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The Importance of Financial Literacy Knowledge For Elementary School Students In 21st Century

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Abstract

Life in the 21st century requires a variety of skills that an individual must master in order to become a successful person in life.Skills in managing finances are needed. Therefore, the need for financial literacy knowledge is taught early, especially in schools so that it will accumulate into adulthood. This article aimed to explain the importance of financial literacy knowledge for elementary school students in the 21st century. Data collection used observation, literature study, and documentation. Data sources from informants and documents. Data analysis used qualitative data analysis of interactive models. The findings showed that students at elementary schools prefer to buy objects that are desired rather than needed. This shows the importance of financial literacy knowledge for elementary school students. This is supported by the results of a literature study that financial literacy knowledge will be useful in managing students' finances for now and in the future. Therefore, it is expected that the role of the teacher in providing teaching material about financial literacy in accordance with the stages of student development.

Keywords: Knowledge, Financial Literacy, Elementary Schools Students

INTRODUCTION

Life in the 21st century requires a variety of skills that an individual must master in order to become a successful person in life. Therefore, relevant skills are needed to be able to face challenges in the 21st century. Delors Report from the International Commission on Education for Twenty-first Century (Scout, 2015b) presented important skills in the 21st century that are still relevant to the four pillars of life that include learning to know, learning to do, learning to be and learning to live together. One of the four pillars of life that must be owned first is learning to know. Learning to know is an activity to obtain, deepen and utilize knowledge material. Learning to know has four specific themes that are relevant to modern life: 1) global awareness, 2) financial, economic, business and entrepreneurial literacy, 3) citizenship literacy, and 4) health literacy. Financial literacy is one of the four specific themes that are gaining attention in both developed and developing countries. Some countries that have implemented financial literacy education include Australia, Austria, Chile, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Poland, Russia, Sweden, Britain and the United States (Fraczek, 2014). International Program for Student Assessment (PISA, 2012) defined the definition of financial literacy as knowledge and understanding of financial concepts and risks, expertise, motivation and confidence to make decisions on various financial aspects, to improve the financial welfare of a person or group and to participate in economic activity.

Indonesia is one of the countries in the Southeast Asia region that is making efforts to increase financial literacy. The Government of Indonesia has declared a 75% financial inclusion achievement in 2019, that is, a minimum of 75% of all adult population 15 years old and over can access formal financial services. Meanwhile, based on the National Survey of Literacy and Financial Inclusion from the Financial Services Authority (2016), there is still a low level of financial literacy of the Indonesian people at 29.66%. The low level of public financial literacy shows that the community's ability to make management and decision-making is still low. Based on this, in accordance with the mandate in the attachment of Presidential Regulation No. 82 of 2016 on the National Strategy for Inclusive Finance, the need for financial education as an effort to increase financial literacy until the majority of the community reaches the level of well literate.Financial literacy education can be implemented at the school. School is the first big community of children and the first environment of children in knowing the outside world which is very effective to teach the values of financial literacy education in children (Rapih, 2016).

In accordance with this, the report of the World Economic Forum with the theme "A New Vision for Education: Fostering Social and Emotional Learning through Technology", stated that one of the 21st-century skills needed is to have good basic literacy skills, namely how to apply core skills to activities daily. There are six components of this basic literacy, namely: 1) read-write-count literacy, 2) science literacy, 3) information technology and communication literacy, 4) financial literacy, 5) culture literacy , and 6) citizenship literacy.Financial literacy is one of the six components that need to be taught to children, literacy education in children is not just about the introduction of concepts but financial literacy education in children is the concept of introducing wisely financial management and being able to control financial expenses by distinguishing what is needed and which are just desires. Correspondingly, the Ministry of Education and Culture in the latest 2013 Curriculum Revision in Indonesia also applies four important points that must be emphasized and integrated in learning, one of which is strengthening literacy.

But in reality, the implementation of financial literacy education in Indonesia especially in schools has not been carried out optimally at the Elementary School level. This is shown from the results of observations in the learning process in elementary schools that have not been optimal to provide financial literacy education material to students because students feel they do not need to receive the material. Literacy education at the elementary school level is still about literacy in reading whereas in the new education vision contained in the World Economic Forum report there are six components of literacy education that need to be taught to children. In addition, other findings stated that students at the elementary school level would prefer to buy objects that are desired rather than objects needed. Students have not prioritized saving money held for future needs due to lack of information on financial products or services provided by financial institutions. Therefore, based on the findings described above, a literature review will be carried out entitled "The Importance of Financial Literacy Knowledge in Elementary School Students in the 21st Century".

The definition of literacy according to the National Institution for Literacy is a person's ability to read, write, speak, calculate and solve problems at the level of expertise needed in work, family and society. Finance is an inherent aspect of the life of the wider community. Financial literacy knowledge is part of the financial knowledge itself. Financial literacy has a more detailed essence than financial knowledge in general. Accordingly, Huston (2010) stated that financial knowledge is a dimension that is inseparable from financial literacy. International Program for Student Assessment (PISA, 2012) defined the definition of financial literacy as knowledge and understanding of financial concepts and risks, expertise, motivation and confidence to make decisions on various financial aspects, to improve the financial welfare of a person or group and to participate in economic activity. The definition of PISA is emphasized that financial literacy is thought and behavior as well as one's goals to develop every aspect and financial.

This is in accordance with Lusardi (2015) which stated that financial literacy consists of a number of abilities and knowledge about a person's finances to be able to manage or use a certain amount of money to improve their standard of living and aim for prosperity. in line with that, financial literacy according to the Financial Services Authority Regulation Number 76/PJOK.07/2016 describes the notion of financial literacy as knowledge, skills, and beliefs, which influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity. Based on the explanation above, the expected understanding of financial literacy is that someone not only knows money but can also have knowledge, attitudes and implementation of managing finances so that they can solve problems, especially personal finances.

Silvy & Yulianti (2013), in carrying out financial management there must be goals, both short-term and long-term goals. This is in line with the objectives conveyed by the Financial Services Authority (2016) which stated that financial literacy has a long-term goal for all groups of society, namely improving the literacy of someone who previously was less literate, namely only having knowledge of financial service institutions, financial products and services or even not literate, to be a well literate, namely to have knowledge and beliefs about financial service institutions and financial service products including features, benefits and risks, rights and obligations related to financial products and services, as well as having skills in using financial products and services.

Based on the explanation, providing financial literacy knowledge to students, especially at the elementary school level must have a clear goal, both short-term and long-term goals so that the student learning process is directed. Short-term goals related to the decision to buy something that is needed and not what is desirable, while the long-term expected knowledge of financial literacy can be a provision for students in managing their finances now and in the future. In addition, financial literacy education will provide information related to financial services products offered by financial institutions which are certainly beneficial for children in the future.

Opinions from several financial experts recommend that financial education should be given at an early age (Mandell, 2009). Financial literacy knowledge which taught at an early age will accumulate into adulthood so that knowledge of financial literacy will provide financial management skills, the ability to make wiser decisions, plan purchases, have the habit of saving, and reduce corruption. Suiter & Meszaros (2005) also showed that children can benefit from financial education, that children can control themselves so as not to spend their money to shop following fashion trends and advertisements and prefer to save money for future needs. In addition, other benefits are conveyed by the Financial Services Authority (2016) including 1) students are able to choose and utilize financial products and services that are appropriate to their needs, 2) students have the ability to do financial planning better and 3) students avoid investment activity in unclear financial instruments.

One's financial literacy knowledge cannot be separated from the factors that influence it. Huston (2010) stated that there are several factors that can affect financial literacy such as economy, family, friends, cognitive abilities, habits, society, and institutions. Keown (2011) stated that financial literacy is influenced by age, type, sex, family status, home ownership and regional. While Ansong and Gyensare (2012) stated factors that influence financial literacy are age, work experience, maternal education, level of education, location of work, education of fathers, access to media and financial resources. Another opinion expressed by Widayati (2014) stated that factors influence financial literacy are parents' socio-economic status, family financial management education, and learning in universities. Based on the explanation above it can be seen that family factors become one that affects financial literacy, not all parents can provide education about financial literacy to their children. Therefore, the need for financial literacy education is taught in schools because eight hours of students are there. In addition, increasingly complex problems result in not all students going to tertiary education so that they need provision for financial literacy education since early age.

Financial literacy education can be implemented in schools because schools have an important role in providing financial education to their students (Atkinson, Mc.Kay, Kempson & Collard, 2006; Mandell, 2009). Kiyosaki (2008) said that one of the reasons why rich people get richer and poor people become poorer and middle class always struggles using loan funds because education about financial literacy is only learned at home, not at school. This shows how important financial literacy education is taught in schools, especially at the elementary school level. The needs of students about financial literacy education are indispensable not only for their future but also for children's lives that are now increasingly complex. This is in accordance with the explanation from the National Council on Economic Education in Seefeld et al (2010) which suggested one of the abilities that must be owned by children is to manage personal finance so that they can use money wisely and can determine which priorities or needs rather than desires. The school becomes the first community for students to interact with their friends who may be very different from themselves so that it is a very effective means of planting the values of financial literacy for children.

The Organization for Economic Co-operation and Development (2005) provided several guidelines that can be applied in financial literacy education in schools to run well. The following steps: 1) education of financial literacy in schools must be part of a coordinated national strategy and become part of the school curriculum, it does not need to be a stand-alone lesson but can be integrated with other lessons; 2) there must be a learning framework that clearly states the objectives, learning outcomes, content, pedagogical approach, resources and evaluation plan; 3) financial education must begin as early as possible, ideally from the beginning of formal schooling, and continue to the end of student at school; 4) Financial literacy education must be easily accessible, objective, high quality, effective learning media support, educational resources available in schools; 5) teachers must be adequately trained and are resources who have an awareness of the importance of financial literacy and understand the pedagogical method and they must receive support and training to teach financial literacy education

The process of learning financial literacy in elementary school students needs to be adjusted to the age of students because it will affect the ability of students to understand the material. The stages of education about financial literacy in accordance with the age of students presented by the ministry of education and culture by issuing a policy on the National Literacy Movement (GNL) are as follows: 1) ages 5-6 years, students are expected to begin to recognize the concept of money. Money is a means of buying and selling that serves to buy goods or pay for services; 2) ages 7 - 9 years, students are expected to begin to recognize the culture of saving and begin to instill ways to use wise money, even though the money is self and determines short-term targets; and 3) ages 13-15 years, students are expected to start learning money planning in a simple way and start to know about banking products such as ATMs, debit cards, and debit cards, what their functions are and their differences.

Based on the explanation above, it can be seen that the learning process of financial literacy in elementary schools needs a very comprehensive step so that the teaching process of financial literacy education goes according to plan. Starting from central support related to a curriculum that is the foundation of a teaching, material and appropriate media, competent and dedicated teachers are needed for the smooth implementation of financial literacy education in schools.

RESEARCH METHODS

This research includes a type of literature study research by looking for theoretical information which relevant to the problems encountered. The theoretical references obtained are used as the basic foundation and the main tool for research practice in the middle of the field. The data used was qualitative data. Data sources came from informants and documents. Data collection used observation, literature study, and documentation. Data analysis technique used qualitative data analysis interactive model developed by Miller and Huberman (2007) which consists of four stages: 1) data collection, 2) data reduction, 3) data display, and 4) conclusion.

RESULT AND DISCUSSION

The results show that it is important to provide financial literacy knowledge to children from an early age, especially in schools. The 2016 National Survey of Literacy and Inclusion Survey shows that elementary schools graduates have a low financial literacy index (see table 1). Therefore, the need for efforts to improve knowledge of financial literacy.

Table 1. 2016 Financial Literacy Index Based on Education Level

Cluster	Financial Literacy Index
Elementary School	9,0%
Junior High School	11,3%
Senior High School	38,0%
College	67,1%

Other findings indicate that the implementation of financial literacy education is not optimal. This is shown from literacy education given to elementary school students about literacy in reading-writing-counting which has more proportions than the five other literacy components. In addition, the delivery of financial literacy material has not been integrated with the material in other relevant lessons. Teachers find it difficult to teach financial literacy material to students. Teacher's difficulties are caused by learning financial literacy is a fairly new learning to be applied in elementary schools. However, some financial experts recommend that financial literacy materials be taught as early as possible, ideally from the beginning of formal school and continuing to the end of student at school. They believe that giving early financial literacy education will provide benefits for students given that the increasingly complex problems that will be faced in the 21st century.

Based on the explanation of the results above it can be seen that the importance of financial literacy knowledge for elementary school students. Some financial experts also support that it is important to provide financial knowledge as early as possible, given that some previous studies stated that financial literacy education will have a positive impact on students' skills in managing their personal finances (Huston, 2010). The number of complex problems faced by students if financial literacy education is not provided at school, they will feel difficulties later on because not everyone gets financial literacy education at home, therefore schools need to provide financial literacy education as skills in the 21st century.

Knowledge that students have will be useful for managing their personal finances. In line with this, the Financial Services Authority (2016) explained that financial literacy knowledge will provide benefits, namely 1) having the ability to do financial planning better, especially in determining what is needed rather than desired, 2) being able to choose and utilize financial products and services according to needs, and 3) avoid investment activities on unclear financial instruments. Based on this, schools need to provide a sufficient portion of learning related to financial literacy because it will be a provision for students to use their money wisely in order to become a successful person in life. This is consistent with the results of research from Batty, Collins & Odders-White (2015) which stated that students who have financial literacy knowledge have a more positive attitude towards their finances

In schools, providing financial literacy knowledge must obtain sufficient proportions to be able to equip students in managing their finances. Financial literacy education in schools is carried out according to the stages of students and can be integrated with other relevant subject subjects. Therefore, the teacher must prepare a learning tool that integrates financial literacy material and can provide concrete examples in everyday life so that it is easily understood by students. This has been implemented in several countries, one of which is Slovenia, which has used vocabulary related to financial literacy in the elementary schools' syllabus, although the implementation is also not optimal (Dermol & Trunk, 2018). This shows the importance of financial literacy if began to be provided early, ideally from the beginning of formal schooling.

CONCLUSION

Based on the explanation above it can be seen that "The Importance of Financial Literacy Knowledge for Elementary Schools Students in the 21st Century". Financial literacy knowledge will benefit students for this and future in carrying out their financial management. Learning financial literacy for elementary school students needs to be started at an early age and carried out according to the stages of the children's age so that the acquired knowledge will accumulate into adulthood. Financial literacy is an interesting topic to learn. Therefore, it is expected that in elementary schools there are financial institutions that are provided as a means for students to learn about financial literacy, one of which is the establishment of "Mini Bank of Schools" and it is hoped that there will be further research related to the efforts that can be performed to increase knowledge about financial literacy for elementary schools students

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