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Financial literacy and students' desire to have it: Literature review

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ABSTRACT

Financial literacy is a basic need for everyone to avoid financial problems. Financial difficulties do not only depend on income (low income). Financial difficulties can also occur when there are errors in financial management (mismanagement), such as credit abuse and poor financial planning. Financial literacy is getting more and more attention in many developed countries, making us more aware of the importance of the level of financial literacy. In several countries, financial literacy has even been announced as a national program.

Introduction

In recent years, technological innovation and the application of digital technology have developed rapidly in various fields. Internet access has expanded worldwide, and smartphones offer connectivity anywhere. Most of the world's population is increasingly using digital technology not only to communicate but also to access and use financial services

Digital financial services offer great opportunities to integrate poor and previously economically excluded people into the formal financial system by overcoming physical infrastructure barriers, reducing costs, providing faster and more timely transactions, and potentially providing seamless experiences tailored to suit their needs. individual needs. However, at the same time, the spread of digital innovation in finance has created new sources of risk for consumers, such as new types of fraud and risks related to information security and confidentiality. Legal use of consumer data to create digital profiles can also make certain types of financial products or services more expensive or more difficult to access. Some of these risks are especially important for children and young people, who tend to be digitally savvy and use social media and other digital devices frequently, while they may have low financial literacy and limited experience. . with financial services. Recent US evidence suggests that millennials who use mobile phones to pay tend to exhibit poorer financial knowledge and more problematic financial behaviors (overdrafts, using high-cost credit cards or high-cost loans) than users who do not use mobile payments. Lusardi (2021) suggests that technology and ease of payment can disproportionately attract people with financial literacy and poor financial management.

The rapid development of digital financial services also means that parents themselves may have little knowledge of them and limited ability to mentor their children. In addition, because young people tend to be newcomers to traditional and digital financial markets, financial regulations may be difficult to meet and protect their needs. As the financial world evolves, new types of institutions, services and products may emerge, making the challenges even more acute. The widespread availability of cashless purchase options in online stores, interactive TV, online and mobile games, social media or via contact cards can make money less tangible for users making their first outlay. Because young people may feel pressured to spend money to compete with their peers, many digital channels allow users to make instant purchases, complicating spending control. In some digital contexts, young people may not even know they are using real money, such as in-app or in-game purchases, which may involve automatic withdrawals from monthly phone or internet bills or credit card accounts.

Based on the problem above, then it is important to offer financial education to them, and schools are well-positioned to advance financial literacy among all demographic groups and reduce disparities and inequalities in financial literacy.

Method

This research is a literature review research. To achieve the research objectives, in the early stages, the researchers collected journals and books related to financial literacy. Based on the references that have been obtained, the researcher then examines and analyzes the definition of financial literacy and presents the urgency of literacy for students.

Result and Discussion

Indonesia is a developing country with a relatively low level of financial literacy. According to the results of the 2017 OJK survey, it reached 29.7%. This condition shows the lack of understanding and closeness of the community in obtaining funding. This condition forces the government to try to teach financial literacy. Financial literacy education is one of the basic literacy skills of the 21st century, which is used in the global world to compete and compete with other nations for wealth creation. Financial well-being can increase if schools play a role in imparting knowledge and skills to elementary school students. This is also explained by Chakrabarty(OECD/INFE, 2012) regarding the importance of financial literacy material given to early childhood, because in everyday life, some activities carried out by the community are almost inseparable from economic activities.

The task of teaching financial literacy in elementary schools is not only to introduce money but also to learn about money management, learn about entrepreneurship and get to know entrepreneurs. It was also explained in Johnson's research (2006) that the role of financial literacy education in elementary grades is very important to be able to understand, appreciate and act towards financial prosperity. Financial literacy training is a process by which a person gains the ability to apply, understand and manage information to make financial decisions. This is also supported by research by Batty et al. (2015) about the influence of primary school financial education, which can help students acquire positive characteristics in financial management and willingness to save. Based on the explanation above, it can be concluded that financial literacy training is a process carried out by someone to acquire knowledge and skills to understand, apply and make decisions to improve their financial well-being. Financial literacy training can increase students' understanding, increase knowledge, and develop decision-making skills to improve financial well-being (Delgadillo, 2014).

There are four concepts of financial literacy that help teachers integrate material into the daily lives of students. According to Jackson (2013), financial literacy education for elementary school students can teach four concepts, namely earning, saving, spending, and giving. The first concept, namely earning, teaches that money is earned because we work or do business. Teachers can equip students with various skills and train students to sell their products at school. The second concept, saving, provides information and motivation to students to save. According to Owen (2003), students' financial intelligence can occur if students have good financial management skills and are always trained to save. The third concept, spending is useful so that students can distinguish between needs and wants. Teachers can make consumption plans and also make diaries or stories about students' experiences buying basic necessities. The last concept is giving, which teaches students to always share with others. The concept of teaching financial literacy must be taught according to the age characteristics of elementary school students. this supports the opinion(Otto et al., 2006) that students aged 6-9 years already know and allocate their money for saving activities, and students aged 10-12 can already do it. independent financial management plan to carry out sale and purchase transactions.

Furthermore, what is the urgency of financial literacy for students? Financial Literacy is a necessary life skill to participate in today's society. Children grow up in an increasingly complex world where they are ultimately responsible for their financial future. As young adults learn to live independently, they need to know how to budget and make smart financial choices for everyday life, such as choosing a cell phone and signing a usage contract. They must hedge their risks: save like "put an umbrella before it rains," avoid taking on unmanageable debt, and put money aside for retirement and health care. Financial products and services are extremely diverse, and when it comes to credit, they are almost too accessible for many young people today. At the same time, these products and services are becoming more complex and harder to choose from. This complexity is exacerbated by economic and technological developments that have led to increased global connectivity and profound changes in communication and financial transactions, as well as social interaction and consumer behavior.

A lack of financial literacy leaves people ill-equipped to make sound financial decisions, which in turn can have tremendous adverse effects both on personal financial resilience and, in turn, finally, global financial resilience (Organization for Economic Co-operation and Development (OECD), 2012). As a result, financial literacy is now recognized globally as an important life skill and targeted financial education policies are considered as important elements of economic and financial stability and development.

This is reflected in the G20's support of the OECD/INFE (International Network for Financial Education) High-Level Principles on National Strategy for Financial Education; and the OECD/INFE policy handbook on national strategies for financial education(OCDE & INFE, 2015). G20 leaders also recognize that this requires lifelong learning that begins in childhood, as demonstrated by their call for financial literacy core competencies for youth and adults and their statements supporting the widespread use of instruments to measure financial literacy. youth, including financial literacy assessment. As well as to do well on financial literacy tests, students must have at least some basic level of literacy in mathematics and reading. They also need some relevant transversal skills for youth and adults at 21 years of age, such as problem-solving and critical thinking skills. A certain level of numeracy (or mathematical literacy) is considered a necessary condition for financial literacy because some financial decisions may require people to do basic calculations, such as percentages. Houston (2010[86]) argues that "if someone struggles with arithmetic skills, this will definitely impact their financial literacy. However, available tools (e.g. calculators) can compensate for this shortcoming; thus, information directly related to successfully navigating personal finance is a more appropriate focus than numeracy skills for financial literacy measures." Mathematics-related skills such as number sense, familiarity with multiple representations of numbers, and skills in mental calculation, estimation, and assessing the reasonableness of results are intrinsic to some aspects of financial literacy.

Conclusion

Based on the description that has been described, it can be concluded as:

1. Financial literacy consists of a number of abilities and knowledge about finances owned by someone to be able to manage or use a certain amount of money to improve their standard of living and aim to achieve prosperity.
2. Students who are financially literate will feel comfortable managing their finances so they can live a more prosperous life in the future.

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