

Financial Literacy of Students: University Case Studies in Indonesia

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Abstract

The purpose of this research is to describe the student financial literacy in Indonesia. A case study is used as a design method to describe and explore the financial lives of students at Swadaya Gunung Jati University. By using descriptive statistics, this paper has demonstrated that more than half of students who participate in financial literacy program can manage their finances wisely. The present findings have important implications for developing the curriculum in financial management subject in Indonesia, precisely in managing finances for students' daily life, which ignoring by the majority of financial management courses in Indonesian universities.

Keywords: *Financial Literacy; Student Financial; Daily Finance.*

Abstrak

Tujuan dari penelitian ini adalah untuk mendeskripsikan literasi keuangan mahasiswa di Indonesia. Studi kasus didesain sebagai metode untuk mendeskripsikan dan mengeksplorasi kehidupan finansial mahasiswa Universitas Swadaya Gunung Jati. Dengan menggunakan statistik deskriptif, makalah ini menunjukkan bahwa lebih dari separuh mahasiswa yang mengikuti program literasi keuangan dapat mengelola keuangannya dengan bijak. Temuan ini memiliki implikasi penting bagi pengembangan kurikulum mata kuliah manajemen keuangan di Indonesia, tepatnya dalam mengelola keuangan untuk kehidupan sehari-hari mahasiswa, yang diabaikan oleh sebagian besar mata kuliah manajemen keuangan di universitas-universitas di Indonesia.

Kata Kunci: Literasi Keuangan; Keuangan Mahasiswa; Keuangan Sehari-hari.

INTRODUCTION

“Who knows their needs, then he can manage what they have, including their finances,” Wahyuni (2018) wrote in her book on financial literacy for Muslim youth. According to Wahyuni (2018), financial literacy is the groundwork for measuring a person’s understanding of how fund management in his personal life moves, particularly among young people. This statement is consistent with Jorgensen and Savla (2010), who state that it is critical to teach financial literacy in families

in general, even when children are still in their childhood. Bhushan and Medury (2013) conclude that with an adequate understanding of finance, a person will sort out what should produce more value and what does not. As a result, they will be able to get through difficult financial times in their lives.

Education plays a vital role in disseminating financial literacy, and this is a vital issue since people with financial literacy are able to manage their daily finance allowing them to live their lives more stably with no worries

about financial problems (Boon et al., 2011; Chaipat, 2019; Belousova, et al. 2019). Educational institutions, including universities, should instill enthusiasm and knowledge about financial literacy in their students (Wahyuni, 2018; Wahyuni & Chariri, 2019) and add supplementary financial lessons (Chaiphat, 2019) to enrich their financial knowledge and literacy.

Students—as a group of young people, particularly accounting students who deal with numbers daily, naturally have a good understanding of financial literacy and the technology movement (Samkin et al., 2012; Istiyana & Fatmawati, 2020). In today's fast-paced and modern world, knowledge of finance is neither deep nor sufficient. Even if it is adequate, it is often overlooked. This phenomenon can be seen in students' consumptive attitudes, which are becoming increasingly difficult to control (Бартава, 2019; Tomlinson, 2017).

One of the universities in Indonesia, President University, has fulfilled its role by spreading the spirit of financial literacy elegantly and excitingly through monopoly games (PresUniv, 2017). This game makes the student's personal life the basis of the game. Through monopoly games, students are invited to reason when faced with a disaster (accident, crisis, and other compelling circumstances) and get more income when there is a promotion. All done to raise awareness of the importance of financial management. Overall, students will have a better understanding of finances and will also be capable of managing them for themselves and their families. (PresUniv, 2017).

What President University has accomplished is commendable and demonstrates the need for educating financial knowledge in Indonesia. However, in Indonesia in particular, learning about personal financial literacy is relatively uncommon in the formal education classes (Wahyuni, 2018). Worldbank (2011) presents survey data from the Financial Services Authority (2011), demonstrating a pattern supporting the statement that Indonesia's literacy rate remains at 20% of the overall population.

Gunung Jati Swadaya University is an Indonesian university on the island of Java, which is still Indonesia's most highly populated island and even the world's fifth-most pop-

ulous island (travel.detik.com). This study was conducted on accounting students at Swadaya Gunung Jati University to investigate and respond the Indonesian student's financial literacy questions.

RESEARCH METHOD

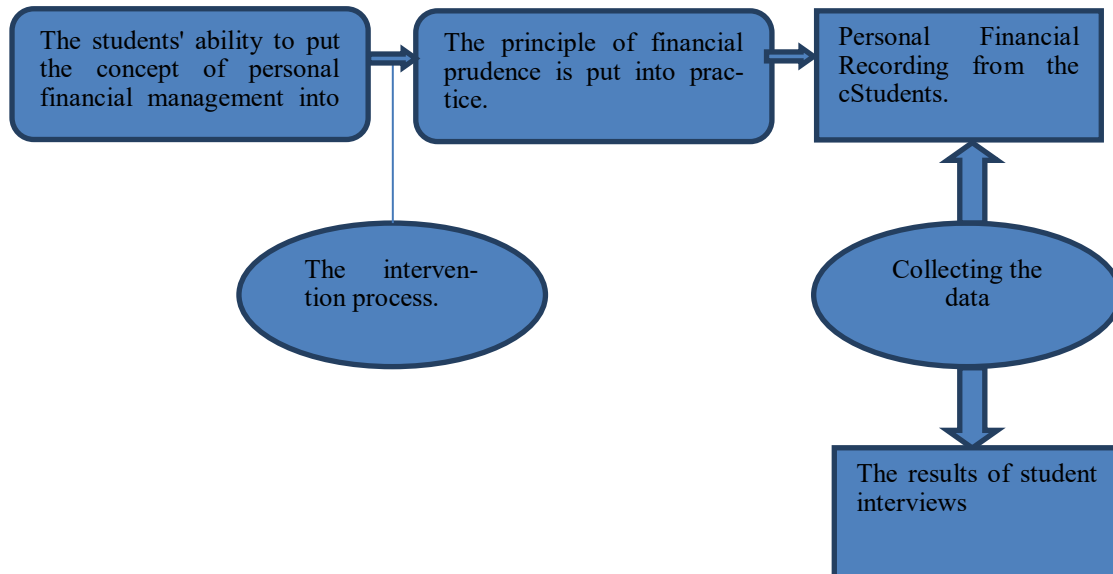
This study aims to obtain a clear picture of the level of financial knowledge in planning and managing, both in daily life and in determining long-term financial decisions, using descriptive research methods. This study use information gathered from interactions with students at Universitas Swadaya Gunung Jati (Unswagati), an Indonesian institution known for its strong spirit of resistance and Indonesian values. This value can be known from the name of the campus itself, which was the name of a great warrior of his time, Sunan Gunung Jati. The students are accounting students who have completed the Financial Management course for the 2017/2018 academic year and are participating in an intensive personal finance program at Unswagati. Since this research is conducted in a specific area or location, it automatically implements a case study research design (Smith, 2019)

This study's data collected from two different sources: primary and secondary sources. Primary sources include daily financial reports from students and other information gleaned through interviews conducted during the research process. During the research process, secondary sources are picked from supporting notes. Initial data from students' daily financial reports are collected in the revenue budgets and spending plans in October 2018. Then in the next two months, pieces are collected in the form of daily cash flow reports and reports on the realization of what has been previously budgeted (beginning of the year).

The data from the field research was evaluated to analyze the implementation of financial literacy. Four factors named knowledge of general personal finance are used to measure the realization of financial literacy. The first is an understanding of concepts connected to basic personal financial knowledge. Second, savings and borrowing, which includes information on saving and borrowing and the use of credit cards. The third factor is about insurance, which contains basic insurance

knowledge and insurance products such as life insurance and automobile insurance. The fourth aspect is investing knowledge, which includes information on market interest rates and mutual funds. The researchers adopted

these four indicators from Chen and Volpe (1988), Robb and Sharpe (2009), and Margaretha and Pambudhi (2015). In short, the flow of research as mentioned above is depicted in the picture 1.



Picture 1 Research Flow

RESULT AND DISCUSSION

At Gunung Jati Swadaya University, 20 accounting students took the Financial Management class and the Personal Finance for Daily Life program in Class A during the 6th semester (table 1). Since the data of five students was incomplete, the sample was limited to 15, and it was not possible to increase the piece further.

Table 1 Participant Description

Gender	Proportion	Personal Finance Program	Financial Report
Man	6%	Involved	Budgeting report A daily cash flow report
Woman	94%		Budget realization report

The students equipped with general knowledge related to finance since they first entered the world of lectures and have been invited to participate in an intensive personal finance program for the past semester. Every month, students were asked to keep a diary related to their finances to see whether the knowledge they have has been embedded in

their daily lives or vice versa, considering that the knowledge they have studied has focused on finance for the last three years.

The Knowledge of Personal Finance

The indicator for assessing financial literacy mastery used is general personal finance knowledge developed by various scientists (Chen and Volpe 1988; Robb and Sharpe, 2009; Margaretha and Pambudhi 2015), which researchers have slightly modified due to the adjustment of themes and current needs.

Basic Personal Finance. This indicator contains basic knowledge of personal finance. Participants were invited to think about the financial plan they would choose when faced a long-term strategy situation to prepare the retirement in the next 30 years. As a result, 47% of respondents decided to save at a commercial bank, 40% made time deposits, and 13% chose to buy bonds. This data shows that savings in commercial banks and time deposits have become a favorite alternative for respondents because they feel safer and easier to withdraw at any time compared to bonds.

Saving and Borrowing. This section relating to savings and loans such as using credit cards or taking loans. Participants are faced

the problem of managing finances in entering the world of work and having dependents like adults. As a result, they can also think longer to determine what habits to do early (67% make a budget and try not to exceed the income limit; 33% choose auto-debit when they have dependents).

Insurance. This section covers basic knowledge of insurance and insurance products such as life insurance, motor vehicle insurance. Insurance knowledge does not escape the intensive personal financial for daily life. Participants were invited to think further about what insurance is and how it benefits the long term (such as BPJS, Prudential, and Jamsostek). As a result, 80% of participants chose to plan to take insurance, and 20% decided not to. This means that some participants are aware that long-term needs need to be prepared as early as possible to take wise planning for their short-term habits.

Investments. Finally, participants were exposed to learn about market interest rates, mutual funds, and investment risks. After understanding that every activity carried out by someone must be related to money, anyone must prepare prudent planning. As a result, 53% of participants are ready to invest, 13% are pretty prepared, 27% are not ready, and 7% are not. This data shows that more than half of the participants feel the need to invest for a better future. Meanwhile, more than 30% feel they are not ready to invest.

Personal Finance Results for Daily Life Report

Financial records made for daily life consist of three types of reports. First, the monthly budget report. This report contains the estimated budget that will be received for one month and what costs will occur in the same month. Second, the daily cash flow report has cash flows that happen every day, starting from cash in, cash out, and the final balance. The last, the budget realization report, includes the budgeted revenues and expenditures at the beginning of the month. These are done intensively for one semester.

The budget report consists of two main items, estimated revenue and estimated expenditure. The budget report is prepared beginning of the month as a benchmark for calculating potential income and what costs will be incurred for a whole month.

In the first post, estimated income, partic-

ipants can fill in income details from parents, scholarships, business, and other income (such as bonuses, gifts from family and friends). Meanwhile, for the second post, spending is classified into three types according to the current needs of students/participants.

The first is shopping, living cost, which means things related to primary human needs that students must meet. As it is not fulfilled, it will interfere with short-term survival, such as food and drink, housing costs, electricity, credit, monthly shopping, transportation costs, and trim costs that are routinely issued every month. Second, investments that contain matters relating to the use of large amounts of funds have long-term benefits for the students, such as saving, giving alms, tuition fees, buying books, and social gatherings. The last is gifts, which are related to expenses that will be incurred as gifts for others (such as giving gifts, attending weddings, and condolences) as well as gifts for oneself that are secondary and tertiary (such as recreation, buying clothes, bags and shoes only) because wants are not needs and want of others).

Furthermore, the daily cash flow statement contains daily events regarding financial transactions that occur. Only by recording it, a complete daily record of expenses and income will be collected. This activity is important because it measures how far the cash flow is going. This cash flow is the basis for making a budget realization report.

The Budget realization report is related to the final report on the realization of the budget that has been made. This report is a benchmark for the success or failure of the participants in committing themselves to the life budget that they have made themselves. In addition, this report also shows the trends in managing of each participant's finances.

Table 2 Average personal financial income and

Description	Amount	Percentage
Average Income	1.322.875	
Average Expense		
Living cost	697.000	53%
Investment	239.964	18%
Gift	281.357	21%
Amount	1.218.321	92%
Average	104.554	8%

From the three reports (budget report, daily cash flow report, and budget realization), the following financial data was obtained. Based on the analysis results (table 2), it concluded that participants have been able to determine the direction and strategic plans for their finance in terms of knowledge. However, when asked to do intensive daily records, students learned that the courage to make savings was still relatively low. First, judging from the basic personal finance (47% savings bank; 40% deposits; 13% bonds) shows a good choice for managing finances, but from the results of the budget realization report, the average investment rate is relatively low (18%). Meanwhile, in terms of gift shopping, it is higher than investment (21%).

When it comes to savings and borrowing, students have given more thought to what habits should form early on. The percentages of students are 67% who make a budget and try not to exceed the income limit; 33% choose auto-debit when they have dependents. According to the budget realization report, there are still students who have not dared to save at the start of their income, even though the money left over at the end of the month is still enough for them to live comfortably.

Regarding insurance, participants thought further about what insurance is and how it benefits for the long term, BPJS for example (80% chose to plan to take insurance and 20% decided not to). This data shows that knowledge readiness is good. It's just that it has not been seen at this time because most students only focus on studies and have not fully worked. At least they already have the stock to prepare a strategy when they have a career later.

Finally, on investments, students choose whether they are ready to make investment planning (53% very prepared; 13% quite prepared; 27% less ready; 7% not prepared). This percentage means that most students already have consistency in saving every month during the last few months of the training period. This data also shows a change in the pattern or habit that exists in each participant to consider beneficial things for the long term. The emergence of the courage to save is a good signal for them because the younger generation has dominated the current industrial revolution. It is also clear that the 'new' needs currently arising have become part of the living cost, which must be covered eventually.

CONCLUSION AND LIMITATION

The ability in sorting out what produces more value and what does not, getting through difficult financial times, and managing finances are essential to wisely learn early. Therefore, as a student equipped with financial awareness and knowledge, it is appropriate to apply the concept of financial wisdom in everyday life.

More than 50% of accounting students who were participating in this study managed to have financial awareness. That is, they can wisely manage their daily needs, namely clothing, food, shelter, and the internet for short-term and long-term life.

The present findings have important implications to develop the curriculum in financial management subject in Indonesia, precisely in managing finances for daily student life which ignored by the majority of financial management courses in Indonesian Universities. The findings also support the previous study from Chaiphath (2019) that the students increased their financial behavior and attitude after taking supplementary financial lessons in the course.

However, this study does not have a broad scope because it is focused on students with a certain level of knowledge and participating in personal finance programs. Of course, further research can improve the shortcomings in this research, such as inviting participants to make direct investment transactions and inviting passive students to become financially literate so that a broader picture of financial literacy by students can be obtained.

The future study can also conduct the same study from Brown, et al., (2018) in Indonesian context. This study includes language and culture effect from the group of students by conducting qualitative and quantitative method in Indonesian context.

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