Family Economic Education, Financial Literacy And Financial Inclusion Among University Students In Indonesia

Setya Ayu Rahmawati, Bagus Shandy Narmaditya, Agus Wibowo, Dwi Wulandari, Prih Hardinto, Putra Hilmi Prayitno, Sugeng Hadi Utomo

Abstract: This study aims to analyze financial literacy among students in several universities in Indonesia. In addition, the paper is conducted to determine the level both financial literacy and financial inclusion of students and the relationship between family economic education toward financial literacy. This research applied a quantitative method by using path analysis. The data were gathered from the questionnaires. The data were also collected through focus group discussion with Stakeholders, Bank Indonesia and Students. Path analysis is applied in order to analysis the role of financial literacy in achieving financial inclusion of students. The findings showed that the level of students' financial literacy is categorized sufficient literate, whilst the level of financial inclusion classified as high inclusion. The results also provided information that family economic education has a positive relationship to both financial literacy and financial inclusion. Further more, financial literacy plays role as intervening variable in improving students' financial inclusion. Lastly, an attempt to enhance financial inclusion of students, it should provide greater financial literacy.

Keywords: Financial Literacy; Financial Inclusion; Family Economic Education; University Students

1 Introduction

Financial inclusion has involved government attention in many nations including in Indonesia. The government would like to provide greater financial services particularly to unbanked people including low-income household, rural people, and small firms. Financial inclusion proposes a more affordable price in financial services, more convenient in transaction and appropriate financial products. The greater financial inclusion will affect to better financial stability. It has remarked by numerous studies by Khan (2011); Aduda & Kalunda (2012); Dienillah & Anggraeni (2016) who stated that financial inclusion expeditiously prevents financial instability. Financial inclusion has become importance timetable both in international and national level. In international context, it is discussed in forum such as G20, OECD, APEC, and ASEAN, while in the national level, financial inclusion program focuses on increasing the economic growth undergo income inequality, reducing poverty, and financial system stability. In Indonesia, the National framework of financial inclusion is divided into six pillars namely financial education, public financial facilities, mapping of financial information, support policy program, intermediation and distribution facility and consumer protection (Bank Indonesia, 2017). An acquaintance with financial inclusion, financial literacy plays critical role in supporting the financial inclusion. Financial literacy is knowledge, awareness and skill to manage their own finances to achieve financial welfare (Lusardi & Mitchell, 2011; 2014). Financially literate people tends to aware about the financial products, financial information and make a decision based on their knowledge. However, financially illiterate people will affect the difficulties to meet their need in the future such as having a better housing, pension financing, and education funding. Moreover, the lack of financial literacy leads to individual household well-being. The understanding of basic concepts of financial is an important factor in determining how people manage their money. Numerous studies related to the topic focuses on factors that affecting financial literacy (Firli, 2017; Luksander et al., 2012; Potrich et al., 2015; Skagerland et al., 2018; Wulandari & Narmaditya, 2018). In more detail, Luksander et al. (2012) provided that the financial-knowledge acquire in higher education has a beneficial impact on the financial knowledge of young people. In the other hand, Firli (2017) mentioned that variables may affect to financial literacy including personal demographic characteristics, financial knowledge, financial behavior, financial attitude and financial training. In Indonesia, a study related to financial literacy index which is conducted by OJK (Financial Services Authority) showed a gradually changes. In the beginning, it was about 21.8 per cent in 2013 and rose slightly to 29.66 per cent in 2016 (OJK, 2016). It remarked that by the time people more aware about basic concepts of financial. However, previous studies gathered remarked that the level of financial literacy of female are lower than male (Lusardi & Mitchell, 2011). Numerous studies provided the relationship between family economic education and financial literacy (Romadhoni, 2015; Theodora & Marti'ah (2016). Another studies have shown the results that conducted in senior high school level but few focuses on university students and it comparison to several universities student. For majority of university student, entering college not only gives them new experience in their study, but they also need to manage their financial. They probably face new issues and should adapt with new circumstance which far from their parent. The condition forces university students to manage well their finance and make good financial decision. A problem that usually occurred in the university students related to their consumptive berhaviour. Actually, it is reasonable for youth because at the time they have looked for their identity, personality and actualization. However, when the issue is not immediately solved, it will lead a bigger problem in the future. Therefore, the research related to the phenomenon should be conducted particularly in subjecting university students. This study empirically addresses the factors affecting financial literacy of university students and its relationship with financial inclusion.

2 Method

This paper applied a quantitative research using path analysis. The research addresses to provide comprehensively the causality phenomena in social studies perspectives. Moreover, this research aims at capturing the level of financial literacy of university students, the level of students' financial inclusion and how they relate each other. Variables used in this research are financial literacy, financial inclusion, and family economic education. In addition, demographic variable includes gender, socio economic also examined in OECD (2018) and OJK (2017) (Financial Services Authority of Indonesia). The unit analysis was students who voluntarily agree to fill the questionnaire and willingly to be interviewed from several universities in Indonesia. In this research, approximately 195 questionnaires were given to the respondents but about seven questionnaires can not be used for further analysis due to respondents did not fill the questionnaires properly. Further this paper applied path analysis to understand the role of financial literacy, family economic education and its relation with financial inclusion. In more detail, the framework of research is shown in figure 1.

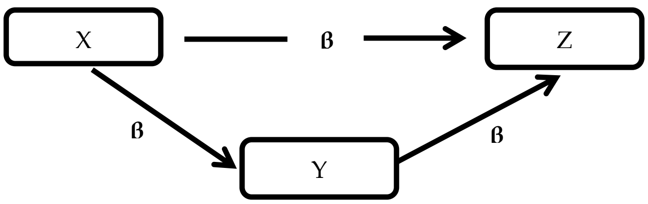

***Figure 1**. Research Framework*

X = Family Economic Education
Y = Financial Literacy
Z = Financial Inclusion
β1 = path analysis X to Z
β2 = path analysis X to Y
β3 = path analysis Y to Z

3 Results & Discussion

3.1 The Level of Family Economic Education, Financial Literacy and Financial Inclusion

***Table 1**. The financial Inclusion of University Students*

No	Indicators	Percentage
1.	*Saving products*	*100%*
2.	*Insurance (BPJS)*	*85%*
3.	*Insurance*	*15%*
5.	*Pawn*	*10%*
6.	*Stock market*	*3%*
7.	*Saving investment*	*10%*
8.	*Leasing*	*7%*

Table 1 shows information about the university students' have related to financial products. In general, all students have saving products and only small number that having stock market account. In more detail, as much as 85 per cent students hold insurance by the government (BPJS), while the small percentages for general insurance. The indifference result occurs on possessing of saving investment and leasing for university students. While the students' awareness of financial product, most of them mentioned that they generally understand about saving products, insurance, saving investment and stock market. However, only small number who have owned the other financial products except saving product. They used it for their daily purposes such as withdraw money and transfer their money. Overall, the financial inclusion of students is categorized as moderate inclusion, while small number categorized as high and low inclusion. Specifically, approximately 52 per cent of students are categorized as moderate inclusion. Further, as much as 36 per cent of students categorized high inclusion while the rest is low inclusion. Financial literacy refers to individual knowledge, behavior and attitude toward financial product. It is measured using instrument from OECD (2018) which consist of three main components related. Individual knowledge is shown by their understanding on impact of inflation on spending power, identifying of interest and risk diversification, while financial attitude and behaviour are seen by their behavior related to budgeting, active saving, avoiding borrowing to meet their wants, choosing product, striving to achieve goals and paying bills on time. The findings of the research are explained in the Figure 2.

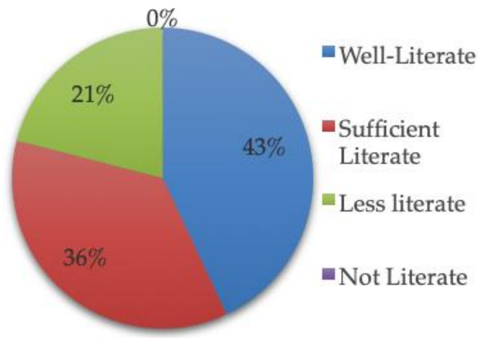

***Figure 2**. The Students level of Financial Literacy*

Figure 2 provides the level of students' financial literacy in Indonesia. Overall, students are categorized well-literate even though more than quarter percentages of students are categorized as sufficient literate. In the other word, students have knowledge related to knowledge, attitude and behavior toward financial products. However, the finding of the research resulted slightly higher than 20 per cent of students are categorized as less literate. In the other hand, family economic education as the first and the main education for people showed the high categorized. Family economic education was measured by three main concerns in behaviour, attitude and values giving by their parents related to financial education. Specifically, family economic education covered activities taught and conducted through activities namely giving exemplary, verbal explanation, demanding of relevant behaviours and discussing of relevant cases (Theodora & Marti'ah, 2016). Based on findings of the research, the level of family economic education showed approximately 43 per cent of students having high rates of family economic education. However, more than a half percentages of students are categorized as medium and low categorized which are 47 per cent, and 10 per cent, respectively.

***Table 2.** The Summary Data of Analysis Results.*

Relationship Between Variables	Direct Effect	Indirect Effect	Total Effect	T Significance
X → Z	*0.372*	*0.358*	*0.730*	*0.039*
X → Y	*0.504*	*-*	*0.504*	*0.003*
Y → Z	*0.618*	*-*	*0.618*	*0.051*

3.2 Family Economic Education and Financial Literacy

Table 2 illustrates the relationship among variables in the research. In more detail, family economic education has a significant positive influence toward financial literacy. The finding accepted the hypothesis in the research mentioned that family economic education affects to the financial literacy among university students. This remarked that the coefficient test was approximately 0.0372 and the t-sig score was 0.039 < 0.05. This indicated the people who have in acquaintance with family economic education which shown by several activities namely giving exemplary, verbal explanation, demanding of relevant behaviours and discussing of relevant cases tend to have better financial literacy. This finding of the research is in line with Theodora & Marti'ah (2016); Widayati (2014) which mentioned that parents play critical role in improving children understanding about financial products. Moreover, students tend to do based on what their watch and experienced from their parents. This is understandable because family is the most and the main factors in socializing children related to financial issues. Education in a family enhance children ability in managing their finance until they grow up. The common things that children can learn from their parents is based on what they see, what they do and what they experience. Romadhoni (2015) added that children's knowledge and attitude is developed by observing people behaviour especially public figures in their daily lives.

.

3.3 Financial Literacy and Financial Inclusion

The findings of the study showed that financial literacy significantly affect to the level of financial inclusion. The study provided that the coefficient test score was about 0.618 or 61 per cent (See Table 2). The finding accepted the previous hypothesis that financial literacy has a positive relationship to financial inclusion. Financial literacy in this term is showed by their understanding on impact of inflation on spending power, identifying of interest and risk diversification, while financial attitude and behaviour are seen by their behavior related to budgeting, active saving, avoiding borrowing to meet their wants, choosing product, striving to achieve goals and paying bills on time. Meanwhile the financial inclusion of students is shown by their access to financial services and using financial products that are very important for economic. The result of the study supports the research finding by Grohmann et al. (2018) which remarked that the higher financial literacy is related to better financial inclusion. Biswas and Gupta (2016) remarked that financial literacy and financial inclusion are twin pillars which acts from demand and supply side respectively. From the demand side, financial literacy plays role in stimulating and making people more aware about what they can demand, while financial inclusion from supply side acts in providing the financial product and services that people demanded.

3.4 Family Economic Education on Financial Inclusion Mediated by Financial Literacy

Financial education is the key tool in achieving multidimensional goal particularly related to financial literacy. Family as primary and main education have big proportion in giving knowledge for children. For instance, people can influence their children by displaying and reinforcing the matter of money. Moreover, children can participate in household activities. Based on table 1, it can be concluded that family economic education has positively impact to financial inclusion. In the research showed that family economic education affects to financial inclusion through financial literacy with the indirect influence about 0.358 and the total effect was about 0.730. The result of the research revealed that in order to reach high point of financial literacy, people should consider financial literacy. The greater financial inclusion has highly affect to macroeconomics variable such as income inequality and economic growth (Kim, 2015). Based on the findings, we can conclude that in order to improving, it needed to consider financial literacy factors. However, education in economic play critical role in providing financial literacy. Therefore, the understanding about finance should be provided by parents since financial education play important issues in improving financial literacy and financial inclusion.

4. Conclusion

Financial literacy and financial inclusion act big role in complex economic world. It has widely affect both individually in making good decision and aggregately in increasing economic growth and equality. Based on the findings, it can be concluded that family economic education greatly affects to financial literacy and financial inclusion. By educating simple thing like how parent providing the use of money, how to make good decision, how to treat children to save their money trough family it will remarkably influence to children behaviour primarily on their economic activities. Furthermore, the result of the study provided that indirectly through financial literacy, it gives the higher contribution to financial inclusion. Therefore, financial literacy variable definitely plays a critical role in enhancing students behaviour and the wider affect to the economy.

References

[1] Abel, S., Mutandwa, L., Roux, P.L. (2018), A Review Determinants of Financial Inclusion, International Journal of Economics and Financial Issues, Vol. 8, No, 3, pp. 1-8.
[2] Aduda, J., Kalunda, E. (2012), Financial inclusion and financial sector stability with reference to Kenya: A review of literature, Journal of Applied Finance and Banking, Vol. 2, No. 6, pp. 95-120.
[3] Biswas, S., Gupta, A. (2016), Financial Inclusion and Financial Literacy: A Comparative study in Their Interrelation Between Selected Urban and Rural Areas in State of West Bengal, Journal of Economics and Finance, pp. 67-72.
[4] Dienillah, A. A., Anggraeni, L. (2016), Dampak Inklusi Keuangan terhadap Stabilitas Sistem Keuangan di Asia, Buletin Ekonomi Moneter dan Perbankan, Vol. 18, No.4, pp. 409-430.
[5] Firli, A. (2017), Factors that Influence Financial Literacy: A Conceptual Framework, IOP Conference Series: Mater. Sci. Eng, Vol. 180, No.1, pp. 1-7.
[6] Grohmann, A., Kluhs, T., Menkhoff, L. (2018), Does Financial Literacy Improve Financial Inclusion? Cross Country Evidence, World Development, Vol. 111, pp. 84-96.
[7] Khan, H. R. (2011), Financial Inclusion and Financial Stability: Are They Two Sides of the Same Coin? Address by Shri H. R. Khan, Deputy Governor of the Reserve Bank of India, at BANCON 2011, organized by the Indian Bankers Association and Indian Overseas Bank, Chennai, India,
[8] Kim, J. (2015), A Study on Effect of Financial Inclusion on the Relationship Between Income Inequality and

Economic Growth, Emerging Markets Finance and Trade, Vol. 52, No.2, pp. 498-512.
[9] Luksander, A., Beres, D., Huzdik, K., Nemeth, E. (2014), Analysis of the Factors That Influence the Financial Literacy of Young People Studying in Higher Education, Public Finance Quarterly, Vol. 2, pp. 220-241
[10] Lusardi, A., Mitchell, O. S. (2011), Financial literacy and retirement planning in the United States, Journal of Pension Economics and Finance, Vol. 10, No.4, pp. 509-525
[11] Lusardi, A., Mitchell, O. S. (2011), Financial literacy around the world: An overview, Journal of Pension Economics and Finance, Vol. 10, No.4, pp. 497–508.
[12] Lusardi, A., Mitchell, O.S. (2014), The Economic Importance of Financial Literacy: Theory and Evidence, J Econ Lit, Vol. 52, No.1, pp. 5-44
[13] OECD. (2018), OECD/INFE Toolkit for Measuring Financial Literacy and Financial Inclusion. Organisation for Economic Co-operation and Development, France, available online at http://www.oecd.org/daf/fin/financial-education/2018-INFE-FinLit-Measurement-Toolkit.pdf
[14] Potrich, A.C.G., Vieira, K.M., Kirch, G. (2015), Determinants of Financial Literacy: Analysis of the Influence of Socioeconomic and Demographic Variables, Revista Contabilidade & Finanças, Vol. 26, No.69, pp. 362-377.
[15] Romadhoni, R. (2015), Pengaruh Status Sosial Ekonomi dan Pendidikan Pengelolaan Keuangan di Keluarga Terhadap Literasi Keuangan Siswa SMK Negeri 1 Surabaya, Jurnal Ekonomi Pendidikan dan Kewirausahaan, Vol. 3, No.1, pp. 22-34.
[16] Skagerland, K., Lind, T., Stromback, C., Tinghog, G., Vastfjall, D. (2018), Financial Literacy and the Role of Numeracy-How Individuals' Attitude and Affity with Numbers Influence Financial Literacy, Journal of Behavioral and Experimental Economics, Vol. 74, pp. 18-25
[17] Theodora, B.D., Marti'ah, S. (2016), The Effect of Family Economic Education towards Lifestyle Mediated by Financial Literacy, Dinamika Pendidikan, Vol. 11, No.1, pp. 18-25.
[18] Widayati, I. (2014), Pengaruh Status Sosial Ekonomi Orang Tua, Pendidikan Pengelolaan Keuangan, dan Pembelajaran di Perguruan Tinggi terhadap Literasi Finansial Mahasiswa, Jurnal Pendidikan Humaniora, Vol. 2, No.2, pp.176-183.
[19] Wulandari, D., Narmaditya, B. S. (2018), Triple Helix Model to Improve Financial Literacy of Students in Faculty of Economics, Pertanika J. Soc. Sci. & Hum. Vol. 26, No. 4, pp. 2857-2865.