

Financial Literacy Analysis on Students of Economic Faculty

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Abstract: This study aims to describe the users of Branchless Banking financial literacy and students' consideration factors in financial management. This research used qualitative method and case study approach. The sampling technique used was snowball sampling. Data were obtained by in-depth interview technique and observation, while sources triangulation was used to check the validity of data. The results show that, Faculty of Economics students who use branchless banking service are categorized to have good financial literacy. Students with good financial literacy have high rationality in consumption strategies, efficiency, resource optimization, and risk management consideration in making decision. On the other hand, there are a small number of students who have low financial literacy, their actions are still inclined to spend money only for satisfaction in consuming. Implication are presented to department and faculty of Economics to improve practicing for the students through non-academic activity that can create equity of student financial literacy.

1 INTRODUCTION

The rapid development of technology affect has an impact on the increase of technology based economic activity. For instance, banks have used technology based services since the introduction of branchless banking. The advanced development of economics and finance information technology needs to be in line with the rate of decision making. One of the abilities that must be possessed to make decision quickly and properly is financial intelligence. Financial intelligence a competence that can be built from financial literacy, it is an ability to manage assets which always consider the benefits, costs, and outcome of any decision made (Bosshardt and Walstad, 2014: 68). Financial problems are not only caused by the lack of income, but can also occur due to the lack of proper management and financial planning. Financial literacy is very important in supporting the realization of individual goals in decision making. This study aims to describe the users of Branchless Banking financial literacy and students' consideration factors in financial management on Students of Economic Development Department.

The result of Otoritas Jasa Keuangan (OJK) survey shows that the index of public financial literacy reached 21.84% in 2013 to 29.66% in 2016 (OJK: 2016). As knowledgeable people, students are expected to have better awareness and understanding

of financial management than common people. However, Rishang (2014) stated that high consumer attitudes among students and other young people recently cause financial management becomes a difficult task. Apart from these attitudes, many young people do not yet have financial management knowledge.

To improve financial literacy and public access to banks, the government propose Strategi Nasional Inklusi Keuangan (SNIK) programs. One of the programs is through branchless banking, is a limited payment and financial service which is done not through offices, but by means of technology.

The benefits of the increase of financial inclusion according to Bank Indonesia are: (1) Improve economic efficiency. (2) Support the stability of the financial system. (3) Reduce shadow banking or irresponsible finance. (4) Support financial markets deepening. (5) Provide new market potential for banking. (6) Supports the improvements of Indonesian Human Development Index (HDI). (7) Positively contribute to local and national economic development sustainably.

OJK expects that Branchless Banking can improve the understanding of less literate people on financial institution, utilization and condition, and financial management. By providing easy, convenient, and more efficient access, it will encourage the utilization of financial institution services for well literate people.

Lusardi and Mitchell (2006) suggest that men have a higher level of financial literacy than women. While Erner, Menke and Oberste (2016) the basic financial literacy is influenced by gender, age, IQ and mathematical skills. As for the more complex financial literacy influenced by gender, age, occupation, IQ and foreign language skills.

2 METHODS

This research used qualitative method and case study approach. This research was conducted in di Faculty of Economy, Universitas Negeri Malang, and the subject were the Branchless Banking users who are majoring in Development Economics. Samples were taken by Snowball technique on 15 students. Data were obtained by using Indepth interviews and observation. Interviews were conducted intensely in order to explore all information related to the rational use and the type of service used, while observation was conducted to view related documents to the use of branchless banking services.

The data analysis technique used in this research was qualitative data analysis, following the concepts by Miles, Huberman and Spradley. Miles and Huberman in Sugiyono (2014) suggests that the activities in qualitative data analysis are done

interactively and continuously in every stages of research until it is complete. The validity of the data in this study were checked by using observation and triangulation.

3 RESULTS AND DISCUSSION

3.1 Students Financial Literacy

3.1.1 Well Literate Student of Branchless Banking User Service

Well Literate students are able to combine the management and the use of their resource for consumption needs and increase their revenue through the production process. In utilizing their money for goods or services, students at this level tend to acquire some information before. This shows how the students tend to make analytical spending or consumption decisions or policies effectively and efficiently based on some considerations. Students in this state have already had deep knowledge of financial institutions, as well as reliance to the institution, especially in banking. Students also optimize the use of banking services, by considering the benefits and risks of using the services. Below is a diagram of the Well Literate level:

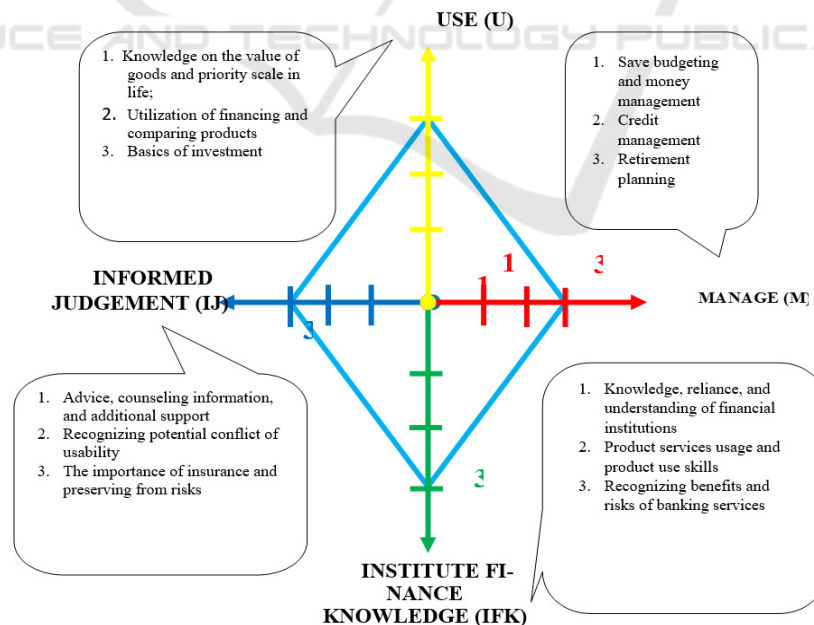


Figure 1: Graph of Students of Branchless Banking Service User with Well Financial Literacy

The figure 1 shows that the ideal conditions of student financial literacy are on the light blue line, this indicates that the student has a balanced level of economic literacy and management, planning, and optimal and smart decision making. Students of Branchless Banking users with financial literacy on $M = 3$; $IFK = 3$; $IJ = 3$; and $U = 3$, have the best financial use and management from their experience, along with good knowledge and use of banking products. ($M = 3$) in this state of their perception have been on good financial management, from savings lifestyle and the desire to prosper their life through seeking other sources of finances such as producing. ($IFK = 3$) in this state, informants already have a deep knowledge on financial institutions, as well as reliance to the institution, especially banking. Informants also optimize the use of banking services, for instance the benefits and risks of service use. Informants also understand and have the purpose in using the service. ($IJ = 3$) Students have been able to overcome the conflicts and financial problems by making the right decisions. ($U = 3$) those students have a good consideration in managing their finances, knowing their needs in depth and having the fundamentals of investment for financial welfare that

will come. Well Literate students, have had the awareness and ability to manage and the use of their funds, so they are safe from the financial risks and financial management failures

3.1.2 Sufficient Literate Student of Branchless Banking User

Sufficient literate students combine the management and use of their funds for consumption needs, their financial management tends to be able to meet the needs without increasing their income. Benefits that can be taken by those informants from spending and comparing products are the satisfaction in fulfilling their needs.

Students of this level do not yet have an understanding of the fundamentals of investment for their future especially in raising the income in their finances. Students in this level are quite good at understanding the financial institution, the use of in-depth financial services and a deep understanding of the benefits and risks of using the services. The following graph illustrates the level of literacy of the Sufficient Literate category.

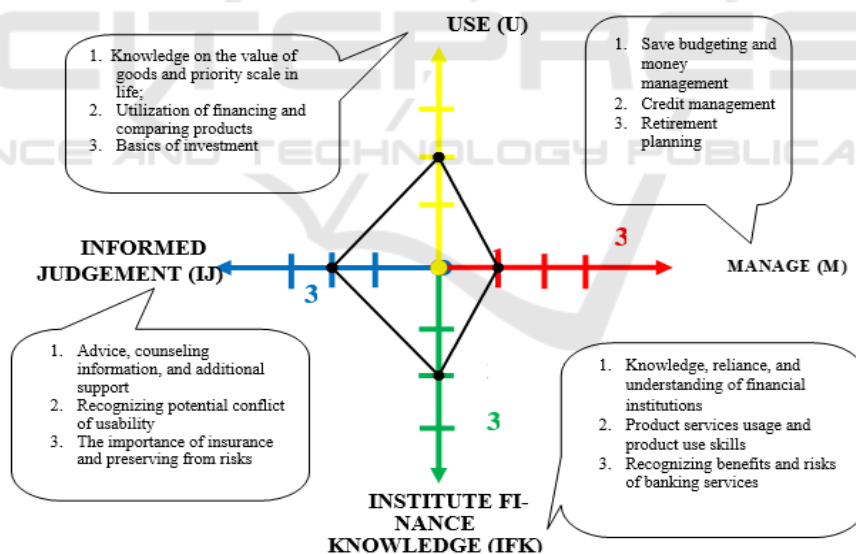


Figure 2: A Graph on Students' Financial Literacy on the Use of Branchless Banking Service in Sufficient Literate Category

The figure 2 presents the ideal condition of students' financial literacy is on the blue line. It indicates that students have the level of economic literacy which is offset by management, planning, optimum decision making. Students who use Branchless Banking service with financial literacy under the condition $M=1$; $IFK=2$; $IJ=2$ and $U=2$, have good enough

ability in using and managing their finance. ($M=1$) students under this condition belong to average in managing their finance starting from their saving habit and budgeting their finance. The informants' paradigm tends to desire to have what is wanted, without any thought to get other sources of revenue. ($IFK=2$) students in this condition are good enough in

understanding financial institution, less indepth in the use of financial service as well as enough understanding in knowing the benefits and risks of the service use. (IJ=2) in this category, students could overcome the financial conflict although sometimes they need their parents' help. (U=2) this category shows that the use of funds by the informants have been wise, they are more precise and selective during the consideration process. Students in Sufficient Literate type have already had the ability in managing and spending funds, yet they do not have enough skills in managing their money thus they are prone to risks and failure resulting from the management.

3.1.3 Less Literate Student of Branchless Banking User

Students in Less Literate category combine the management and the usage of their funds as consumption needs, to fulfil their needs, they have never made a clear planning but a budgeting merely for the primary needs. In saving and consuming, they do not have special allocation. The desire to meet

their satisfaction beats rationality in self-control for economic activity.

Students in this type do not have fine knowledge on the value of things and priority scale in their life as students. The priority scale as students that must put life and education first are often interrupted due to the desire to meet their private needs.

There is no willingness in maximizing the income that they have as students since they only need to fulfil their consumption needs. Parents who let their children manage their own money make these students excessive in spending their money. All financial problems will be handed over the parents.

Students in this category tend to use banking service only to withdraw money and check the balance thus they do not use the service optimally. They do not have sufficient knowledge on the benefits and risks of banking service thus created an impression that they use the service merely to withdraw money since they are far from their parents. The following graph presents the literacy of the Less Literate category

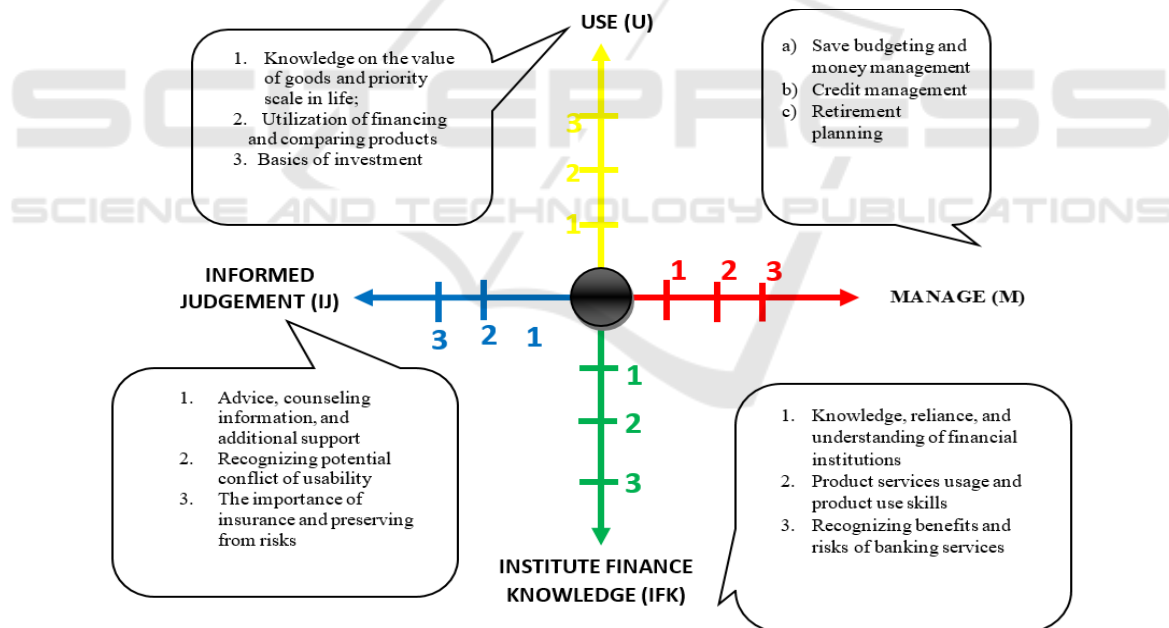


Figure 3: A Graph on Students' Financial Literacy on the Use of Branchless Banking Service in Less Literate Category

The figure 3 above depicts that users of Branchless Banking service with financial literacy on M=0; IFK=0; IJ=0; and U=0 have the lowest financial ability skill compared to the others. (M=0) those type of students commonly have no skill and experience in managing their finance due to less control from the parents and allow them to be in charge of their

finance. (IFK=0) this type of students tend to use banking service merely to withdraw money and check the balance therefore they do not use the service optimally. They do not have sufficient knowledge on the benefits and risks of banking service thus created an impression that they use the service only to withdraw money since they live far from their

parents. (IJ=0) students on this type are more emotional in using their money. They are ignorant on others' opinions and tend to hand over the financial problems to their parents. They manage the money for something that they want without having further consideration. (U=0) These students have already had thoughts on how to spend their funds, yet they lack of control and are more emotional in meeting their inward fulfilment.

3.2 Students Consideration in Managing Funds

3.2.1 Well Literate Students

Students in this category have more consideration on arranging and managing funds to meet their needs as well as obtain more income. They do not use the funds for consumption satisfaction. They are likely to dig deeper information on the quality, price and use of the products. In fact, some students have thoughts on how the goods could provide additional income. It illustrates that students have effective and efficient analytical decision in expenditure. In handling the risks, they often look for preventive and effective actions to solve them. They have thought and considered the short term and long term possibilities. These results are in line with Need Achievement theory (McClelland: 2010) and studies Satrio Y.D (2012).

3.2.2 Sufficient Literate Students

Students under this criteria spend their money to fulfill their consumptive desire. The consideration on how to spend the money for goods or services is frequently changing depends on their eagerness. Their analytical thoughts are more on the price and quality of certain products. Generally, students on this type rely their funds only to their parents. The failure in managing their money is tolerable and can be a lesson for them.

3.2.3 Less Literate Students

These students heavily depend on their parents to meet their needs. They are more emotional in spending their money. After receiving money from their parents, they think about how they could spend all the money to earn what they want. They do not have good analytical thoughts in spending the money compared to other types. Failure in managing the funds is not a problem to them. When they face such problems, they will ask their parents for help. These

results are in line with previous studies, suggesting that democratic characteristic and parent's socioeconomic are systematically related to literacy levels (Erner C. et. All: 2016).

4 CONCLUSIONS

The majority of Economics students who use the Branchless Banking service have fine financial literacy. The high financial literacy covers the budgeting, saving and managing money, the bases of investment and knowledge about the value of good and priority scale of their lives. In addition, it also covers the potential of conflicts and benefits, understanding and belief in banking service and its benefits and risks and finding additional information and support.

Students with high financial literacy are not only prioritize their desire but also eager to have additional income. They are likely to look for further information on the quality, price and use of the products. They tend to have effective and efficient analytical thoughts. Students with average level of financial literacy often use the money to fulfill their wish. The consideration on how to spend the money for goods or services is frequently changing depends on their eagerness. Students with low financial literacy tend to spend the money without taking into account the economic consequences. They do not have good analytical thoughts in spending the money and failure in managing the funds is not a problem to them.

A few students have low financial literacy. Therefore, the faculty and department of economy have to develop either academic or non-academic activity to involve students thereby encouraging students' level of financial literacy.

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