

# The Role of Financial Literacy for Students Personal Finances

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**ABSTRACT.** SNLIK results show that in 2022 the financial literacy index of the country's population will be 49.68 percent, an increase compared to 2019 which was at 38.03 percent. Meanwhile, the financial participation index this year reached 85.10 percent, an increase compared to the financial participation index in the same period in 2019 which reached 76.19 percent. This implies that the literacy and inclusion gap is getting smaller from 38.16 percent in 2019 and 35.42 percent in 2022. This can happen if each student has a different way of thinking and opinions regarding finance, one of which is in responding to existing financial reports. Apart from that, there is no difference in financial management actions if seen from the average responses of respondents who have good and bad attitudes. Therefore, based on differences in previous research results, this study uses financial attitudes as an independent variable.

**Keywords:** Financial Literacy; Personal Finance of Student;

## INTRODUCTION

SNLIK results show that in 2022 the financial literacy index of the country's population will be 49.68 percent, an increase compared to 2019 which was at 38.03 percent. Meanwhile, the financial participation index this year reached 85.10 percent, an increase compared to the financial participation index in the same period in 2019 which reached 76.19 percent. This implies that the literacy and inclusion gap is getting smaller from 38.16 percent in 2019 and 35.42 percent in 2022.

Lusardi and Mitchell conducted research and stated that there are differences between male and female students in making financial decisions. Research conducted shows that male students tend to manage their finances better because they have better financial knowledge compared to female students. However, research conducted (Chen and Volpe, 1998) shows that the literacy level of female students is lower than that of male students, so male students are more likely to be careful in managing their finances. Meanwhile, Ida and Cinthia Yohana Dwinta in their research argue that financial knowledge influences a person's behavior in managing their finances, while self-control and income do not influence financial management behavior, because for this purpose the sample average is as follows: school students are used. -On average, he has no income or is still dependent on his parents. Based on the description above, the researcher wants to take the title "The Role of Financial Literacy for Students' Personal Finances".

Financial management is a very important thing that must be done by every individual, especially students. Students are one of the elements of society who are expected to have a significant impact on the economy because in the future students will enter the world of work and will be required to be independent, including managing their finances. Therefore, students go through a period where they have to be independent and start managing their financial affairs without having

to be guided and paid more attention (Selçuk, 2015). They have to start learning how to meet their living needs without always having to depend on the people around them for the money they earn, because of course the funds they earn are limited. Students are also a social group that often experiences changes in lifestyle, trends, and fashion which often change from time to time, making students vulnerable to financial behavior problems.

Based on a survey that Priya and Chitra conducted in 2015, it was found that many students did not manage their finances, such as recording household finances to control expenses or carrying out savings activities. Even though some students are good at managing their money, such as keeping personal financial records, many students fail to maintain this habit. He knows that financial management is still not wise, so he wants to learn about wise financial management from various sources. Based on another survey in this field, 29 out of 35 accounting students at the Faculty of Economics, National University of Surabaya stated that they received financial education from their parents during childhood, elementary school, middle school, and high school. There is. Senior High School. The aim is for these 29 students to be able to manage their finances wisely, but in reality, these 29 students still don't know how to manage their finances.

Research conducted by Amanah et al (2016) revealed that financial attitudes influence individual financial management behavior. This research is in line with research conducted by Herdjiono and Damanik (2016) which states that financial attitudes are related to financial management behavior. When individuals lack financial capacity and plan incorrectly, there are long-term consequences. However, this is different from research conducted by Rizkiawati and Nadia (2018) which found that financial attitudes did not affect financial management behavior. By the results, Prihartono and Nadia (2018) stated that the form of finance does not affect financial management behavior. This can happen if each student has a different way of thinking and opinions regarding finance, one of which is in responding to existing financial reports. Apart from that, there is no difference in financial management actions if seen from the average responses of respondents who have good and bad attitudes. Therefore, based on differences in previous research results, this study uses financial attitudes as an independent variable.

## **Financial Literacy**

Financial literacy is the ability to manage money to enrich your future life. You can improve your financial literacy not only by gaining knowledge about money management but also by incorporating it into your behavior. According to Cayley et al., financial literacy is the ability to understand financial reports and financial systems and transfer this knowledge into appropriate actions. Financial education is important for all individuals from an early age because it has long-term beneficial effects in the future. According to Lusardi and Mitchell, Amagir et al., financial literacy can be viewed as an investment in human resources that can help individuals make decisions about savings, credit, and retirement in the future.

## **Personal Financial Planning**

Personal Financial Planning or personal financial planning is a financial plan designed to help you achieve financial well-being and achieve your financial goals. A personal financial plan is necessary to achieve your desired goals. A personal plan can help you align your income and expenses with your goals. A personal financial plan provides a compass for determining direction to achieve those goals.

## **METHOD**

This research uses qualitative methods with interview techniques, with the population taken being students from the Faculty of Islamic Economics and Business, UIN Fatmawati Sukarno Bengkulu with a population of 500 students. The sample population that we took in this research

was 10 people. The data collection technique is in the form of interviews which will be conducted on 10 students. Then, after the data is obtained, the data will be managed to conclude.

## RESULTS AND DISCUSSION

This research was conducted using the interview method with 10 students from the Faculty of Economics and the Faculty of Islamic Religion. From the interview results, it can be concluded that the level of student knowledge regarding financial literacy and the role of financial planning is only 60%. This can of course develop as students' understanding of financial literacy and personal financial planning deepens. Several factors can cause someone to not understand what financial literacy is and the role of personal financial planning, namely:

1. Although current technological developments have made it easier to obtain information more quickly due to lack of education, there are still several regions in Indonesia where it is difficult to access information, and therefore other regions are an obstacle in obtaining information for many people. This area is still under development.
2. Lack of interest. The lack of public interest in learning financial literacy and personal financial planning is one of the reasons why people need to take action to improve themselves and their environment.
3. Feeling that they understand, many people feel that if they are given information, they understand financial literacy and the role of financial planning and are hesitant to seek further information, which can lead to a lack of understanding of the information.

Several of the factors above can result in a lack of knowledge about financial literacy and the role of personal financial planning, namely:

1. Loss of one's purpose in life
2. Lack of financial planning
3. Mistakes in choosing investment vehicles
4. Losing money due to fraudulent/fraudulent investments
5. There is no public anticipation of poverty

The things above are just some of the impacts of low financial literacy in Indonesia. Therefore, students need to understand the role of financial literacy and personal financial planning. Financial education has long-term goals for all groups in society, namely:

1. A form of investment for the future and has benefits in managing and maintaining financial conditions so that they are maintained or stable;
2. Increase the number of users of products and services from a financial institution.

So that more people can choose financial products and services that suit their needs, people need to properly understand the benefits and risks, understand their rights and responsibilities, and ensure that they have confidence in the financial products and services they choose. can improve community welfare. Financial education brings great benefits to society, such as:

1. Can choose and utilize financial products and services that suit your needs;
2. Can do better financial planning;
3. Can be responsible in making financial decisions;
4. Avoid unclear investment activities;

Financial Literacy can also increase the benefits of a financial services sector. Financial institutions and society are interconnected with each other so the higher the level of financial literacy in society, the more people will feel the benefit of financial products and services.

So from the discussion above, students should be given further training regarding the implementation of financial literacy and also a person's role in managing personal financial planning. Because there are still many students who don't know for sure what the role of personal financial planning is and also the implementation of financial literacy.

Students should have the awareness to apply financial literacy in financial management by making more use of technology such as financial management applications. If someone can implement personal financial planning, of course, it can make it easier to manage finances better and more efficiently.

In this case, what students who do not yet understand the role of personal financial planning and the implementation of financial literacy can do is attend training or seminars that discuss the role of financial planning and the implementation of financial literacy.

## CONCLUSION

Financial literacy is knowledge, skills, and attitudes that influence attitudes and behavior to improve the quality of decision-making and financial management to achieve community economic prosperity. Personal financial planning is a financial plan that aims to achieve economic benefits and achieve financial goals.

Data analysis from a survey of 10 samples showed that 60% of students were able to explain and implement personal financial planning. Meanwhile, the remaining 40% still do not know what personal financial planning is and cannot take on the role of personal financial planning.

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