

Financial Education to Face the New Normal Era

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Abstract. Several countries are currently facing the third wave of covid-19 and, of course, again changing the global order, which presents economic challenges with significant impact. The research relates to the role of financial education in facing the new normal era, where every individual must be prepared with all things that can affect financial well-being. This study uses a qualitative method with a case study approach. The data collection technique used in this research is participatory observation using secondary data sources from research results, references, and online news directly related to this research. The results show that individuals and business units with financial literacy related to financial knowledge and behavior in terms of financial management can survive in an era affected by the COVID-19 pandemic. The existence of rational and responsible financial knowledge and behavior cannot be separated from the role of financial education. Financial education not only builds financial knowledge but results in better financial resilience. Therefore, financial education must play a relevant role in the post-pandemic period.

Keywords: financial education; financial literacy; financial behavior; covid-19; new normal era

1 Introduction

In early March 2020, President Joko Widodo announced that there were 2 (two) people infected with the COVID-19 virus, and since then, the COVID-19 pandemic began in Indonesia. The latest data on November 11, 2021, the number of COVID-19 cases in Indonesia totaled 4,250,516 with 143,667 deaths [1]. The COVID-19 pandemic is happening in Indonesia and almost all countries worldwide, causing many things to be affected. This pandemic is changing the global landscape and affecting the financial, professional, and social environment [2]. The IMF even predicts that this pandemic's impacts will weaken the world economy more severely than during the global financial crisis [3].

As one of the countries affected by COVID-19, Indonesia experienced a significant decline in economic growth. Based on data from the Badan Pusat Statistik [4], Indonesia's economic growth in the first quarter of 2020 was only 2.97%, and even in the second quarter of 2020, economic growth experienced a recession with a decline of 5.32%. The decline in economic growth will undoubtedly impact other matters related to financial resilience, both individually and in groups related to several business units in Indonesia. The level of financial resilience and

the decline in financial welfare for some Indonesians prove that most Indonesians are not yet financially literate [5]

Financial literacy or better known as financial literacy is related to knowledge, attitudes, and behavior towards finance which will later affect the process of making rational and responsible financial decisions [6], [7], [8]. Currently, Otoritas Jasa Keuangan (OJK) [9] stated that only 38% of Indonesia's population was declared well-literate. This means that out of 100 Indonesian residents, only 38 people are declared good financial literacy, knowledge, behavior, and attitudes.[9]. Even though during a pandemic, financial literacy is very much needed to do better financial management related to many layoffs, decreased income, and increased spending due to health problems [10]. The existence of Covid-19 increases public awareness of the importance of financial management and increases public expectations of financial institution products and services [11].

According to ACCA [12], financial education improves financial management both individually and in a business context. In general, financial education is a transfer of knowledge, skills, and confidence to deliver financial decisions and actions appropriate to the circumstances. The OECD adds [13] that financial education is how financial consumers/investors understand financial products and concepts. They develop the skills and confidence to become more aware of financial risks through objective information, instruction, or advice. Moreover, opportunities are to make informed choices, know where to turn for help, and take other effective actions to improve their financial well-being. Financial education can provide individuals and businesses with the skills, knowledge, skills, attitudes, and behaviors necessary to act in their own best interests and select and use financial services that best meet their needs in light of the pandemic—Covid-19 as when welcoming the new normal era.

Literature Review

Financial education is one of the intervention strategies in increasing financial knowledge, which will correlate with rational and responsible financial decision-making. Financial education provides a set of lifelong skills related to one's life that will support economic development, health, and well-being throughout life [14]. The definition of financial education itself is growing along with the growing need for financial education.

Some people argue that financial education means providing learning about how to save money, keep income and expenses balanced, and some say that financial education is learning how to be responsible for using credit cards [15] But in fact, financial education is more than these three things. Sudheer [16] states that financial education can understand how money works. Financial education is also said to be the art of investing and managing finances and making, financial decisions. According to (2), financial education refers to education about financial products and knowledge about using and managing finances. Finally, the OECD argues that financial education is how financial consumers/investors increase their knowledge of financial concepts and products [13].

Many benefits can be obtained when someone gets a financial education. Bauman [14] reveals the benefits of financial education for all ages in various professions. For a family to acquire discipline involves saving money and investing in education for their children [17] (Cude et al., 2006). For early adults and just starting a job, financial education is expected as a control tool for budgeting and saving [18]. Furthermore, financial education is expected to provide certainty for their comfortable retirement life for workers with older age. Through information, instruction, and objective advice on financial education, it is hoped that a person can develop skills, build confidence to become more aware of financial risks and opportunities,

make informed choices, know where to go when in need of financial assistance, and take other effective actions in dealing with financial problems to improve financial well-being.

The form of financial education itself consists of various forms depending on the designation for whom. Personal financial education is usually related to financial management that starts early at home and school [1]. Shifting to school age, financial education increases personal savings [3]. School-age personal savings are often dominated by savings whose funds come from parents. The most important thing for the school is how a student can set aside the money he gets from his parents for savings. Furthermore, financial education for students is usually related to delivering financial products and preparing financial management before having a job later [4]. Unlike the others, specifically for business units, this form of financial education will be related to planning and managing business finances, interacting with financial service providers, accessing appropriate services and products, and managing the company's financial risks [5].

2 Research Methods

The research method in this study uses a qualitative method, namely through a case study approach. According to Raharjo and Gutnanto [19], this approach focuses on a particular case through careful observation and comprehensive analysis. The phenomenon that is the case in this study is a description of the resilience of a person's financial well-being during the pandemic through their financial education. Sources of data used are secondary data sources derived from research results, references, and news that are directly related to this research.

3 Results and Discussion

A pandemic, considered a sudden disturbance caused by a public health crisis, presents economic challenges with an increasing impact [3]. The Covid-19 pandemic impacted both households and the business sector in the first half of 2020. Restrictive measures, in which many businesses, schools, and other public facilities were closed, certainly negatively impacted business activities and individual welfare. This situation, of course, tested the financial resilience of both.

Several factors are related to maintaining financial well-being for individuals and business units. Financial knowledge is felt to help people manage their finances better through difficult times and times of prosperity. Financial education is also believed to provide financial knowledge, which ultimately helps individuals and businesses face the new normal era.

The results of research by the Organization for Economic Cooperation and Development (OECD) [20] in 2020 on literacy, knowledge, behavior, and financial attitudes of several countries in Asia are shown in the following table

Table 1. Financial Literacy, Financial Knowledge, Financial Behavior and Financial Attitude From Several Countries in Asia

Country	Financial Literacy	Financial Knowledge	Financial Behavior	Financial Attitude
Indonesia	63,5	53,2	69,7	66,8
Malaysia	59,7	52,3	68,1	54,9
Hongkong	71,1	88,2	64,8	58,3

Korea Selatan	62,1	65,7	59,8	61,3
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Source: Survey by OECD [20]

Indonesia's financial literacy score is better than Malaysia and South Korea compared to other countries. However, from financial behavior knowledge, Indonesia lags behind Hong Kong and South Korea; from the behavioral aspect of finance, Indonesia is no better than Hong Kong; and from financial attitude, Indonesia scores better than the other three countries. However, the Indonesian Financial Services Authority (OJK) [9] stated that only 38% of Indonesia's population was declared well-literate. It means that out of 100 Indonesian residents, only 38 people are declared good financial literacy, knowledge, behavior, and attitudes. Indonesia's financial behavior during the pandemic is very diverse related to the ability to meet needs, provide emergency funds, and investment activities.

Mckinsey's [21] study states that Indonesian consumers are apprehensive about not meeting their needs. The level of concern is even more significant than the level of concern of the people of India and China. This increased concern has encouraged Indonesians to become acquainted with financial risk management and risk. Regarding the provision of emergency funds, most Indonesians only have savings that can last for 12 months, starting from the COVID- 19 pandemic in March 2020 [20].

The pandemic itself has lasted more than that. The focus of Indonesian adults is to keep money in savings compared to other financial products. As for the relation to investment activities, Gozie [10] said an increase in investment interest in Indonesian people as seen from the SID of 48.82%. An increase in the number of investors needs to be based on proper financial planning and an understanding of risk tolerance and investment period. Do not let the investment goal achieve excess profit when financial management is not good.

The conditions mentioned above directly correlate with financial education as the most crucial factor in increasing financial literacy, knowledge, behavior, and attitudes. Financial education aims to make individuals better equipped to manage their money, achieve financial goals and avoid the stresses associated with financial problems to improve financial behavior that leads to financial well-being [20].

4 Conclusion

Financial well-being means having financial security and freedom of choice now and in the future. The economic implications of COVID-19 are adding more uncertainty to the already worrisome financial situation for most Indonesians. Financial education is structured and integrated with the national strategy to increase financial knowledge, financial attitudes, and financial behavior that is rational and responsible. The existence of the covid-19 pandemic, with good financial education, can produce consumers who are financially resilient and tend not to face difficulties when an economic downturn occurs and are quick to bounce back when economic conditions begin to experience significant improvements.

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