These studies collectively emphasize the importance of minimizing procedural complexities to foster higher customer engagement in credit products. The practical implications of these findings are significant for financial institutions. Institutions should focus on simplifying their credit procedures to attract more customers and increase credit uptake. This could involve reducing the required documentation, streamlining approval processes, and enhancing customer service to ensure applicants have a smooth and efficient experience. Additionally, policymakers could use these insights to develop regulations encouraging financial institutions to adopt more customer-friendly procedures, thereby promoting broader access to credit.

### **The Simulant Effect of Financial Literacy and Credit Procedures on Credit Decision Making**

The results of this study demonstrate that both financial literacy and credit procedures have a simultaneous and significant impact on credit decision-making at Bank BRI Unit in Kota Jayapura. This finding confirms the third hypothesis, which posited that financial literacy and credit procedures collectively influence credit decisions. The study's outcome underscores the importance of understanding financial concepts and navigating the credit application process efficiently. Interpreting these findings within the broader context of financial behavior, it becomes clear that financial literacy and streamlined credit procedures create a conducive environment for making informed credit decisions. Financial literacy gives individuals the knowledge and confidence to assess various credit options critically. In contrast, efficient credit procedures remove potential barriers, making decision-making more accessible. This synergy between knowledge and process efficiency is crucial for optimal financial decision-making. The results are consistent with established theories in economic decision-making, particularly the consumer decision-making theory, which suggests that a well-informed consumer is more likely to make rational decisions when supported by a user-friendly process. The findings align with this theory, highlighting how financial literacy and easy credit procedures empower consumers to make better credit decisions.

Compared to previous research, the results align with the studies by Cahyadi & Diatmika (2021) and Situmorang (2020), both of which found that financial literacy and credit procedures significantly influence credit decision-making. These studies emphasize that integrating financial knowledge and simplified procedures leads to better consumer financial outcomes. The consistency between this study's findings and previous research reinforces that financial literacy and procedural efficiency are critical in credit decision-making. The practical implications of these findings are significant for financial institutions and policymakers. For financial institutions, there is a clear incentive to enhance both financial literacy programs and credit procedures. By investing in financial education, institutions can empower their customers to make informed decisions, which, coupled with streamlined credit procedures, can lead to higher rates of credit uptake and customer satisfaction. Policymakers can also leverage these findings to develop regulations encouraging financial institutions to adopt practices that enhance financial literacy and simplify credit processes, thereby promoting greater access to credit and financial inclusion.

## Conclusion

Based on the study's results, Financial Literacy has a positive and significant effect on Credit Decision Making. This proves that financial literacy really influences increasing credit decisions at BRI Bank Jayapura City Unit. Second, credit procedures have a positive and significant impact on credit decisions. This proves that Credit Procedures' effects have a real influence on improving Credit decision-making at Bank BRI Jayapura City Unit. Third, the impact of financial literacy and credit procedures simultaneously affects the decision to take credit at Bank BRI Unit Jayapura City.

For future research, it is recommended that new variables be added to the study, such as service quality variables, promotions, location, demographic factors (age, income, profession, education), and others, to produce a broader picture and add the latest theory to make it better and more relevant. Then, Bank BRI Jayapura City Unit better observes the financial literacy of each customer when taking loans (credit) so that customers can choose financial credit products that suit their needs and economic conditions.

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