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**FINANCIAL LITERACY: A STRATEGY TO IMPROVE HOUSEHOLD'S WELFARE IN
 SURABAYA**

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The purpose of this study is to develop household character-based financial literacy in Surabaya. This research was conducted in Wonokromo and Wonocolo districts. Financial literacy is related to one's competence to manage their finances and is able to utilize the available resources to achieve their goals. The research used focus group discussion and survey to the community. Result of study found that the most common factors affecting financial literacy include financial planning or budgeting, savings, loans and investment. Specific targets for financial literacy are expected for a family to explain how to prosper and achieve family welfare. The factors in this study are parents' socioeconomic status, parental involvement, level of education and parental expertise. The benefits of this research are useful for: (1) the Surabaya city government as one of the bases in making poverty alleviation policies, (2) increasing financial knowledge for the community, (3) increasing the power of young people in managing finances.

Keywords: Financial literacy, household's welfare, financial knowledge, budgeting

1. INTRODUCTION

Financial literacy is knowledge, planning, and management of personal or family finances which is one of the economic behaviors that develop in the community consciously or unconsciously. Financial literacy is a basic need for everyone to avoid financial difficulties and how to manage finances and techniques in investing with the aim of prosperity. Good financial literacy contributes to good financial decision making (Grohmann, A., Kluhs, T., and Menkhoff, L. 2018; Stolper, Oscar. 2018; Shen, C, 2016). Financial knowledge is important, not only for individual interests, financial knowledge is not only able to use money wisely, but also can benefit the economy. Therefore, the need for a practical approach to get the goals to be achieved involves learning about specific financial activities faced to deal with personal finances systematically and successfully, so knowledge is needed. To have Financial Knowledge, it is necessary to develop financial skills and learn to use financial tools. Financial literacy is a mix of cognitive ability and investment in human capital that is shown to have a major impact on many important financial decisions (Brent, A. and Ward, M, 2018). Being financially literate, thus being able to make sound financial choices based on basic knowledge of financial concepts, is therefore an important life skill that is equally important for one's own sake as well as for the society in which one is embedded (Skagerlund, et al, 2018).

Based on the survey of the Indonesian Financial Literacy Index in 2016, Indonesians are classified as having low levels of financial literacy. The level of financial literacy in Indonesian can be seen in table 1.



Tabel 1. Financial Literacy Index in Indonesia 2016

	Index Financial Literacy		
	Composit (%)	Conventional (%)	Shariah (%)
Gender			
Male	33,2	33,0	8,6
Female	25,5	25,5	7,3
Geographycal			
Urban	33,2	33,1	10,1
Rural	23,9	23,8	4,8
Occupation			
Employee	39,9	39,8	12,4
Student	23,4	23,2	5,3
House Wife	15,3	15,2	3,0
Others	22,8	22,8	3,7
Age			
15-17 years	5,2	5,2	2,2
18-25years	32,1	32,0	8,1
26-35years	33,5	33,3	9,3
36-5 years	30,6	30,4	8,7
More than 50 years	21,4	21,3	4,9

Source: Survey of financial literation by OJK in 2016

Table 1 show that women in Indonesia having a lower level of financial literacy than man. Geographycally, rural have lower literacy levels than urban communities. Based on ages, the lowest iteration education level is only 5.2% in youth (15-17 years old). Understanding the influence and sources of young adult financial literacy is an important step in determining how to improve financial literacy, behavior, and well-being. Young adults who grow up in families with strong conversational orientation have greater financial knowledge, while those who grow up in a suitably oriented environment show less financial knowledge (Hanson, T and Olson, P, 2018).

East Java has a literacy rate of 35.3% (conventional finance) and 29.4% for Islamic financial literacy (OJK, 2016). Although it has higher index of literacy than other region in Indonesia, the government still needs to improve public financial literacy in order to improve welfare, especially for rural communities (OJK, 2016). From the background, this article aims to make a deeper understanding of process of forming a literacy village in Surabaya and its benefits in household financial planning to improve family welfare.

2. METHOD

This is a qualitative study used ethnographic research design. This is done because researchers actively participate in rural communities from the process of forming literacy villages. This study uses the total population, namely the people in Wonokromo and Wonocolo sub-districts. The data collection process was collected by a focus group discussion (FGD) to explore the potential of the community. In-depth interviews were also conducted to obtain information related to financial literacy to community representatives from the two sub-districts.



3. FINDING AND DISCUSSION

Increased financial literacy in the village and household level is done by forming a literacy activator youth. Literacy activator youth can work optimally if supported by several factors, namely: (1) Media, Media has important factors in order to improve public literacy. Literacy media in Wonokromo and Wonocolo sub-districts are printed and electronic media provided by the local government. This will make it easier for people, especially youth, to access the information needed. (2) Infrastructure, supporting facilities are also provided by the government in order to increase public literacy. The facilities provided are reading rooms and unlimited Wi-fi access in every village. (3) Programs, assistance to the community are also carried out in order to improve literacy. The mentoring program is carried out in the form of training and counseling on financial literacy. (4) Civilization, this civilization is carried out so that literacy is not only as a program but is maintained by sustainability so that a literacy community will be created. Creating a literacy village must start from habituating youth so that they can have a positive impact on the family level. Educating new generations in financial literacy presents a very real possibility of eliminating a negative development in society. Improving financial literacy of the population by education is not in itself without issues but will definitely lead to some level of prevention in managing personal and family finances (Opletalova, A, 2015).



Figure 6: Pemuda Penggerak Literacy Room



Figure 2: Media dan Sarana untuk Meningkatkan Literasi Masyarakat

Improving financial literacy is a worthwhile option, financial education could be an important instrument of financial development to the more conventional policy of expanding



financial infrastructure (Grohmann, A., Kluhs, T., and Menkhoff, L. 2018). Financial literacy is strongly influenced by the culture and characteristics of people living in an area (Brown, M., Henchoz, C., and Spycher, T. 2018). Improving economic development and income inequality (that is increasing the level of GDP and decreasing the level of income inequality in a particular area) may enhance not only the financial literacy of the local population but also that of the residents nearby (Geng, P., 2018). respondents with low level of education, highly educated women profit much more strongly from an increase in financial literacy than highly-educated men. Confidence, in contrast, shows a stronger positive impact on men's wealth levels than on women's wealth that is hardly moderated by education (Bannier, C., and Schwarz, M., 2018). People with higher confidence in their own financial literacy are less likely to seek financial advice (Kramer, M. 2016). Financial literacy has two main benefits. First, financially literate individuals are more likely to own assets other than a savings account and are more likely to own a fixed deposit account. They are also less likely to own life insurance, which gives notoriously low returns (Grohmann, A., 2018).

4. CONCLUSION

The financial literacy village in Surabaya was formed with the aim of increasing the level of public literacy so that it has an impact on family welfare through proper financial planning and management. Literacy villages utilize youth as the main actors because youth have a strategic role and enthusiasm to improve high literacy. Some factors that influence literacy improvement include the economic status of the community, the level of education, and family support for youth through communication and participation in the program. The government supports increasing financial literacy by village youth by providing media and facilities needed by each community. The recommendation for the government is to monitor and evaluate the implementation of the program and to conduct a literacy level survey after the community is exposed to the youth literacy program. In addition, program sustainability is also needed so that financial literacy will be entrenched.

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