# The Role Of The Importance Of Financial Literation For Generation Millennialdi Era Digital

**Rilsha**[1]
**Fachrun Nissa**[2]

[1]Faculty of Economics and Business, Muhammadiyah North Sumatra Postgraduate University (Email: shasarilsha@gmail.com)
[2]Faculty of Economics and Business, Muhammadiyah North Sumatra Postgraduate University (Email: fachrun.nissa01@gmail.com)

***Abtract:*** *Advances in technology in the digital age make all aspects of life complex so that it requires humans to continue to develop and strive to meet their needs. One of the demands that must be developed by people in the centuries to be able to compete in basic literacy capabilities, one still occupies a relatively low position among other countries. The phenomenon found today is that people tend to engage in consumptive behavior because of the easier access to make transactions online, this is especially true for adolescents at the high school age. Based on the 2016 survey on the level of financial literacy, it shows that students at the student level have a percentage of 23,4% and based on age 15-17 years with a percentage of 5,2%. The low level of financial literacy at the learning level is due to the lack of knowledge among adolescents about the importance of financial management for the future. This study aims to determine the importance of financial literacy among teenage students in the digital age. The research method is carried out by studying literature by examining previous and qualitative research. Based on this research it is known that financial literacy education is important to be given to teenagers in the current digital era as a form of self-control to realize a financially literate future which is financial literacy. The 2015 World Bank survey results on financial literacy show Indonesia.*

***Keywords:*** *Financial Literacy, Millennial Generation, Digital Era.*

## Preliminary

Life in the globalization era of the 21st century is a time that requires humans to have various skills. Globalization makes all aspects of life complexity increased. Progress has occurred in all fields of life, one of which is progress in the field of technology. The current era of technological advances is often interpreted as a digital age because everything can be accessed and obtained easily. The quick response of information systems is one manifestation of the major development era of digitalization.

Technological advances have a significant impact on the pace of human life. Various facilities caused by current technological advances have influenced people's behavior. If people are not good at control themselves in the current era of global competition, it will be able to be carried away by the swift currents of globalization.

Indonesia is a country that has a large number of human resources. Globalization makes humans are required to have a broad quality of knowledge and skills to be able to face increasingly fierce competition in life. The increasingly sophisticated technology of today is also a challenge in the current digital era. 21st century technology makes everything easy and practical. All facilities offered as a result of technological advances make humans have various facilities in meeting their needs. Nowadays everything that is far away can be felt close and easy to get because of technological sophistication. This makes the community have many choices in meeting their needs. The phenomenon is indeed a manifestation of the advancement of society, but the impact of technological advancements is to make people behave in a consumptive manner. Meeting needs is no longer based on needs but based on wants, so the current consumption era makes people's behavior in meeting needs become irrational.

Consumptive behavior can affect people's welfare. Public welfare is closely related to welfare measured economically. Indonesia is a rich country in natural resources and various other sources of income, besides that Indonesia is a country with a large population. However, if understood further, the Indonesia cannot become a developed country because many things do not yet support the quality of human resources in Indonesia. One of them is the quality of society economically. Based on data from The World Bank (2016), Indonesia's *Gross Domestic Product* (GDP) growth has slowed since 2012 (The World Bank, 2016). In addition, the 2016-2017 Global Competitiveness Index Report released by the *World Economic Forum* (WEF) shows that Indonesia's competitiveness has fallen from $37^{th}$ to $41^{th}$ out of 138 countries (Kompas, 2016).

The declining competitiveness of Indonesia globally is much less influenced by the welfare of its people. Indonesia is currently classified as a country that has a high level of consumption compared to other countries. The current era of globalization makes things easily accessible digitally also supports the increasingly high consumptive behavior in Indonesia. The community has the ease of obtaining their daily needs, and the digital era makes people's desires in Indonesia become high. If this behavior is not matched by knowledge and self-control, there is a concern that economic instability will occur.

One of the stable economies is supported by the existence of human resources who understand financial management. Economic stability can be created through good financial patterns that are realized with financial literacy. Financial Literacy is the level of basic knowledge of the financial community, which includes skills in managing finances (get-spending, saving, investing and borrowing money).

The level of public understanding of financial literacy will be important in any financial decision making that can increase financial resources, and encourage access to the financial system. Financial management has a very significant role in determining the level of welfare of a person and family. Financial difficulties families can come from inadequate financial knowledge and relate to the health of individuals and their families physically (Norvilitis, Szablicki & Wilson, 2003), economically and psychologically. Lately, the issue of financial literacy is becoming the focus of governments in various countries to determine various policies, one of which is in Indonesia (Herawati, 2017). The Indonesian government is actively undertaking various developments in various aspects to improve the welfare of its people with the hope that the Indonesian state will not experience falling behind from other countries. One of them is development in the economic field. Development in the economic field is expected to create a generation of Indonesians who have broad insights and knowledge so that they can determine good decisions for the future. Financial literacy is one of the important aspects that need to be pursued because economic development will be the capital of the community to determine economic decisions in their daily lives.

The level of financial literacy in developed countries is higher than in developing countries, and one of the problems that have arisen in Indonesia is the gap in the financial sector which is still relatively high when compared to neighboring countries. The financial sector gap in Indonesia concerns not only affordability (inclusion) but also about understanding (literacy). Based on research Chlouba, Simkova and Nemcova (2011), stated that in recent months, the lack of financial literacy of citizens is also one of the cause of the financial crisis (especially in the US). For this reason, financial education has been shown as a key element in economic recovery.

In addition, based on the results of the Mastercard *Financial Literacy Index* survey, in 2015 Indonesia ranked 10th out of 17th other countries surveyed. The ranking lags behind those of Malaysia, Thailand, and Sri Lanka, which have the same status as developing countries. Based on the results of the Mastercard index survey, it shows that Indonesia still occupies a low position among the countries surveyed regarding financial literacy. In addition, in the aspect of an investment, the Indonesian state also occupies the lowest position among other countries. The survey results by the Financial Services Authority (FSA) also stated that the level of financial literacy of the Indonesian people is still low, this is indicated by the following survey data:

**Table 2. Financial Literacy Index in 2016 Based on Employment**

| No | Cluster | Financial Literacy Index | | |
|---|---|---|---|---|
| | | Composite | Conventional | Sharia |
| 1 | Businessman | 27.7% | 27.6% | 6.7% |
| 2 | Employees and Professionals | 39.9% | 39.8% | 12.4% |
| 3 | Student / Student | 23.4% | 23.2% | 5.3% |
| 4 | Housewife | 15.3% | 15.2% | 3.0% |
| 5 | Retired | 35.3% | 35.3% | 9.3% |
| 6 | Not Working Others | 22.8% | 22.8% | 3.7% |

Source: OJK Survey Results, 2016

**Table 3. Financial Literacy Index in 2016 by Age**

| No | Cluster | Financial Literacy Index | | |
|---|---|---|---|---|
| | | Composite | Conventional | Sharia |
| **1** | 15-17 years | 5.2% | 5.2% | 2.2% |
| 2 | 18-25 years old | 32.1% | 32.0% | 8.1% |
| 3 | 26-35 years old | 33.5% | 33.3% | 9.3% |
| 4 | 36-50 years old | 30.6% | 30.4% | 8.7% |
| 5 | Above 50 years | 21.4% | 21.3% | 4.9% |

Source: OJK Survey Results, 2016

Based on financial literacy level data obtained from the FSA survey results presented above show that the group of students or children aged 15-17 years have a low level of financial literacy, which is based on work in the category of students has a percentage of 23,4% and based on age in the 15-17 age category year has a percentage of 5,2%. These results indicate that in the category of children or adolescents not yet aware of the importance of financial management. Whereas if it is reviewed further, financial literacy education should be taught early so that children can understand how important it is to manage finances since childhood so that learning is inherent throughout life so that later it can support the achievement of a generation of financial literacy. It was also explained in the research of Grohmann, Kouwenberg & Menkhoff (2015), that there are two main channels where childhood experiences affect financial literacy, namely family and school. For this reason literacy education really needs to be taught in the days of children attending school.

In line with Eva's research, Gomez & Villagomez (2017), which states that financial underdevelopment can be a serious problem in an increasingly complex and sophisticated economic and financial world. Because in today's modern world financial literacy plays an important role in the gates of education, the ability to obtain and process the information needed to deal with various other problems of daily life (Mihalcova, Csikosova, & Antosova, 2014).

Financial literacy education is important to teach senior high school students, especially in the current *millennial* generation because adolescents are still poorly prepared in financial management, and are still vulnerable to the use of technology that has the potential to change their decisions regarding correct finance. Awareness of the importance of financial literacy is currently relatively low, especially for millennials. The millennial generation is considered to be consumptive and does not have good financial management (Antara News, 2017).

Seeing the phenomenon of the low level of financial literacy at the level of adolescent students who are faced with the importance of literacy skills, it is important to support financial literacy education from an early age. The government and OJK in recent years have collaborated in supporting financial literacy education at the school level, namely by creating various financial education media, organizing financial education-based activities, and recently began to realize literacy education that is integrated into the 2013 Curriculum, namely the School Literacy Movement (GLS). In the program, the government is striving to instill a basic literacy movement in learning in schools. According to the Ministry of Education and Culture (2017), in order to be able to survive in the era of the 21$^{st}$ century, people must master six basic literacies, one of which is financial literacy.

Therefore, finance is an important part of daily life, because it can prevent excessive financial behavior in society. Especially at the age of adolescence, the development of life in the digital world today makes teens more vulnerable to consumptive behavior. With the convenience that is presented today, adolescents become easily influenced by parties to engage in consumptive behavior.

High school students are at the community level who are in their teens who are beginning to reach adulthood. This age is a period where parents begin to give trust to a child to begin to make choices and adjust their desires, but still with supervision from parents. One form of his trust is to provide pocket money for his daily needs. Parents give confidence so that their children can use the best possible allowance. However, as more and more sophisticated technology can make students consumptive by buying goods online, because they might be attracted by promotions through social media. So that it makes consumption behaviors that are based on wants not needs. Moreover, at the age of teenagers have not felt how difficult it is to get income because teenagers at school age are still financially dependent on parents. In this connection, it is necessary to know how important understanding financial literacy is for students in their teens today.

## Research Methods

This article is a *literature* review of a theoretical study that examines research-previous research on financial literacy and financial literacy education in various countries has been conducted. Research that is a reference in writing articles includes Tomaskova, Mohelska, & Nemcova (2011); Blue, Grootenboer, and Brimble (2014); Molly and Hayes (2010), and several other studies.

## Discussion

### Financial Literacy

Financial literacy is a person's ability to understand financial knowledge and apply it in everyday life. According to Manurung (2012: 24), financial literacy is a set of skills and knowledge that enables an individual to make decisions and be effective with all their financial resources. In line with this opinion Tomaskova, Mohelska, & Nemcova (2011), financial literacy is a set of citizens' knowledge, skills, and attitudes needed to obtain financial security for themselves and their families in contemporary society.

Financial literate people will actively appear in the financial market by using financial products and services. Financially educated citizens will be experienced in money and price matters, and be able to be responsible for managing their personal or family budgets, including managing financial assets and financial obligations in connection with changing life situations**.** This is supported by research by Blue, Grootenboer, and Brimble (2014), which states that financial literacy is knowledge, understanding and skills and values that exist in consumers in the context of finance and related decisions that have an impact on oneself, others, society, and the environment.

Understanding financial literacy is very important to support people's lives because financial literacy is the knowledge and ability of a person to apply an understanding related to concepts and risks, as well as the skills to determine a financially effective decision to improve financial welfare, improve individuals and social life in society.

Financial Services Authority (2016), classified the level of financial literacy into several levels, namely 1) *Well literate*, is the stage when someone already has knowledge and beliefs about financial service institutions and financial products and services, including features, benefits and risks, rights, and obligations thanks to financial products and services, and have the skills to use financial service products; 2) *Suff Literate,* which is the stage when someone has knowledge and beliefs about financial service institutions and financial products and services, including features, benefits and risks, rights, and obligations related to financial products and services; 3) *Less Literate*, at this stage a person only has knowledge about financial service institutions, products, and finance. 4) *Not Literate*, this stage is when a person has no knowledge and beliefs about financial services institutions and financial products and services and does not have the skills in using financial products and services.

Understanding of financial literacy will have a large impact on the welfare of the community at various levels because with a good understanding of literacy will be able to help someone to manage themselves in managing their financial resources. In line with this opinion, Kefela (2010), revealed that financial literacy is very important at various levels because it allows a person to manage his financial affairs and can make an important contribution to the health and efficiency of the financial system and economic performance.

**Financial Literacy Education**

Good financial management will have an impact on people's welfare because if people are able to control and regulate their financial activities, the economy of a country will become stable.

Based on Blue, Grootenboer & Brimble's (2014) research, financial literacy education has become a global priority, where *Financial Literacy Education* (FLE) has been added to the elementary and secondary school curriculum. Financial literacy should also be given to students in schools because students are agents of future economic development (Fabris and Luburic, 2016). Students who are equipped with financial knowledge early will be able to control themselves from inefficient behavior related to the use of financial resources.

In addition, supported by the results of research by Molly and Hayes (2010), which states that the trend in the United States in long-term needs is education financial sustainability because the program can lead to economic development. Then the community is seen as a focus to increase the availability of financial education (Molly and Hayes, 2010). Providing financial literacy education early on will have a positive effect on student financial behavior (Fraczek and Klimontowicz, 2015). Students will be able to control themselves and act rationally in utilizing their financial resources so that they will make personal financial decisions for the future.

Individuals who receive financial literacy education will have higher benefits than individuals who do not receive financial literacy education. In accordance with the mandate in the attachment to Perpres No. 82 of 2016 concerning the National Inclusive Financial Strategy (SNKI), financial education aims to increase public knowledge and awareness about formal financial institutions, financial products and services including features, benefits and risks, rights and obligations, and to improve community skills in planning and financial management.

In connection with the importance of financial literacy education, in order to realize a generation of financial literacy, financial literacy education programs should be supported by various parties, namely families, schools and communities.

**Millennial Generation**

The millennial generation is a generation born between 1977-1994, where this phase is a phase of rapid technological development in everyday life (Panjaitan and Prasetya, 2017). While the opinion of Smith and Nichols (2015), states that the millennial generation is an individual born between 1980-2000. The generation is called the millennial generation because the generation grows in the digital age (Kaifi, et.al, 2012). Other characteristics of the millennial generation are that they are characterized by a better level of education and knowledge than the previous generation. According to Panjaitan and Prasetya (2017), other characteristics of the millennial generation are internet addiction, have high self-esteem and self-esteem and are more open and tolerant of changes in society.

**The Importance of Financial Literacy Education in the Digital Age**

Financial literacy is one of the basic aspects of literacy that must be possessed by society in the 21st century today. Knowledge and skills in managing financial resources effectively are needed in the modern and all-digital era so that people can make wise financial decisions for future welfare.

Adolescents as development agents need to be equipped with financial education early on because, in an era that is very practical and digital, adolescents are very vulnerable to consumptive behavior. Various facilities that can be found in today's digital era is very easy to influence teens to act irrationally in meeting their needs, such as addiction to using the Internet, make online purchases only on the basis of desire (*want*) no need (*need*), and many behaviors the other. In this regard, it is very important to provide good and correct understanding and financial management from an early age because adolescents are still in a transitional phase, so they are still easily affected by various good or bad things.

Providing financial management education will have a positive influence to be able to help students in their teens to control themselves in their financial behavior (Renol and Indriayu, 2017). Students who have been given financial education will be able to act more rationally in making financial decisions (Fraczek and Klimontowicz, 2015) because in carrying out various actions students will consider financial factors. For this reason, understanding financial literacy is very important to be taught to people from an early age, especially at school age.

**Conclusion**

Based on the discussion of the problems that have been presented, the conclusion that can be given is that in the current digital era there are many changes in all fields that provide convenience in life. The low level of literacy in Indonesian society at this time, especially in adolescence is important learning for the country because of individuals at that age adolescents are the next development agents who will continue development in the future.

Understanding financial literacy is very important given to the younger generation in the current 21$^{st}$ century as a form of education so that adolescents have an awareness of financial management. In addition, it is hoped that the financial literacy of the young generation in the 21$^{st}$ century will be able to compete in life and as a form of self-control to support the realization of the welfare of the country. Suggestions that can be given, it is better to have the support and active role of various parties such as families, schools and the government to be able to instill financial literacy education from an early age to realize a generation of financial literacy.

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