



Financial Literacy. A Case Study in Madiun

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ABSTRACT

Financial literacy is very important (Chhow & Ansong, 2010) for young people. This can form a habit of saving and accumulating assets for young people. Financial literacy is also the key (Ansong & Gyensare, 2012) to reduce financial problems, especially for young adults. Financial literacy (Shaari, Hasan, Mohamed, & Sabri, 2013) can also prevent young people from overusing third party funds. This financial literacy can influence decision making regarding financial problems in young people. The literacy level assessment carried out on young people will provide insight for researchers in understanding behavior related to finance.

This study uses a quantitative method approach. The data source used is Madiun City youth in the age range of 18-39 years. The data collection technique used is to use a questionnaire or questionnaire. The results show that the financial literacy of young people in Madiun City is at a low level.

INTRODUCTION

The results of the 2020 Population Census by BPS show that the total population of Indonesia is 270.2 million people with a population rate of 1.25% (2010-2020). This large number of people triggers various things. One of them is the welfare of the Indonesian people. General indicators (Agus, 2021) consist of health, education, economy, religion, caring and obeying the law. The entire achievement of community welfare cannot be separated from the role of financial literacy.

The government also takes part in the development of financial literacy. OJK, which is an extension of the government, was given the mandate to carry out education related to financial literacy. Based on Surat Edaran No.1/SEOJK.07/2014 concerning the implementation of education to improve financial literacy for consumers and the public, must be based on four principles, namely inclusive, systematic, and measurable, easy access and collaboration.

Financial literacy is used to find out the services of an institution and financial service products. A person's attitudes and behavior can also be related to financial literacy. The following is a table of percentages showing financial literacy in Southeast Asian countries.

Table 1. Southeast Asia Financial Literacy Percentage

Country	Percentage (%)
Indonesia	29
Malaysia	66
Thailand	73
Singapore	98

Based on the data above, the percentage of Indonesia's financial literacy is in a fairly low condition, when compared to several other ASEAN countries, which is 29%. Meanwhile, financial literacy in Malaysia is 66%, in Thailand 73% and in Singapore 98%.

Indonesian society consists of various groups. One of them is a student. In research conducted by (Faidah, 2019) stated that financial literacy is getting better can increase investment interest. Another thing that influences is demographic factors which consist of the year students enter, student achievement index, and income which can affect investment interest from students.

Another factor that affects financial literacy is investment decisions. This research was conducted by (Safryani et al., 2020). The results show that financial literacy has a contributing role in influencing investment decisions. This investment decision variable was tested with other variables in this study, namely financial behavior and income variables. The results for these two variables are that the financial behavior variable has no influence on investment

decisions. In contrast to the income variable, there is an influence on investment decisions.

Financial literacy also has an influence on the welfare of the Indonesian people. This is in line with research conducted by (Brilianti & Kautsar, 2020). Individuals who are knowledgeable in lending have a better chance of prospering than individuals who are not knowledgeable in lending.

THEORETICAL REVIEW

Financial literacy (Ningtyas, 2019) is an individual's ability to apply financial management, both in obtaining and evaluating general information intended for decision making and seeing the consequences received. The definition of financial literacy according to Peraturan OJK Nomor 76/POJK.07/2016 is knowledge, skills, and beliefs, which influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity.

Financial literacy (Remund, 2010) consists of five main points, namely knowledge of financial concepts, ability to communicate financial concepts, ability to manage personal finances, ability to make financial decisions, and confidence to make plans. The causes of financial literacy are very developed at this time (Servon Lisa J, 2008) are the low interest rates on savings, many people or companies that go bankrupt, the percentage of loans/debts, and the necessity for individuals to be responsible for the decisions they have chosen because it will determine their future. Lack of financial literacy (Yushita, 2017) can enrich financial fraud practices and unfair competition in the financial market. In the end it becomes a barrier to effective financial intermediation. Financial literacy (Hidajat, 2015) will create a multiplier effect using of financial products and services, then increasing innovation in product development.

METHODOLOGY

This study uses a questionnaire designed to see how a person's financial literacy is. The assessment consists of aspects (Chen Haiyang, 1998) general knowledge, savings and borrowing, insurance, investments. Respondents filled out 25 questions consisting of four aspects of financial literacy. Respondents came from Madiun, East Java.

The questionnaire shows that most of them have a background in business science. 80% of them are diploma's students as much as 80%. There are also more women than men. Respondents aged 18 to 22 years old with a total of 201 respondents.

Table 2. Participant Demographic Table

	Number of Participants	Percentage
A. Education		
1. Academic disciplines		
a. Business majors	225	75%
b. Non-business majors	75	25%
2. Class rank		
a. High school	9	3%
b. Diploma degree	240	80%
c. Bachelor's degree	39	13%
d. Master's degree	12	4%
e. Doctoral degree	0	0%
B. Demographic Characteristics		
1. Gender		
a. Male	42	14%
b. Female	258	86%
C. Experience		
1 Years of work experience		
a. None	45	15%
b. Less than two years	198	66%
c. Two to less than four years	33	11%
d. Four to less than six years	24	8%
e. Six years or more	0	0%
2 Years of age		
a. 18-22	201	67%
b. 23-29	60	20%
c. 30-39	39	13%
d. 40-59	0	0%
e. 60 and over	0	0%
D. Income		
a. No income	129	43%
b. Under IDR 1.000.000	81	27%
c. IDR 1.000.001 to IDR 2.500.000	36	12%
d. IDR 2.500.001 to IDR 5.000.000	54	18%
e. IDR 5.000.000 or more	0	0%

RESULTS

The sample in this study came from the people of Madiun City. The number of samples taken came from 300 respondents. The analysis used is descriptive analysis using a questionnaire. The assessment aspects (Chen Haiyang, 1998) used are:

- a. general knowledge
- b. savings and borrowing
- c. insurance
- d. investments

The following are the results of the questionnaires that the researchers got from the respondents.

Table 3. Level of Personal Financial Knowledge

	Level of Personal Financial Knowledge		
	Low Below 60%	Medium 60-79%	High over 80%
A General Knowledge			
Personal finance literacy		64%	
Legal requirements for apartment lease	12%		
Apartment costs	10%		
Asset liquidity			81%
Spending vs saving pattern		77%	
Checking account reconciliation		63%	
Net worth calculation		65%	
Personal financial planning		72%	
Tax credit vs tax deduction		74%	
Mean	58%		
Median		65%	
B Savings and Borrowing			
Consumer credit report sources	51%		
Certificate of deposit terms	55%		
Loan co-sign consequences	42%		
Annual percentage rate	17%		
Mean	41%		
Median	47%		
C Insurance			
Auto insurance rate determination		76%	
Reason to buy		74%	
Homeowner's insurance characteristics	53%		
Mean		68%	

Median	74%
D Investments	
Mutual fund selection	24%
Common stock investing for selected investment goals	27%
Retirement-benefits of early investment	32%
High-risk return investment suitability	19%
Investment diversification	15%
Mutual fund charges	29%
Mean	24%
Median	26%

The following are the results of the questionnaires that the researchers got from the respondents. Based on the survey results, it shows that the level of financial literacy in general knowledge elements has low results. The results show 58% for the average respondent. Nearly half of the respondents answered the questions correctly. General knowledge consists of elements of personal finance literacy, legal requirements for apartment leases, apartment costs, asset liquidity, spending versus saving patterns, checking account reconciliation, net worth calculations, personal financial planning, and tax credit versus tax deduction.

The savings and borrowing element has a low value with an average of 41%. Other elements in the form of insurance and investments have different average values. The investment element value is greater, namely 74% and the investment element value is 26%.

DISCUSSION AND CONCLUSIONS

Based on research that has been carried out, the level of financial literacy is generally in a low position. The average obtained from the four types of aspects assessed is 47.75%. The lowest value on average is in the aspect of knowledge about investment, which is 24%. The highest average score is in the aspect of knowledge about insurance, which is 68%.

All policy makers in Madiun City should start increasing strategic steps to increase financial literacy. This is to solve the various challenges that exist in the City of Madiun. The short term and long term financial needs of the community will be met if the community becomes more financially literate. Financial literacy will also protect society from the possibility of a financial crisis.

ADVANCED RESEARCH

This research has limitations so further research is still needed on this topic

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