Bulletin of Fintech and Digital Economy

STUDENT'S FINANCIAL KNOWLEDGE AND FINANCIAL RESILIENCE

Agista Putri Prameswari
Departement of National Resilience, University of Gadjah Mada, Bulaksumur, Caturtunggal, Kec. Depok, Kabupaten Sleman, Daerah Istimewa Yogyakarta, 55281, Indonesia

Keywords:
Students, Financial Knowledge, Financial Resilience

Corresponding Author:
Agista Putri Prameswari :
Tel.
E-mail:

Abstract

This research focuses on students' financial knowledge, identifies the factors that influence students' financial behavior, student preference in financial management, future financial plans, and students' financial resilience views. We sat down with students from the department of management faculty of economics and business, Universitas Sebelas Maret in Surakarta, Central Java, through in-depth interviews. This study also presented various findings related to family background and academic environment implicated the student's financial knowledge. Generally speaking, students aimed at financial knowledge will help them be prudent in financial decisions making in the future and help them save financial resilience..

STUDENT'S FINANCIAL KNOWLEDGE AND FINANCIAL RESILIENCE

Agista Putri Prameswari

Introduction

Technology and information elevation have grown in recent years, contributing to the advances of the financial sector. This progress could be an incentive for the community to improve its financial deepening. By having sufficient financial skills, an individual will tend to make a rational and practical decision in managing their economic resources, and they will tend to be wiser in managing financial problems. (Kurihara, 2013), (Andrew, 2014).

By disseminating financial literacy to the community, especially to students and young people, improves financial knowledge and understanding from an early age. Higher financial literacy means more acceptance of various financial and banking products. It means more people will have access to financial products, and therefore the economy will grow (World Bank, 2009). A growing economy is one of the factors that affect the welfare of a country.

Unfortunately, fast-progressing technology is not necessarily directly proportional to the level of financial literacy among young people, which tends to below. They are very knowledgeable in utilizing digital financial products but do not yet have sufficient financial knowledge to manage smartly and wisely. One of the highlights in a survey titled The Future of Money, 44 percent of Indonesian millennials only invest once in a year or two and as many as 20 percent do not invest at all (Luno, 2019).

IDN Research Institute reported in 2019 involved 1,400 millennial respondents with an age range of 20-35 years in 12 major cities in Indonesia. The results showed that millennials put 10.7 percent of their income to save; meanwhile 51.1 percent of their income is spent on consumption. This also makes the millennial generation identified with the term YOLO or You Only Lives Once. They tend to focus on enjoying the present without thinking about what will happen in the future.

Previous researches on the same scope have been conducted several times. However, there has been no research that discusses the relationship between financial literacy levels and financial resilience in a more in-depth manner. The low financial literacy of students may also be influenced by various factors, including gender, competition in the academic field, also the opportunity to gain work experience in the professional institution, such as participating in an internship or job training program (Chen and Volpe, 1998), (Peng et al., 2007).

This study's primary focus is to assess the aspects of financial problems related to individual financial resilience. This study elaborates on factors that affect the level of student financial literacy. It also elaborates on the influence of students' education and family, informants' perceptions of future financial planning, and informants' perceptions of the importance of financial resilience, especially when facing dynamic situations and circumstances.

The findings obtained from this research are arranged objectively by formulating problems in the field and making several recommendations aimed at students as the primary research object. Based on one of the National Strategy for Financial Literacy objectives in Indonesia released by Indonesia Financial Service Authority (OJK), we believe that students as one of the main objects to achieve a well-literate society leads to financial well being for all Indonesians.

Literature Review

Wachira and Kihiu (2012) documented the positive effects of financial literacy on people's financial services awareness. They found that financially literate households were more likely to seek information about financial services that meet with needs. Thus financial education is a long process that motivates individuals to have financial plans in the future to gain welfare that is following the lifestyles they live (Mendari and Kewal, 2013).

Meanwhile, according to Andrew (2014), there is a significant relationship between financial knowledge and financial behavior; when someone has higher financial knowledge, they will tend to be wiser in managing their finances. Furthermore, financial literacy is very important for both the public and the banking industry because it positively impacts increasing banking competition, which can reduce the cost of financial intermediation and increase financial deepening (Lusardi, 2008). As an intermediary institution, banking is one of the industries that play a vital role in community economic activity.

Concerning the concept of resilience, in various works of literature, resilience is defined by Gallopin (2006) as the ability to bounce back better. Financial resilience is a derivative of the concept of economic resilience, which is contained in the *astagatra*[1]. Economic resilience is a dynamic condition of the nation's economic life, consisting of tenacity and persistence, which contains the ability to develop national strength in facing and overcoming all challenges, threats, obstacles, and disturbances, both coming from outside and within which directly or indirectly ensure continuity. The economic life of the nation and state of the Republic of Indonesia based on Pancasila and the 1945 Constitution (Lemhanas RI, 2012).

Indonesia Financial Service Authority or OJK (2017) defines financial resilience as reflected in those who already have the knowledge, skills, beliefs, attitudes, and financial behavior expected to manage finances and overcome various financial problems it faces. Even when financial shocks hit them, they can survive and come back in a better version.

Financial resilience for a student who does not have his active income can be seen through knowledge, skills, beliefs, and financial behavior. It is expected that students will be able to manage their finances, starting from the most straightforward patterns, such as having savings, managing finances intelligently,

[1] Astagrata are components of national resilience as a conception as analytical tools to solve problems for the life of the nation through the approach of eight aspects of national life (Lemhanas Republic of Indonesia).

and having full control of consumption activities.

Research Overview

We came to Universitas Sebelas Maret or UNS in Surakarta. Universitas Sebelas Maret is the only state university in the city of Surakarta, well known as Solo. UNS was officially established on March 11, 1976, and currently has 11 faculties and 160 departments in diploma programs, bachelor programs, master programs, and doctoral programs. We sat down with several students from department management from faculty economic and business in UNS, asking for their opinions on financial knowledge and financial resilience and how they dealing with various situations and their impact on financial stability.

Student's Name	Age	Interview Date
Timotius Radika (TR)	22 years old	June, 20th 2020
Christian Bagas S (CB)	22 years old	June, 20th 2020
Kumala Hasta P(KH)	22 years old	June, 21th 2020
Bintang Prasetyo A (BP)	21 years old	June, 21th 2020
Tsania Ulil Albab (TU)	21 years old	June, 22th 2020
Oscar Ivan Rasio (OI)	21 years old	September, 8th 2020
Syalsabila Dindasari (SD)	22 years old	September, 10th 2020

Source: written by author

The interviews conducted included aspects of knowledge in financial instruments, the influence of the environment on education, and family in decision making related to financial matters. These aspects affect the current financial condition of individuals and what is being designed for the future. Furthermore, interviews with regard to taking the point of view of students related to financial security issues to the various issues that have been faced by many students and millennials in recent times, regarding individual financial resilience.

Factors of Financial Knowledge Enhancement

A household, as the lowest organization in society's structure, is the first school for an individual, where for the first time someone took lessons. According to Beverly and Clancy (2001), financial education in the family is significantly related to preparing children to be smart in managing pocket money, learning to save, and not wasteful in consumption. The majority of students who described their parents as the primary source of financial information generally had better financial knowledge and better financial practices (Mimura et al., 2015).

The disclosure of financial information between children and parents is still considered exclusive. A child does not feel that they have the power to question financial problems with their parents, who are considered to have a position above them. A child will have great respect for his parents, including by not interfering in issues that are often considered as the domain of adults/parents in a family.

Furthermore, formal education may also affect the financial knowledge of an individual. Education can be a differentiator for the journey of someone's life, according to Aristotle. By having sufficient education, a person can think more critically and wisely in making every decision, including making financial decisions. In the study by Chen and Volpe (1998), the group of students majoring in business had a higher level of financial knowledge than students majoring in non-business.

Taking data from the Central Bureau of Statistics or BPS, in 2018, higher education made students more active in internet accessibility. From published data, 98.35% of higher students in Indonesia access the internet. In contrast, students at the elementary school level who access the internet are only around 27.18%. Furthermore, junior high school students/equivalent and high school/equivalent access the internet, only around 68.07%, and 87.06%. This data shows that the higher the education level, the higher the need for internet access, primarily supporting the lessons program dependently on education level.

Youth are known to absorb new knowledge and information quickly with the development of technology, and this can be seen from the increasing number of mobile technology users. In a recent report from the Global Financial Literacy Excellence Center (GFLEC), approximately 80 percent of young people in the world have used their smartphones for transaction purposes such as paying bills and depositing money..

Student's financial knowledge and financial resilience

Students also answered questions related to the relationship between the knowledge they learned while studying in college with individual financial literacy during interviews. They conveyed that the financial management course generally portrays the financial management system at the corporate level, not at the individual financial level. Here are some comments from the informants regarding the formal education they received on campus with individual financial literacy problems.

Students must be more active to gain knowledge and other information outside of the knowledge gained in class—for example, one informant who was active in a young investor club. Students from across departments and generations hold regular meetings to discuss Indonesia's investment climate's latest financial issues and developments. It is based on the eagerness of students to start planning financial management from an early age.

However, several informants also stated they had not thought about financial planning during college because they felt that they had a long time to spare. Whereas preparing themselves with a broader provision of financial knowledge will not bring harm. The ease of available technology allows students to access various modules or online financial training for free to increase their financial management awareness.

In interviews with several informants, researchers asked whether they had heard the term financial resilience and how the informants responded to financial security. Some said that they had never had the term before. However, on average, the respondents responded that financial resilience could mean an individual's ability to maintain his financial condition even though he was in difficult conditions.

Referring to the Good News From Indonesia (GNFI) Youth Generation Optimism Index Survey on Indonesia's Future in the economic sector carried out in 12 major cities in Indonesia, which involved 1200 respondents, 44% of respondents expressed strong and certain optimism that the Indonesian economy In the future, another 33% expressed their weak optimism regarding Indonesia's economic condition in the future while the rest expressed pessimism about Indonesia's economic future. However, the surprising fact was that the sectors that made respondents the most optimistic about Indonesia's future were science and technology.

In recent times, the issue of Covid-19, which has caused various shocks to the economic sector, has exposed various conditions in which many companies, households, and individuals were affected by the Covid-19 pandemic, which initially plagued China. Among other things, it affects increasing unemployment and weakening people's purchasing power in various countries, including Indonesia. Besides, shocks to the economic sector can weaken economic growth in various countries in the world.

We also asked whether these students had thought about the importance of setting aside a certain amount of funds to provide emergency funds so that when something unexpected happened, they were still able to survive. Some of them stated that the availability of an emergency fund was essential, and if they needed the funds suddenly, they could survive with the funds they had. Almost all of our informants stated that they hoped that they would be more aware of financial management issues and investment knowledge when they came to a professional role in the job market. As soon as they received their regular income, they knew how to manage it.

In general, they can describe their thoughts related to financial resilience, but they do not fully understand the various factors to achieve individual financial resilience. When the discussion referred to a person's ability to survive without having an income, the informant explained the ideal time for someone in an emergency with no income to survive for himself and his family.

Most of them are described to have at least one year to bounce back process. They should provide enough savings to cover up their life during that year break while looking for a new job or creating their own local business, excluding some factors, such as decisions to married, financial condition from their parents, and any related issue that could be differentiated.

Compared with research by Indonesia Financial Service Authority or OJK, it was stated that in a situation of job loss and if they did not make a loan to meet their financial needs, Indonesians generally could only survive in this situation for 1-3 months. Furthermore, the informant was asked about the importance of having robust financial resilience and how long, ideally, an individual would survive financially with no income at all.

From the interviews, we also concluded that the students, especially those who live separately from their parents, have started to learn how to manage their own money. It is as if they voluntarily have to survive for themselves with their parents' allowance. They can understand various conditions and difficulties because they are faced with conditions that encourage them to make their own decisions so that their financial resilience tends to be far more tested than informants who live with their parents at home.

Conclusions

Even though they are still students and do not have their income, they must know the basics of financial problems. By knowing the real financial condition, it will help them to make financial allocations. Discipline themself to control expenses and be more creative in managing finances. Find simple ways to live more economically, set a realistic budget, and stick to these budgets. Discipline is crucial to limit the unnecessary use of money.

Main expenses such as food and other mandatory expenses (electricity, internet packages), do not forget to allocate 5-10 percent for emergency funds. It takes discipline and self-control to record expenses diligently. Then familiarize yourself with keeping track of your daily expenses using a smart budgeting app that will help you monitor how much money you have spent.

To have strong financial resilience, one must have prudent financial management. It is very fundamental for individuals or households in managing healthy finances. By having financial certainty, a person will feel more secure in carrying out daily activities, including preparing for the future and facing uncertain economic volatility. For all that, an ounce of prevention is worth a pound of cure.

Reference

Agarwal, Sumit, Driscoll, John C., Gabaix, Xavier, and Laibson, David I. (2009). The Age of Reason: Financial Decisions over the Life-Cycle with Implications for Regulation, *Brookings Papers on Economic Activity*, No.2 Available at SSRN: https://ssrn.com/abstract=973790 or http://dx.doi.org/10.2139/ssrn.973790

Andrew, V., & Linawati, N. (2014). Hubungan Faktor Demografi dan Pengetahuan Keuangan Dengan Perilaku Keuangan Karyawan Swasta di Surabaya", *Finesta*. Vol. 2 (2) : pp 35-39.

Beverly, S. G., & Clancy, M. (2001). financial education in a children and youth savings account policy demonstration: Issues and options (CSD Report No. CYSAPD 01-5). St. Louis, MO: Washington University, Center for Social Development. Online Available at: https://doi.org/10.7936/K7Z037NG

Gallopin, G. C. (2006), Linkages between vulnerability, resilience, and adaptive capacity. *Global Environ-mental Change*, 16, 293–303

IDN Research Institute, Indonesia Millenial Report. (2019), Online Available at: https://cdn.idntimes.com/content-documents/indonesia-millennial-report-2019-by-idn-times.pdf

Kurihara, Y. (2013), Does Financial Skill Promote Economic Growth?. *International Journal of Humanities And Social Science*, 3(8), 92-97.

Lemhanas Republic of Indonesia, (2012). Jakarta.

Luno, Emerging Markets are Money Savvy and Ready for Change - The Future of Money Research. 2019, Online Available at:https://www.luno.com/blog/en/post/emerging-markets-are-money-savvy-and-ready-for-change-says-luno-the-future-of-money-research

Mimura, Yoko et al. (2015). Financial Information Source, Knowledge, and Practices of College Students from Diverse Backgrounds Journal of Financial Counseling and Planning Volume 26, Issue 1 2015, 63-78.

Peng, TC.M., Bartholomae, S., Fox, J.J. dkk. The Impact of Personal Finance. (2007). Education Delivered in High School and College Courses . *J Fam Econ Iss* **28,** 265–284.

Standar Nasional Literasi Keuangan Indonesia, (2017). Jakarta: Otoritas Jasa Keuangan Republik Indonesia.

Wachira, M. I. and Kihiu, E. N. (2012). Impact of financial literacy on access to financial services in Kenya. International Journal of Business and Social Science, 3.

World Bank, Russian Federation: Diagnostic Review of Consumer Protection in Financial Services, (2009). Online Available at: http://www.worldbank.org/eca/consumerprotection