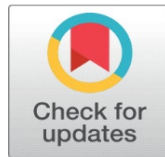


# IMPLEMENTATION OF FINANCIAL LITERACY ON COMMUNITY FINANCIAL MANAGEMENT IN TOMOHON CITY

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## ABSTRACT

During the current pandemic, people are required to be able to manage their finances well in order to survive difficult times when facing difficult situations. However, in reality, not a few people still have difficulty in managing their finances due to lack of knowledge about good financial management, so that many people suffer from economic downturns that have even more severe impacts on the decline in the level of community welfare in the City of Tomohon. This study aims to determine and analyze the extent to which the implementation of financial literacy on the financial management of the people in the city of Tomohon. This research is quantitative research using multiple linear regression analysis method. Based on the results of the analysis, financial literacy has a significant and positive effect on people's financial management, so with high financial literacy, one can form wise financial behavior and effective financial management.

**Keywords:** Financial Literacy, Financial Management

## 1. INTRODUCTION

Current financial conditions cannot predict how changes will occur. This condition is very unpredictable in the long term what will happen in the future. Financial literacy education can be interpreted as a comprehensive and in-depth understanding of financial literacy education for personal or family financial management which makes a person have full power, understanding and confidence in the financial decisions taken. Financial literacy as the ability to read, analyze, manage, and communicate about personal financial conditions that affect material well-being. Financial literacy includes the ability to sort out financial needs, discuss

financial issues, plan for the future, and respond wisely to life events that affect daily financial decisions, including events in the economy in general. The implementation of education in increasing understanding about finance in the community is very necessary. Knowledge and understanding of personal finance are needed by individuals in order to make the right decisions in finance, so it is absolutely necessary for everyone to optimally use the right instruments and financial products. Lack of knowledge about financial literacy is a serious problem and a big challenge for people in Indonesia. Financial education is a long process that spurs individuals to have financial plans in the future in order to get prosperity according to the pattern and lifestyle they live. Managing finances is a reality that must be faced by every human being in his daily life, where a person must manage it well in order to balance income and expenses, be able to meet the needs of life and not get caught in financial difficulties. Therefore, financial intelligence is something that needs to be considered in modern life like today. Financial intelligence is the ability possessed by a person to manage his financial resources, with financial well-being as the ultimate goal.

Financial literacy is closely related to financial management where the higher one's financial literacy, the better one's financial management. Financial management is an application of the concept of financial management at the individual level. Financial management which includes planning, managing, and controlling financial activities is very important to achieve financial prosperity. The rise of online shopping systems and shopping centers that are spread everywhere have resulted in more consumptive behavior and people tend to make impulsive purchases. As a result, people's behavior in buying their needs is increasingly irrational. High consumptive attitude causes financial management to be difficult. The problems experienced by the community in general are that they still have less income or are still not in accordance with the desired needs and limited fund reserves. Proper financial management must be supported by good financial literacy. Financial literacy is also associated with good financial behavior.

Based on the above background, our research team is interested in conducting research on the Implementation of Financial Literacy on community financial management in Tomohon City.

## **2. LITERATURE REVIEW**

### **2.1. FINANCIAL LITERACY**

Low levels of public finance literacy are a particular concern for the government Indonesia. According to [Abreu and Mendes \(2010\)](#) explain that financial knowledge is will at least limit individuals in diversifying management portfolios financial statements may increase the likelihood of risk. According to [Yushita \(2017\)](#) literacy finance is the ability that includes to differentiate financial options, discuss money and financial problems without inconvenience, plan for the future, and respond competent for life events that affect day-to-day financial decisions, including events in the economy in general. Financial literacy can be interpreted as knowledge to manage finances. The higher the level of financial literacy that a person has will produce wise financial behavior and effective financial management. Financial literacy consists of a number of abilities and knowledge about finances owned by a person to be able to manage or use a certain amount of money to improve his standard of living and aim to achieve prosperity. According to the Financial Services Authority, financial literacy is the ability to understand, namely the ability to manage the funds you have in order to develop and live a more prosperous life [OJK, \(2018\)](#). Financial Literacy can prioritize the need to achieve personal financial goals.

Financial Literacy focuses on financial knowledge, abilities, and attitudes towards individual finances to be managed properly and independently [Ismanto \(2019\)](#).

Financial literacy is a basic need for everyone to avoid financial problems. Financial difficulties can arise if there is an error in financial management (mismanagement). Having financial literacy is the most important thing to get a prosperous life. With proper financial management supported by good financial literacy, it is hoped that people's living standards will increase, because no matter how high a person's income is, without proper financial management, financial security will definitely be difficult to achieve. The need for education to the public on financial products, both bank and non-bank, is very urgent so that the public is not easily deceived by irresponsible parties. The importance of financial literacy in the form of all aspects of personal finance is not because it makes it difficult to use the money they have, but it is hoped that individuals can enjoy life by using their financial resources appropriately [Yushita \(2017\)](#).

According to [Prihastuty and Rahayuningsih. \(2018\)](#), Financial Literacy and What is often called financial literacy is the ability to understand how money works, how one succeeds get it, how to manage it and how to invest it (change it again). Financial knowledge or financial literacy as knowledge Funding and ability to apply it (knowledge and Skills).

## 2.2. DIMENSIONS OF FINANCIAL LITERACY

Financial literacy includes several financial aspects that need to be mastered. Some aspects of financial literacy include general knowledge of finance, savings and credit, insurance, and investing.

### 1) General knowledge of finance.

Financial literacy includes knowledge of personal finance, specifically how to manage income and expenses, as well as understanding basic financial concepts. Basic financial concepts include simple interest calculation, compounding, effects of inflation, opportunity cost, time value of money, liquidity of an asset, and more.

### 2) Deposits and loans

Saving and borrowing is a banking product known as savings and credit. Savings is an amount of money that is saved for future needs. A person whose income is above their expenses will tend to save the rest. The form of savings can be savings in the form of savings at a bank or savings in the form of installment deposits. Whereas, borrowing is a facility to borrow money and pay it back in a certain time with interest.

### 3) Insurance

Insurance is a form of financial protection that can take the form of life insurance, property insurance, education insurance, and health insurance. The purpose of insurance is to receive compensation in the event of an unforeseen event such as death, loss, accident, or damage.

### 4) Investation

Investing is saving or using money to make more money. The way someone typically invests is by putting money in securities, including stocks, bonds, and mutual funds, or by owning real estate.

## 2.3. FINANCIAL MANAGEMENT

Financial management is an effort made by a company in designing activities related to the storage and control of funds and assets. Given the importance of financial management, you must plan carefully. Financial management (financial management) according to Horne in [Kasmir \(2013\)](#) is all activities related to the acquisition, funding, and management of assets with several overall objectives. According to [Hartati \(2013\)](#), the entire process is carried out to obtain company revenue by minimizing costs, in addition to the efficient use and allocation of funds to maximize company value. goals that have been set so that it is useful for humans. Financial management as part of activities Personal financial management is the process by which an individual meets the necessities of life through the activities of managing financial resources in an organized and systematic. [Sina and Andris \(2012\)](#) explains that financial experience is the ability to make judgments or invest in the future. With good and right investment planning and management, you will achieve peace and comfort in life [Yulianti and Silvy \(2013\)](#). Financial management is closely linked to financial literacy. Good financial management and supported by good financial literacy, hopefully people's standard of living will increase, because even if one's income level is high, without good financial management, security finance will certainly be difficult to achieve. [Yushita \(2017\)](#) said financial literacy is a basic need for people to avoid financial trouble. With a high level of financial literacy in a society, it is hoped that they can enjoy life with adequate financial resources.

Finance is an important part of lifewide community. Your financial information can help with this in determining people in decision making financial products that can optimize decision making the economy. Financial knowledge is very important so as not to make mistakes later when making financial decisions. [Margaretha and Reza \(2015\)](#) in [Amanita \(2017\)](#).

## 3. RESEARCH METHOD

### 3.1. RESEARCH APPROACH

Research is basically an activity to obtain data/information that is very useful to find out something, to solve problems or to develop knowledge. This type of research is quantitative research. Quantitative research is research by obtaining data in the form of numbers or quantitative data that is numbered. The approach used in this study is an associative approach. Associative is research that asks cause and effect between two or more variables.

### 3.2. LOCATION AND TIME OF RESEARCH

This research was conducted in the city of Tomohon with the object of research namely the people of the city of Tomohon. This research was conducted from March to October 2022.

### 3.3. POPULATION AND SAMPLE

#### 1) Population

In research, population is used to refer to all elements/elements of a field that are the object of study or the whole (universum) of the research subject. Based on the complexity of the population object, it is possible to divide the

population into homogeneous populations (all the individuals that are members of the population have relatively similar characteristics and have different characteristics). there is a difference in the results of different quantity checks). census) and heterogeneous populations (all individual members of a population have relative individual characteristics that distinguish individual members of a population from each other). Thus, population can be understood as the entire population used in the study. The population of this study included public or financial managers residing in the city of Tomohon.

## **2) Sample**

The sample is part of the population. The sample is part of the number and characteristics possessed by the population. The sampling technique used in this study is purposive sampling with predetermined criteria, namely people with a minimum income of IDR 3,000,000, - up to IDR 5,000,000 per month. In this study, the sample taken was 140 respondents. Based on the sampling technique, it means that the number of the research population is not known for sure in the location of the research area.

## **3.4. DATA COLLECTION METHODS AND ANALYSIS METHODS**

There are two data collection methods used in this study, namely questionnaire and interview methods. The analytical method used is descriptive structural statistics.

## **4. RESULTS AND DISCUSSIONS**

### **4.1. TOMOHON CITY PROFILE**

Quoted on the official website of the Tomohon City Government, [tomohonkota.go.id](http://tomohonkota.go.id), Tomohon has long been written about a number of historical documents. One of them is found in the ethnographic work of Reverend N. Graafland, who announced on January 14, 1864, aboard the Queen Elisabeth that he had written about a country called Tomohon that he had visited. circa 1850. The growth of civilization and the dynamics of development and social stability over the years made Tomohon one of the capitals of the Minahasa Regency's subdistricts.

In the first decades of the 2000s, communities in several areas of Minahasa County were inspired and aspired to trend both internally and externally to strategic area expansions. area. The wind of reform and the establishment of policies of regional autonomy has accelerated the process of taking into account the popular aspiration for the division of the region in question. Through a lengthy and carefully considered legal process in the context of promoting national development for the welfare of the wider community, the Minahasa Regional Government and the Regional Representative Council of the Minahasa Regional Area proposed community aspirations for the establishment of the South Minahasa Area, Tomohon City, and North Minahasa District; supported by the North Sulawesi provincial government. The establishment of South Minahasa District and Tomohon City were determined by the central government by the enactment of Law No. 10 in 2003 and the establishment of North Minahasa District under Law No. 33 of 2003. Tomohon City is one of the regions from North Sulawesi, it can be reached by land transport from the capital of North Sulawesi province, Manado, at a distance of +25 km. If from Sam Ratulangi International Airport +34 km. The location of the Tomohon City area surrounded by the Minahasa Government Area; specifically, to the north, it is bordered by the minor districts of Pineleng and Tombulu (Minahasa district. It

borders Sonder and Remboken sub-districts (Minahasa district) to the south, Tombariri district (Minahasa district) to the west and Tondano district (Minahasa district) to the east.) and Airmadidi Division (Northern Minahasa Government), while the districts/cities adjacent to Tomohon City are South Minahasa District (west), Manado City (north), Minahasa District (east) and Southeast Minahasa District (south). Tomohon city is located in the mountains with coordinates 1°15' north latitude and 124°50' east longitude, covers an area of 147.21 km<sup>2</sup> and is located at an altitude of about 900-1100 meters above sea level. There are three mountains: Mount Lokon (1,579.6 m), Mount Tampusu (1,474 m) and Mount Mahawu (1,331 m). Several rivers such as the Ranowangko River, Sapa River, Sinambey River and 32 streams are scattered. In addition, there are two lakes, Linow lake and Pangolom bian lake. According to data from Tomohon City Central Bureau of Statistics in 2021, Tomohon city's population in 2020 is 100,587 people, population density is 683 people/km.

## 4.2. RESULT AND DISCUSSION

Based on the output coefficients, the t-count value is 1,751 t-table 1.656 and the significance value is 0.082 0.05 and =0.088 is positive, meaning that financial literacy has a positive effect. This means that if someone has better financial knowledge, they will have good behavioral intentions and vice versa. This study is consistent with research conducted by Brian P. Kennedy which found that financial literacy does not predict intention to use credit cards. However, a positive correlation was found between attitudes towards credit cards and the amount of credit card debt. Based on the t-test results, the t-count value is 4.215 t-table 0.1656 and the significance value is 0.000 0.05 and = 0.330 is positive, which means that financial literacy has a positive effect. and significantly to financial management. That is, the higher the financial knowledge and ability to perform financial aspects, one of which is the basic financial knowledge including income, expenses, assets, liabilities and risks. Financial behavior and effective financial management will be wiser. On the contrary, it can be said that the lower a person's basic financial literacy level, the worse and less effective financial management behavior will be.

Based on the research findings, investment companies or financial planning organizations should take advantage of the development of technology to convey information related to financial knowledge or personal financial planning to be accepted by the community, people can easily grasp financial information easily so that they can manage their finances properly, appropriately. consistent with good financial management.

Based on the results of the research that has been done, there are several limitations to the study, most notably that the independent variables studied were limited to financial knowledge only. Future researchers should use other variables such as income, hours worked, position or level of study.

## 5. CONCLUSIONS AND RECOMMENDATIONS

### 5.1. CONCLUSION

Based on the results of the data analysis and discussion described in the previous chapter on the influence of financial literacy and financial attitudes on public financial management behavior, it can be concluded that. Based on the results of the t-test, it can be concluded that. financial literacy has a significant and positive impact on people's financial management behavior, so with high financial literacy, one can practice financial and management savvy behavior Financially efficient.

## 5.2. RECOMMENDATIONS

There are several suggestions that need to be considered in this research, including the following:

- 1) This research is expected to be used as a material for public consideration in financial management. It is hoped that if people have high financial literacy, good financial attitudes, and good intentions, they will create wise and effective financial management behavior.
- 2) For further researchers, it is recommended to correct or re-check each questionnaire statement item that reflects each variable so that it is more in line with what will be studied.
- 3) Further research is expected to expand the population and number of samples in the study in order to better understand the financial behavior of the community as a whole.

## CONFLICT OF INTERESTS

None.

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