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A Study of Financial Literacy in College Students

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A B S T R A C T

This study aimed to determine the financial literacy level of students of the Faculty of Economics and Business Education at the Indonesian Education University. The research method used in this research is survey and descriptive research with a quantitative approach. This study has a population of 1.681 Faculty of Economics and Business Education students at the Universitas Pendidikan Indonesia class of 2021 and 2022. This research departs from the issue of the rampant use of fintech at a productive age without being accompanied by good financial literacy skills, and it impacts lousy credit cases. The results of this study indicate that students of the Faculty of Economics and Business Education at the University of Education Indonesia are at the middle literacy level or sufficiently literate with gender does not differentiate the level of financial literacy between women and men, the region of origin does not differentiate the quality of the literacy level of students both from Java Island and outside Java Island, and an increase in the level of financial literacy accompanies students with personal income from the lowest to the highest.

A R T I C L E   I N F O

1. INTRODUCTION

In this era of globalization, digitization of companion aspects of life has made the public shopping system transition from direct to indirect transactions, commonly referred to as E-commerce. E-commerce or Electronic Commerce is a trade or buying and selling transaction carried out electronically via the Internet. In e-commerce, customers can purchase products or services online through e-commerce platforms or websites. E-commerce allows customers to browse various products, compare prices, make electronic payments easily, either with personal funds or third parties, and arrange delivery of goods to the desired location. The existing systems are all designed with a one-click purchase. According to the Financial Services Authority (Otoritas Jasa Keuangan/OJK) in the 2019 National Survey of Financial Literacy and Inclusion, the accessibility of e-commerce the system offers is not matched by good public financial literacy. This low level of public financial literacy includes understanding financial management, making wise financial decisions, and understanding financial risks.

The rise of online loan victims is also indiscriminate in targeting the next victim, and a similar case occurred for hundreds of students from Bogor Agricultural University (IPB) in 2022 to experience billions of rupiah in losses. A student from IPB's Faculty of Agriculture admitted that he had been trapped in an online loan with a total amount of Rp 6 million. He began to experience this fraudulent incident when he was involved in a business project with his seniors on campus. The victim was invited to join an online sales business group by placing fictitious orders and investing in the business (Source: Beritasatu.com (2022)). The issue of the level of financial literacy among the public has made the Financial Services Authority (OJK) and the Deposit Insurance Corporation (LPS) actively promote the importance of financial literacy in Indonesia. They have realized that a low level of financial understanding among the public can lead to serious financial problems. In addition, they have realized that the factors influencing the low level of financial literacy in the community are region of origin, gender, and parental income. Some problems that can arise from low financial literacy are difficulties managing debt, poor investment decision-making, and inadequate preparation for the financial future.

People of productive age with the hope of being agents of change, namely students, have an essential role in personally improving financial literacy and encouraging the surrounding environment because students are considered the younger generation who will be the nation's successor. As students, they have critical thinking skills and can utilize their role as agents of change and social control. In addition, students are also considered to have broader knowledge compared to their peers who do not attend higher education, although some acquire knowledge without formal education. However, in some cases, it is mentioned that students are still insensitive to the importance of financial literacy, causing Indonesia to be in the Financial Literacy Among Millennials (Age 15-34) category: An Economy-by-Economy Breakdown low position at 38%.

The results of this study are reinforced by research from Indonesia itself with the background of economics and business faculty students conducted by Margaretha and Pambudhi (2015), stating that the level of financial literacy in students of the Faculty of Economics and Business, Trisakti University is in the low category, which is 48.91%. This condition can affect errors in financial decision-making made by these students. Furthermore, according to research conducted by Kadir (2020), it was found that students who take online

loans experience errors in decision-making. Due to the lack of information about loans and the low level of student literacy, students have difficulty managing payments on debt bills.

Many studies have been conducted on the level of financial literacy among students in various universities. It encourages researchers to identify the level of financial literacy at Universitas Pendidikan Indonesia, especially among students of the Faculty of Economics and Business Education, by looking at people's perceptions or views of the consumptive tendencies of the Faculty of Economics and Business Education students. Given the importance of financial literacy for students, the researcher intends to investigate the influence of demographic and personality characteristics on their literacy level. The demographic characteristics to be investigated include gender, parental income, and home region background. Meanwhile, the personality characteristics to be studied are financial behavior and attitude.

2. METHODS

This research uses descriptive quantitative methods. By using descriptive quantitative research methods, researchers try to find causes and reasons for the description of the financial literacy of students of the Faculty of Economics and Business Education, Universitas Pendidikan Indonesia.

The variable in this study is financial literacy with supporting indicators, namely general knowledge and personal finance, investment, insurance, and loan savings. Several indicators of demographic factors distinguish respondents' backgrounds, such as gender indicators used to classify respondents as male or female. The second indicator is parental income. This indicator explains the income earned by student respondents during one month, including salaries, wages, or income from businesses. Income is divided into three categories: IDR1.500.000 – 3.000.000, IDR3.000.000 – 5.000.000, and more than IDR5,000,000.

The sample in this study were active undergraduate students of the Indonesian University of Education from the Faculty of Economics and Business Education, totaling 1,681 students, students of the class of 2021, 2022, and students who used e-wallets such as Shopee Pay Later, GoPay Later, and Kredivo Pay Later.

The research questions contained in this questionnaire are adopted from the primary variable, namely financial literacy, with indicators such as general knowledge and personal finance, savings and loans, insurance, and investment. The data collection technique used in this research is a closed questionnaire method. A closed questionnaire is a data collection method where respondents are given questions that have been provided along with predetermined answer choices. So that respondents can only provide responses limited to the answer choices that have been provided.

Data processing techniques in this research use cross-tabulation and descriptive analysis. Cross tabulation uses data in the form of frequency, be it nominal, categorical, or ordinal data. The data is a type of qualitative data. The cross-tabulation procedure is based on a cross table used to organize variables in tabular form. The following technique, descriptive analysis, is a tool used to analyze data by describing or describing the data that has been collected as it is without intending to make general conclusions or generalizations. For the level of financial literacy, data is obtained from respondents' answers to 20 questions adopted from Chen & Volpe (1998). Then, the correct answers are calculated, divided by all questions, and multiplied by 100 percent. According to Chen and Volpe, the calculation results will then be compared with the criteria for financial literacy.

3. RESULTS AND DISCUSSION

The data collected through the questionnaire is 378 respondent data. This data is more than the required sample of 323 respondents. A total of 378 respondent data was processed using SPSS and assessment criteria following the provisions of the steps set out in the previous sub-chapter using the help of other software such as Microsoft Excel, which has determined that in this study, all variable interval classes are divided into three categories, namely Well Literate, Sufficient Literate, and Not Literate. Based on these provisions, the results of an overview of the level of financial literacy of students of the Faculty of Economics and Business Education, University of Indonesia, class of 2021 and 2022, are obtained as follows:

Table 1. Overview of Financial Literacy Variables

Indicator	Average	Percentage (%)	Criteria
General knowledge and personal finance	2,64	52,86	*Not Literate*
Investment	3,44	68,97	*Sufficient Literate*
Insurance	3,89	77,88	*Sufficient Literate*
Savings and Loans	4,02	80,51	*Well Literate*
Variable Average	3,5	70,06	*Sufficient Literate*

Source: Data Processing (2023)

Based on Table 1, it can be concluded that this study describes the level of financial literacy of students of the Faculty of Economics and Business Education, University of Education Indonesia, that has been conducted. In this study, it can be seen that the average score of financial literacy variables is in Table 4. It is 3.5, equivalent to 70.06% of the criteria set. Shows that students' financial literacy level at the Faculty of Economics and Business Education, Universitas Pendidikan Indonesia, is in the moderate or sufficient literate category. More specifically, the general knowledge and personal finance indicators have an average score of 2.64 or 68.97%, included in the low or not literate category.

Furthermore, the investment indicator averages 3.44 or 68.97%, included in the moderate or sufficient literate category. The next indicator, insurance, has an average score of 3.89 or 77.88% and is included in the moderate or sufficient literacy category. Then the last one on the savings and loans indicator has an average score of 4.02 or 80.51%, which is included in the high or well-literate category. Therefore, it can be concluded that the level of financial literacy of students of the Faculty of Economics and Business Education, Universitas Pendidikan Indonesia, in the 2021 and 2022 batches of students has a moderate level of financial literacy or sufficient literate based on the assessment of respondents in this study. Indicates that students have sufficient ability to manage financial planning both in the present and future. Good management and planning skills can keep students from facing financial decisions resulting in positive and negative risks.

The following is a cross-tabulation table that displays financial literacy grouping data based on gender indicators:

Table 2. Cross Tabulation Analysis Based on Gender

Gender	Female			Male		
Criteria	Total	Percentage	Average	Total	Percentage	Average
Well Literate	0	0,00%	3,51	0	0,00%	3,49
Sufficient Literate	266	70,37%		103	27,25%	
Not Literate	5	1,32%		4	1,06%	
TOTAL	271	72%		107	28%	

Source: Data Processing (2023)

Based on Table 2, it can be concluded that there are no female or male students from the Faculty of Economics and Business Education, Universitas Pendidikan Indonesia batch 2021 and 2022, who occupy a well-literate level of financial literacy because it is dominated by the sufficient literate level as much as 97.62% or 369 students. However, it can be observed that women dominate both the sufficient and not literate levels, with a sufficient literate level of 70.37% or 266 students and 1.32% or five students at the not literate level. Shows that women have better awareness about financial decisions compared to men.

Based on the explanation of the table above, it can be concluded that women have more financial literacy levels at the sufficient literate level, with an average of 3.51, compared to the male financial literacy level, with an average of 3.49. The difference between the average number of women and men is only 0.02, which indicates that both parties are at the same level.

The following cross-tabulation is the level of financial literacy with the second indicator, region of origin. This cross-tabulation shows how the background of the respondents' region of origin affects their level of financial literacy. The following cross-tabulation table displays the financial literacy grouping data based on region of origin:

Table 3. Cross Tabulation Analysis Based on Region of Origin

Region	Java Island			Outside Java Island		
Criteria	Total	Percentage	Average	Total	Percentage	Average
Well Literate	0	0,00%	3,50	0	0,00%	3,53
Sufficient Literate	334	88,36%		35	9,26%	
Not Literate	9	2,38%		0	0,00%	
TOTAL	343	91%		35	9%	

Source: Data Processing (2023)

Based on the explanation of the table above, it can be concluded that both students from the island of Java and outside the island of Java have a dominant level of financial literacy in the moderate or sufficient literate category, with respondents from the island of Java having an average answer of 3.50 and respondents from outside the island of Java amounting to 3.53. The difference between the average number of respondents from the island of Java and respondents from outside the island of Java is only 0.03, which indicates that both parties are at the same level. However, in this study, the largest average was obtained by students from outside Java Island because nine respondents from Java Island had a nonliterate level.

The next cross-tabulation is the level of financial literacy, with the third indicator, personal income. This cross-tabulation shows how respondents' income affects their level of financial literacy. The following is a cross-tabulation table that displays financial literacy grouping data based on personal income:

Table 4. Cross Tabulation Analysis Based on Personal Income

Personal Income	>Rp5.000.000			Rp3.000.000 - Rp5.000.000			Rp1.500.000 - Rp3.000.000		
Criteria	Total	%	Average	Total	%	Average	Total	%	Average
Well Literate	0	0,00%	3,58	0	0,00%	3,54	0	0,00%	3,49
Sufficient Literate	257	67,99%		107	28,31%		5	1,32%	
Not Literate	8	2,12%		0	0,00%		1	0,26%	
TOTAL	265	70%		107	28%		6	2%	

Sumber: Data primer yang diolah tahun 2023

Based on Table 4, it can be concluded that the level of financial literacy is sufficiently literate and dominates students from both low and high levels of personal income. At the sufficient literate level, it is dominated by students with the lowest personal income of IDR1,500,000-Rp3,000,000 with a percentage of 67.99% or 257 students, followed by students with personal income of IDR3,000,000-Rp5,000,000 with a percentage of 28.31% or 107 students and the last is personal income > IDR 5,000,000 with a percentage of 1.32% or as many as five students. Although dominated at the sufficient literate level of financial literacy, some students are still classified as not literate, namely at the personal income level of IDR3,000,000-5,000,000, there are 2.12% or as many as eight students, and at the personal income level > IDR 5,000,000 there are 0.26% or one person who is indicated to have a low level of financial literacy. Based on the explanation above, it can be concluded that students with the lowest to highest personal income have sufficient ability to make wise financial decisions.

Based on the explanation of the table above, it can be concluded that individuals with personal income> IDR5,000,000 to only IDR1,500,000 - IDR3,000,000 are dominated in the same position, namely sufficient literate with an average difference between categories of

0.048. Indicates that personal income will be sufficient or moderate if not accompanied by an understanding of financial knowledge.

4. CONCLUSION

Based on the results of research data analysis and calculations that have been carried out, it can be concluded that the level of financial literacy of students of the Faculty of Economics and Business Education, Universitas Pendidikan Indonesia class of 2021 and 2022 is at sufficient literate level. The general knowledge indicator is at the not literate level, the investment indicator is at the sufficient literate level, the insurance indicator is at the sufficient literate level, and the savings and loan indicator is at the well literate level.

Then, when viewed based on gender, both women and men are at the same level, with an average respondent answer of 3.51 and men of 3.49. Then, based on the area of origin, students from Java Island and outside Java Island have the same level, namely at the sufficient literacy level, with students from Java Island having an average answer of 3.50 and outside Java Island at 3.53. Then, based on personal income, both in the highest, medium, and low categories are at the same level, namely sufficient literate, with students with the highest personal income having an average answer of 3.58 and those with medium personal income having an average of 3.54. The last group with low personal income has an average of 3.49.

5. REFERENCES

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