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Financial Literacy of Higher Education Students: A Study in Rural Gorontalo Province, Indonesia

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ABSTRACT

Today, financial literacy has become one of the basic skills that individuals must have in the 21st century. Students, as individuals expected to make financial decisions, should have a high level of financial literacy to contribute to the economic activity of their region. In the long term, this will positively impact the local economy, especially in the rural areas of Gorontalo province, Indonesia. This research uses a quantitative approach with a survey design. The population identified in this study comprises all students in higher education institutions in the province of Gorontalo. A total of 326 student respondents participated in this survey. The results of the study revealed that (1) the financial literacy rate of students in Gorontalo Province was in the middle category, with a score of 65.79%, (2) there was no difference in the financial literacy rate between male and female students in Gorontalo Province, and (3) there was a difference in students' financial literacy rates in Gorontalo Province based on the educational level of their parents.

INTRODUCTION

Topics related to financial literacy have increasingly been studied in the last decade, particularly in the area of personal financial management skills (Rose, 2023). In Indonesia, financial literacy is linked to efforts to reduce poverty, increase women's participation in the economy, and improve overall well-being (Arini et al., 2020; Askar et al., 2020; Rahadi et al., 2019; Rahayu et al., 2021). With increased financial literacy, individuals will participate more in economic activities (Bryant, 2024), and be more capable of managing their finances (Akca et al., 2018), which in the long run will improve their standard of living and well-being (Hastings et al., 2013; Klapper et al., 2011).

The urgency of financial literacy leads to the idea that education related to financial literacy should be introduced from an early age (Kuzma et al., 2022; Özdemir, 2022). Additionally, in the 21st century, financial literacy has become one of the basic skills that individuals must master (Başaran et al., 2021). According to some literature, financial literacy education is particularly relevant for individuals entering higher education. At this stage, individuals face the need to manage their finances personally (Nainggolan & Christiani, 2021) and make decisions related to their finances (Almeida & Costa, 2023).

Previous research has shown that students' financial literacy levels are in the lowest category (Kusumawardhani et al., 2020). This condition is urgent to study in the rural areas of Indonesia, given the challenges these regions face in terms of access to resources, access to information, and limitations in program availability. The same applies to the rural areas of Gorontalo Province. According to the Tribun Gorontalo website (Gorontalo, 2023), the population of the town has a relatively low level of financial literacy, at 31%. Unfortunately, there is limited research on financial literacy among students in the rural areas of this city. This topic is relevant for study because higher education in rural areas plays an important role in efforts to improve financial literacy through the services provided. With such efforts, it is expected that students, as the young and knowledgeable generation, will be able to contribute to future economic activity, positively impacting the region's economy.

RESEARCH METHOD

This study used a quantitative approach with a survey design to get an overview of the financial literacy condition of students in rural Gorontalo. The variables used in this study refer to OJK's financial literacy indicators, which include (1) financial knowledge, (2) financial attitudes, and (3) financial behavior (see Table 1). The population in this study consists of students from higher education institutions in Gorontalo Province, including (1) Universitas Negeri Gorontalo, (2) Institut Agama Islam Negeri Sultan Amai Gorontalo, (3) Universitas Ichsan, (4) Universitas Gorontalo, (5) Universitas Nahdlatul Ulama, and (6) Politeknik Kesehatan Kementerian Kesehatan Gorontalo. The sampling technique used was purposive random sampling.

Data was collected using a questionnaire based on the previously mentioned indicators. Validity and reliability tests of the questionnaire were conducted, yielding a significance score greater than 0.05 for validity and a Cronbach's Alpha of 0.834 (greater than 0.5) for reliability. Out of the total questionnaires distributed, 326 respondents completed the questionnaire. The collected data was then analyze using descriptive percentage analysis techniques and t-tests, based on the categories of (1) gender and (2) parental education level, to provide an overview of the financial literacy level of students in Gorontalo Province. The criteria for drawing conclusions about the level of financial literacy of students' validity and reliability tests of the questionnaire were conducted, yielding a significance score greater than 0.05 for validity and a Cronbach's Alpha of 0.834 (greater than 0.5) for reliability. Out of the total questionnaires distributed, 326 respondents completed the questionnaire. The collected data was then analyze using descriptive percentage analysis techniques and t-tests, based on the categories of (1) gender and (2) parental education level, to provide an overview of the financial literacy level of students in Gorontalo Province. The criteria for drawing conclusions about the level of financial literacy of students refer to Chen & Volpe (1998) as shown in Table 1.

Table 1. Criteria for inferring financial literacy

Percentage	Category
$X < 60\%$	Low
$60\% \leq X < 80\%$	Medium
$X \geq 80\%$	High

RESULTS AND DISCUSSION

In the measurement of financial literacy, there are 27 statement items that include descriptions of the three aforementioned indicators. Based on the calculation, the level of financial literacy of students is found to be in the moderate category, with a score of

65.79%. Specifically, each statement item received a score of more than 60%. The results of this study are consistent with previous studies, where the measurement of students' financial literacy levels falls within the moderate category or, according to the OJK, is considered sufficiently literate 18-20.

Regarding the improvement of financial literacy towards a well-literate or high-literacy level category, this study identifies two points that received the lowest scores: financial behavior related to purchasing goods and recording expenses, with scores of 63.80% and 64.29% respectively. These results suggest that few students purchase goods according to their needs and routinely record their expenses. These two aspects should align with students' financial planning skills. When students can plan their expenses, for instance, by setting budgets weekly or monthly, they should be able to spend their money according to these plans and control their spending through expense records. However, the results of this study indicate the opposite: while students tend to be able to plan their finances, their spending and evaluation of these plans are not optimal.

Based on the research results, it can be assumed that in Gorontalo Province, many students still spend money based on desires rather than needs. This behavior leads to consumptive habits, which, according to Rangga et al., (2022), are closely related to financial literacy. Individuals with a high level of financial literacy are typically wiser in spending money, thereby avoiding consumptive behavior. Given that students in Gorontalo Province fall into the sufficient literacy category, efforts to increase financial literacy should focus on reducing students' tendency towards consumptive behavior. For instance, enhancing students' understanding of prioritizing expenses can be beneficial. Additionally, these efforts should be accompanied by training or socialization related to personal financial management, ensuring that financial planning, spending, and evaluation are integrated. In the long run, this approach can improve students' financial literacy.

Referring to Table 2, it is evident that the respondents are divided into three age groups: (1) the age range of 18-20 years, (2) the age range of 21-23 years, and (3) the age range of 24-26 years. The frequency of respondents in each age group, from highest to lowest, is 261, 61, and 4, respectively.

Table 2. Respondents by age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-20	261	30.1	80.1	80.1
	21-23	61	7.0	18.7	98.8
	24-26	4	.5	1.2	100.0
	Total	326	37.6	100.0	

When viewed from Table 3, the majority of respondents are predominantly early semester students in the age range of 18-20 years. This is logical, considering that the early semester is a time for students to start adapting to college life, living away from their parents, and managing their finances independently. Therefore, this measurement of financial literacy serves as an important reflection and learning opportunity for early-semester students regarding how they have managed their finances so far. However, it does not exclude the possibility that similar financial literacy issues are also present among students aged 21-23 and 24-26, especially since such measurements have not previously been conducted in higher education institutions.

Furthermore, based on the data, it was found that out of the total respondents, 236 were female and 90 were male (see Table 3).

Table 3. Respondents by gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	90	10.4	27.6	27/6
	Female	236	27.2	72.4	100.0
	Total	326	37.6	100.0	

This classification is based on previous research that emphasized gender differences in measuring financial literacy (Bansal & Kaur, 2024; García Mata, 2021; Gudjonsson et al., 2022). The data from this research suggest that female students may have a higher interest or curiosity in financial literacy, particularly in managing their finances independently. However, tests conducted showed no significant gender difference in financial literacy rates among students in Gorontalo Province (see Table 4). The Kruskal-Wallis test indicated an Asymp. Sig value of 0.246, which is greater than 0.05, leading to the acceptance of the null hypothesis (H_0). In other words, there is no significant difference in financial literacy levels between male and female students in Gorontalo Province.

Table 4. Differences in financial literacy levels based on gender

	Total
Kruskal-Wallis H	1.346
df	1
Asymp. Sig.	.246

Kruskal Wallis Test
Grouping Variable: Gender
The results of this study align with previous research showing no difference in financial literacy levels between male and female students (Chen et al., 2018; Gudjonsson et al., 2022; Nainggolan & Christiani, 2021; Nursjanti et al., 2023). Although more women participated in the financial literacy assessment, there was no significant gender disparity. Thus, efforts to improve financial literacy among students in Gorontalo Province should be uniform and intensive, addressing both male and female students equally. In higher education, one effective approach to enhancing students' financial literacy is to integrate financial management courses into the curriculum (Nainggolan & Christiani, 2021; Rose, 2023; Sahabuddin & Hadianto, 2023; Setiana et al., 2023). By incorporating financial literacy into their studies, students may be better prepared for personal financial management both now and in the future (Valentiningrat & Paramita, 2023).

Regarding the educational level of students' parents, the data is categorized into four groups: (1) elementary school, (2) primary school, (3) secondary school, and (4) undergraduate (S1). The frequencies, from highest to lowest, are as follows: 134 for secondary school, 105 for primary school, 51 for secondary education, and 36 for undergraduate education. These details are more clearly illustrated in Table 5 below.

Table 5. Respondents by parental education level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Elementary school	105	12.1	32.2	32.2
	Primary school	51	5.9	15.6	47.9
	Secondary school	134	15.5	41.1	89.0
	Undergraduate	36	4.2	11.0	100.0
	Total	326	37.6	100.0	

Similarly to the gender category, some previous studies have found that the level of parents' education is a factor influencing the high or low levels of financial literacy among individuals, particularly students (Priyadarshani & Kumari, 2021). Further differential tests were conducted on the research data, with the details presented in Table 6 below.

Table 6. Differences in financial literacy levels based on parental education

	Total
Kruskal-Wallis H	15.020
df	3
Asymp. Sig.	0.002

Kruskal Wallis Test
Grouping Variable: Parents Edu
Table 6 shows that the Asymp. Sig value is 0.002, which is less than 0.05, leading to the rejection of the null hypothesis (H_0). This indicates that there is a difference in the level of financial literacy among students based on their parents' level of education. These results contradict previous studies which found no significant effect of parents’ education level on children’s financial literacy (Nuris & Rahmawati, 2021; Prasetyo et al., 2020; Umma & Afrizal, 2021), including university students. Unfortunately, this study did not provide confirmation on whether a higher level of parental education corresponds to higher financial literacy among children.
The level of parental education has a positive and significant effect on student financial literacy, supporting the assumption made in the previous paragraph (Apriyanti et al., 2021). Mandell also found that financial literacy is generally higher among children whose parents hold college degrees (Lusardi et al., 2011). Additionally, Sembiring & Leon (2021) suggest that higher parental education levels provide greater access to information, including financial information. While this study does not directly address the influence or relationship, it highlights the significant role parental education plays in enhancing children’s financial literacy.

Furthermore, the impact of parents' education level on children's financial literacy is closely related to financial behavior (Andrea, 2023; Sari et al., 2022). Financial behavior, which encompasses actions and decisions related to managing finances, is fundamental to the development of financial literacy. Practices such as saving, investing, and spending are important habits that should be instilled from an early age. When parents understand the significance of managing financial behavior, introducing and habituating these practices to children becomes easier. This, in turn, aids in the long-term development of their financial literacy.

The role of the family in introducing children's financial literacy focuses on communication patterns, which include conversation and conformity (Patrisia et al., 2023). Conversation refers to how family members, particularly parents, discuss various financial topics, while conformity pertains to the attitudes, beliefs, and habits related to finance that are instilled within the family. This process of introducing and cultivating financial literacy is gradual. Naturally, the role of parents is crucial in this introduction and development (Murugiah et al., 2023). Additionally, it is essential to support this process with specialized education and socialization regarding financial literacy (LeBaron et al., 2020; Nurarifah et al., 2023; Oriji et al., 2023; Pappang & Anastasia, 2019).

CONCLUSION

Based on the results and interpretation, it can be concluded that the level of financial literacy among students in rural areas of Gorontalo Province is categorized as medium or sufficient. The study indicates no significant difference in financial literacy between genders. However, there are differences in financial literacy levels based on the educational level of the parents. To improve financial literacy, efforts should be focused on areas where students' literacy levels are relatively lower. Additionally, enhancing financial literacy can be achieved through comprehensive methods, such as providing specialized courses in financial management or offering periodic educational sessions.

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