

An Analysis of Financial Literacy Level on Participants in the Polibatam Capital Market School Cooperation between Indonesia Stock Exchange and PT Phillip Sekuritas Indonesia Batam Branch

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Abstract: The purpose of this study is to determine the level of financial literacy of participants in the Polibatam capital market school. This study's financial literacy aspects include aspects of personal basic financial knowledge, loans and credit, savings and deposits, insurance, and investment. This research is a descriptive study of the quantitative method. This study's sample consists of 30 participants of Polibatam capital market school between January to March 2020. This study's results indicated that the financial literacy level of Polibatam capital market school participants between January to March 2020 as a whole is 84.8%. According to Chen and Volpe, if the percentage is interpreted into the financial literacy level criteria, then 84.8% is in the high category (> 80%).

1 INTRODUCTION

Every individual or student needs financial literacy, which is a basic need. Financial problems can not only be caused by income, but also from mistakes in financial management, such as economic difficulties. Therefore, every individual and student must have financial literacy to minimize financial problems.

Financial literacy is a set of processes to increase the confidence, knowledge, and skills of the wider community to manage finances well. Indonesian people have not used financial institutions properly, even though financial literacy is a fundamental need in managing finances. The low level of financial literacy in Indonesian society has an impact on the use of financial services. (Otoritas Jasa Keuangan, 2014).

In connection with that, Indonesia Stock Exchange cooperates with several universities to improve financial literacy in Indonesia. One of them is Politeknik Negeri Batam. The college has established a collaboration between Indonesia Stock Exchange and PT Philip Sekuritas Batam Branch to hold an investment gallery. One of the agenda, the implementation of the Capital Market School or commonly abbreviated as SPM.

Measurement of the level of financial literacy is an essential thing for SPM participants. It aims to determine the financial literacy profile of each

participant so that the SPM organizers can find out potential investors in utilizing financial products and services. Also, this measurement is useful for SPM organizers to evaluate the material presented to adjust the average level of participants' financial literacy.

2 LITERATURE REVIEW

2.1 Financial Literacy

Financial literacy is an essential requirement that is needed for someone to avoid financial problems. Financial problems can not only be caused by income, but also from mistakes in financial management and lack of knowledge in managing finances. Achieving and improving the welfare of financial literacy signifies individuals' ability to use the resources they have (Dwiastanti & Hidayat, 2016). The level of financial literacy by OJK is divided into four, namely:

1. Well literate is a skill in using service and financial products and having knowledge and confidence in financial institutions, including features, benefits and risks, rights, and obligations related to financial service products.
2. Sufficient literate is the ability to have confidence and knowledge of financial institutions.

3. Less literate is an ability that only knows financial institutions and products.
4. Not literate is having no skills in using financial products and services and knowledge, and confidence in financial institutions.

Financial literacy, in general, can be divided into two, namely basic financial literacy and advanced financial literacy (Lusardi, 2011).

1. Basic financial literacy
Basic financial literacy is centred on a fundamental question: does someone have the necessary level of financial knowledge needed to make financial decisions.
2. Advanced financial literacy
More knowledge is needed compared to fundamental knowledge in making savings and investment decisions. This statement states that someone who knows advanced finance will understand risk and income: how bonds, stocks, and mutual funds work, and basic asset pricing.

2.2 Aspects of Financial Literacy

According to Nababan & Sadalia (2012) explanation in financial literacy, there are several aspects, which include:

1. Basic Personal Finance, namely about the basic knowledge possessed by individuals in understanding the financial system such as inflation, interest rates, asset liquidity, credit, and so forth.
2. Cash Management (money management), i.e., one's ability to manage finances appropriately and adequately. If an individual manages his finances well, he has the right level of financial literacy.
3. Credit and Debt Management, namely the process of activities that are interconnected between one another in a structured manner in the process of collecting and presenting information about a bank's credit. In contrast, debt management is a debt payment system that involves third parties in assisting debt lending.
4. Saving (Savings), which is the portion of a person's income that is not used for consumption, but instead is allocated to be savings. Study someone how they can set aside a portion of their income source for savings and manage it.

2.3 Capital Market School

According to the Indonesia Stock Exchange (2017), the Capital Market School (SPM) is an educational program that is regularly held by the Indonesia Stock Exchange (IDX). The purpose of this educational

program is to help all levels of society better understand the procedures for becoming an investor in the capital market. SPM is divided into two levels:

1. SPM level 1 which is intended for people who have never been a stock investor. Participants will get material on investments, especially stock investments and how to invest shares in the Indonesian capital market and a general description of the capital market.
2. SPM level 2, namely an Investment Workshop intended for people who have become stock investors in the Indonesian capital market. Participants must bring proof of SID by carrying an access card or trading transaction confirmation of shares when they take SPM level 2. SPM level 2 can also be followed by SPM level 1 participant on the same day. The participants will learn about fundamental analysis and technical analysis as a basis for choosing stocks to be invested.

2.4 Capital Market

Article 1 number 13 of Law No.8 of 1995 states, "Capital Market is a market that has activities to conduct public offerings and trade in securities involving public companies and institutions and professions related to securities." Meanwhile, the Stock Exchange is an institution that provides facilities and systems and organizes to bring together securities sellers and buyers of other parties with the intention of trading securities among market participants.

2.5 Capital Market Function

According to Tandililin (2001), a capital market is a meeting place for sellers and buyers of securities that risk profit and loss. In essence, the capital market has two market functions, namely:

1. Intermediary institutions have an essential role in supporting the economy; therefore, the capital market can involve parties who have excess funds with those who need funds.
2. Encouraging the creation of efficient fund allocations; this is due to the existence of a capital market. The party with excess funds (investor) can choose investment alternatives that provide optimal returns.

According to Sunariyah (2006), the function of the capital market in a country is as follows:

1. As a place to interact between sellers and buyers to determine the price of shares or securities traded.

2. Provide opportunities for investors to determine the expected return.
3. Provide an opportunity for investors to resell their shares or other securities.
4. Provide opportunities for all people to be able to participate in the development of a country's economy.
5. Reducing information and transaction costs for securities.

2.6 Capital Market School Instruments

Tandelilin (2001) explains that capital market instruments are all securities that are traded generally in the capital market. According to Law No. 8 of 1995 concerning the capital market, securities represent all commercial debt securities, receipts of debt, bonds, shares, credit securities, every right, option, warrants, or derivatives of securities or all instruments designated as securities.

In general, securities traded through the capital market include bonds, shares, mutual funds, and derivative instruments. The following is an explanation of the following instruments as follows:

1. Shares are proof of ownership of a person on the assets of a company. One of the most popular types of instruments in the capital market is stocks. Investors who own shares will receive dividends and take advantage of fluctuations/increases in share prices by reselling the shares to obtain profits that are commonly called capital gains.
2. A bond is a certificate that contains a contractual agreement between the company and the investor. It states that the investor has lent some money to the company (the issuer) as the bondholder. Each company that issues bonds should pay interest regularly by a predetermined period and the principal at maturity.
3. A mutual fund is a certificate stating that someone entrusts a certain amount of money to a securities company to be managed by a professional investment manager, to be used as capital to invest in the capital market or the money market.
4. Derivative instruments are derivatives of other securities. These instruments cause the value of derivative instruments is highly dependent on the price of other securities. In general, types of derivative instruments include proof of rights (right issue), options, warrants, and futures.

3 RESEARCH METHOD

3.1 Research Object

This research object is Polibatam Capital Market School Cooperation Between Indonesia Stock Exchange and PT Phillip Sekuritas Indonesia Batam Branch.

3.2 Sample Research

This research uses a sample convenience method. Here are the sample criteria of this research, ie.

1. Participants of Polibatam Capital Market School (SPM) cooperation between Indonesia Stock Exchange and PT Phillip Sekuritas Indonesia Batam Branch.
2. Participated in the Capital Market School (SPM) period from January to March 2020.

According to Roscoe Sugiyono in Mamik (2015), determining the minimum number of samples in this study follows the provisions of 30 respondents.

3.3 Data Collection Method

In this study, the method of data collection is a questionnaire. This questionnaire is a collection of questions about investments, general financial knowledge, loans, insurance, savings, and investment. The questions adopted from the question are in the research of Chen and Volpe in the year 1998. One correct question will get a score of 1 if the wrong answer will get a score of 0. Here is the formula (1).

$$= \frac{\text{The correct number of questions}}{\text{Number of question}} \times 100\% \quad (1)$$

The calculation result will be compared with the criteria of financial literacy, according to Chen and Volpe.

Table 1: Financial literacy level.

Financial Literacy Level	The Correct Number of Questions
Low	<60%
Middle	60-80%
High	>80%

3.4 Data Analysis Method

The data analysis method used is descriptive. This method outlines and describes the data that has been collected without making a general conclusion (Sugiyono, 2014). In this study, it will be described and spelled out related to the condition of financial literacy of the capital market school participants in Politeknik Negeri Batam.

4 RESULTS AND DISCUSSION

4.1 Results of Collected Data Processing

This study aims to determine the condition of the description of the participants' financial literacy level in the Polibatam capital market school between January to March 2020. By filling out the questionnaire that has been distributed, it will describe the financial literacy level of the Polibatam capital market school participants with the convenience sampling technique. The questionnaires distributed by researchers to participants in the Polibatam capital market school in 2020 were 102 participants who attended the capital market school in the January-March period. However, 35 questionnaires were received back. Only 30 questionnaires met the criteria for further data processing, while five questionnaires were deemed inappropriate because they did not meet the criteria set. The results of processing the collected data can be seen in Table 2 below:

Table 2: Questionnaire data collected.

	Total
Number of questionnaires distributed	102
Number of questionnaires received back	35
Number of questionnaires that cannot be processed	5
Number of questionnaires that can be processed	30

Questionnaire distribution data based on participants who attended the capital market school in January-March 2020 can be seen in table 3 below:

Table 3: Questionnaire Distribution Data for January – March.

Month	Number of Respondent	Percentage
January	2	7%
February	2	23%
March	21	70%
Total	30	100%

Based on table 3 above, the number of respondents who have filled out the questionnaire in January is 7% and the number of respondents in February is 23%, and the number of respondents in March is 70%. It can be said that most of the respondents who filled out the most questionnaires were capital market school participants in March 2020.

4.2 Characteristics of Respondents

Based on table 4 below, from the 30 respondents, the number of respondents who are male was 6.7%, and the number of female respondents was 93.3%, meaning that most respondents are female. This is because based on the data of respondents who register for capital market schools, it tends to be mostly women than men. It is because of the results of research conducted by Krishna et al. (2010) in their research found that women tend to understand financial literacy better than men. The number of respondents who have 0-20 years of age is 40%, and the number of respondents who have 20-40 years of age is 60%. The number of respondents who have an income level of <10 million is 86.7%. The number of respondents who have an income level between 10-50 million is 10%, and 3.3% of respondents have an income level between 50-100 million.

Table 4: Characteristics of respondents.

Characteristics	Number of respondents	%
Gender:		
1. Male	2	6.7%
2. Female	28	93.3%
Age:		
1. 0-20	12	40%
2. 20-40	18	60%
Income Level (Rp)		
1. < 100 million	26	86.7%
2. 10-50 million	3	10%
3. 50 – 100 million	1	3.3%

4.3 Overall Financial Literacy Level

The results of the study of the level of financial literacy in the participants of the Polibatam capital market school between January to March 2020 can be seen in Table 5.

The way to obtain the results of calculating the level of financial literacy is that all correct answer are calculated divided by the number of questions then multiplied by 100%. The lowest score is the respondent who can only answer 17 questions correctly from 25 questions given (68%). The highest score is the respondent who can answer 24 questions correctly from the 25 questions given (96%). The average of respondents can answer the question correctly at 84.8%, which shows that the level of financial literacy of Polibatam capital market school participants between January to March 2020 is high (> 80%).

Table 5: Percentage of overall financial literacy level.

Descriptive statistics	Percentage of financial literacy level	Financial literacy level
Minimum	68%	Middle
Maximum	96%	High
Average	84.8%	High

4.4 Financial Literacy Level

Table 6 below shows that 73.33% of respondents have a high level of financial literacy that can answer questions correctly above 80%. Only 26.67% of respondents have a middle level that can answer questions correctly between 60% -80%, and none of the respondents answered the question correctly below 60% (low).

Table 6: Financial literacy level.

Financial Literacy Level	Number of Respondents	Percentage
Low	0	0%
Middle	8	26.7%
High	22	73.3%
Total	30	100%

4.5 Percentage of Respondents Answered Each Question Correctly

Table 7: Percentage of Respondents Answered Each Question Correctly

Aspect	Item Questions	Financial Literacy Level		
		Low <60%	Middle 60-80%	Middle >80%
General Knowledge	Average		80%	
	Item 1			100%
	Item 2			100%
	Item 3			100%
	Item 4	56.7%		
	Item 5	43.3%		
Savings	Average			88%
	Item 1		73.3%	
	Item 2			100%
	Item 3		80%	
	Item 4			93.3%
	Item 5			93.3%
Aspect	Item Questions	Financial Literacy Level		
		Low <60%	Middle 60-80%	High >80%
Loans and Credit	Average		78%	
	Item 1			96.7%
	Item 2	53.3%		
	Item 3	56.7%		
	Item 4			96.7%
	Item 5			86.7%
Insurance	Average			93.3%
	Item 1			93.3%
	Item 2			96.7%
	Item 3			100%
	Item 4			86.7%
	Item 5			90%
Investment	Average			84.7%
	Item 1			90%
	Item 2			100%
	Item 3	50%		
	Item 4			100%
	Item 5			83.3%

Table 7 below shows the percentage of the number of respondents who can answer each part of the question correctly and the average percentage of correct answers for each aspect of the question. In the aspect of general knowledge of personal finance, it can be seen in question item number 1,2,3 that the correct answer of the respondent is 100%, while the item questions number 4 and 5 are 56.67% and 43.33%. It can be seen that the average percentage of correct answers in the aspect of general knowledge of personal finance is 80% (intermediate category). It is

known that the general knowledge aspect of personal finance in question items number 4 and 5 falls into the low literacy level category because the understanding and knowledge of personal finance regarding financial concepts is still too low.

In the aspect of savings and savings, it can be seen in question item number 1 that the respondent's correct answer is 73.33%, item questions number 2 and 3 are 100% and 80%, while question items number 4 and 5 are 93.33%. It can be seen that the average percentage of correct answers in terms of correct savings and savings is 88% (high category).

In the aspect of loans and credit, it can be seen in question item number 1 that the respondent's answer is correct, namely 96.67%, item questions number 2 and 3 are 53.33% and 56.67%, while question items number 4 and 5 are 96.67% and 86.67%. It can be seen that the average percentage of correct answers in the aspect of loans and credit correctly is 78% (middle category). It is known that the loan and credit aspects in question items 2 and 3 fall into the low literacy level category, this is due to a lack of understanding of loan concepts related to the use of credit, determination of credit interest, and credit rating. This is because few of the capital market school participants use credit cards to support their daily needs. They think that they don't really need credit services.

In the insurance aspect, it can be seen in question item number 1 that the respondent's correct answer is 93.33%, question items number 2 and 3 are 96.67% and 100%, while question items number 4 and 5 are 86.67% and 90%. It can be seen that the average percentage of correct answers in the aspect of insurance correctly is 93.33% (high category).

In the investment aspect, it can be seen in question item number 1 that the respondent's correct answer is 90%, question items number 2 and 4 are 100%, while question items number 3 and 5 are 50% and 83.33%. It can be seen that the average percentage of correct answers in the aspect of investing correctly is 84.67% (high category).

Table 7 shows the percentage of respondents' answers to each question item correctly. In Table 4.8, it can be seen that the lowest level of financial literacy among participants in the 2020 Polibatam capital market, namely in terms of loans and credit amounting to 78% and the highest is from the aspect of insurance amounting to 93.33%.

5 CONCLUSIONS

Based on the results, it can be seen that the overall level of financial literacy of respondents as a whole is 84.8%, or it can be said that the financial literacy level of capital market school participants is categorized as high. This result shows that each capital market school participant's knowledge of financial literacy is good enough. Polibatam capital market school participants understand proper financial management and can take advantage of financial products and services and implement them in their daily lives. From the results of the data analysis and conclusions above, there are some suggestions, including the following:

1. For capital market school participants
Overall, the level of financial literacy possessed by capital market school participants can be said to be good. Participants are expected to enhance their more complex financial literacy further and can choose investment alternatives with high investment risks and adequate investment knowledge.
2. For Polibatam capital market school organizers
Polibatam capital market school organizers can adjust the content or material to be delivered to capital market school participants with the average level of financial literacy of capital school participants.
3. For further researchers
Further researchers will be able to pay more attention to factors such as age, gender, achievement index value, and the respondent's demographic background and pay more attention to other determinants that are thought to affect the personal level. So, it is hoped that further researchers pay more attention to these factors to obtain better data.

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