

## A Novelty Ability Literation Financial Of Community In Pahlawan Village, Tanjung Tiram, Batu Bara District, North Sumatera, Indonesia

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**Abstract:** Financial literacy for the community aims to avoid financial problems, especially in allocating financial funds. Financial literacy itself has been intensively socialized by banks in urban and regional areas. The purpose of this study was to determine and analyze the factors that influence the financial literacy skills of the Pahlawan Village community in Tanjung Tiram District, Batu Bara Regency, orth Sumatra Province. Factors that influence financial literacy skills consist of age, gender, consumption level, income level, and learning level. The type of data in this study is primary data using a questionnaire on 100 community respondents in Heroes Village. The data analysis technique used is descriptive statistical analysis and binary logistic regression analysis. The results showed that the ability of public financial literacy in Pahlawan Village, Tanjung Tiram District, Batu Bara District was nevertheless relatively low. Age, gender, level of consumption, and level of income have positive and significant effects while the level of education has a positive and insignificant effect on people's financial literacy strengths. Adult people, female sex, high family economy, and education level above compulsory education tend to have better financial literacy.

**Keywords:** Age, Gender, Consumption Level, Income Level, Education Level, Financial Literacy Ability.

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### I. Introduction

Financial literacy is related to the welfare of an individual. Financial knowledge and skills in managing private finance are very important in everyday life (Margaretha and Prambudhi, 2015). Krishna, Rofaida, and Sari (2010) explain that financial literacy helps individuals to avoid financial problems. Financial difficulties not only arise due to low income, but also due to errors in financial management for consumption, misuse of credit, and the absence of financial planning such as savings and investment. With the existence of financial education and financial literacy will help individuals in managing personal financial planning, so that individuals can maximize the time value of money and the benefits obtained by these individuals will be even greater which will ultimately improve their standard of living.

Pahlawan Village is one of the villages in Tanjung Tiram District, Batu Bara Regency. Pahlawan Village is a village located on the seafront coastal area with 90% of its people working as fishermen and fish and shrimp fish farmers. The people's livelihood in Desa Pahlawan as a fish and shrimp farmer also has a factor with the area of the village itself. Many vacant lots are utilized by local people to open fish and shrimp ponds and some people work as fishermen as well as using additional sources of income (Rangkuti, 2017).

The population into Pahlawan Village in 2016 was 5,567 people with details of 1,452 households, 2,649 men and 2,918 women, of which more than 50% belonged to poor families. Tanjung Tiram Subdistrict is the Subdistrict with the highest number of prosperous families from other Sub-Districts in Batu Bara Regency. The low level of welfare is mainly due to the low level of income (Novalina, 2017). The dominant income per month for the people of Desa Pahlawan is 250,000 to 1,500,000 rupiah which can be obtained from working as fishermen

**Tables 1.** Characteristics of Respondents by Income Per Month in the Village of Heroes

Type of Salary	Salary Per Months (Rp)	Total (orang)	Persentase (%)
Income from working as a fisherman	≤ 250.000	5	5
	250.001 – 1.500.000	55	55
	1.500.001 – 2.750.000	25	25
	2.750.001 – 4.000.000	10	10
	4.000.001 – 5.250.000	4	4

	5.250.001 – 6.500.000	1	1
<b>Total</b>		100	100

In terms of the level of education in Pahawan Village, Tanjung Tiram Subdistrict, most of them were elementary school graduates and none of them graduated from undergraduate degrees. This also makes one of the factors low in the level of expertise that has an impact on the low level of income of the community due to the low level of education. Becker (1993) in Juwita and Lestari (2013) states that education is a process of investment activity that increases expertise (investment in human capital).

**Tables 2.** Characteristics of Respondents by Education Level in the Village of Heroes

Education	Value/ (orang)	Persentase (%)
SD ( Primary School )	45	45
SMP (Junior High School)	29	29
SMA (Senior High School)	22	22
D1 – D3 ( Diploma)	4	4
S1 ( Bachelor Degree )	-	-
<b>Total</b>	100	100

Based on the data above, it can be seen that the income and education level in Pahlawan Village, Tanjung Tiram District, Batu Bara District is still low, so that family welfare is also low. This research was conducted to look at the factors that influence the ability of public financial literacy in Desa Pahlawan, given that financial literacy has grown in recent years, and has received more attention. Knowledge about financial literacy should be owned by every community, so that it will become a life skill that every individual needs to have in living a long-term life.

## II. Literature Review

### 1. Financial Literacy

The Financial Services Authority in SNLKI Revisit (2017) states that financial literacy is knowledge, skills, and beliefs that influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity. The implementation of education in order to improve public finance is very necessary because based on a survey conducted by the Financial Services Authority (OJK) in 2013, the level of financial literacy of the Indonesian population was divided into four parts, namely:

1. Well literate (21.84%), which has knowledge and beliefs about financial service institutions, including features, benefits and risks, rights and obligations related to financial products and services, and has the skills to use financial products and services.
2. Sufficient literate (75.69%), 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 (2.06%), only has knowledge of financial services institutions, financial products and services.
4. Not literate (0.41%), lacks knowledge and confidence in financial service institutions, and does not have the skills to use financial products and services.

Financial literacy has long-term goals for all segments of society, namely: Increasing one's literacy which previously was less literate or not literate to be well literate, and increasing the number of users of financial products an services.

### 2. Household Expenditures and Consumption

There are two ways to use income. First, spend it on consumer goods. Second, not spending it as saved. Consumption expenditure is carried out to maintain living standards. At low income levels, consumption expenditure is generally spent on basic needs to meet physical needs. Food consumption is the most important factor because food is the main type of goods to maintain survival. However, there are various kinds of consumer goods (including clothing, housing, fuel, etc.) which can be considered as the need to run a household. Its diversity depends on the level of household income. Different income levels result in different levels of consumption ([www.bps.go.id](http://www.bps.go.id)).

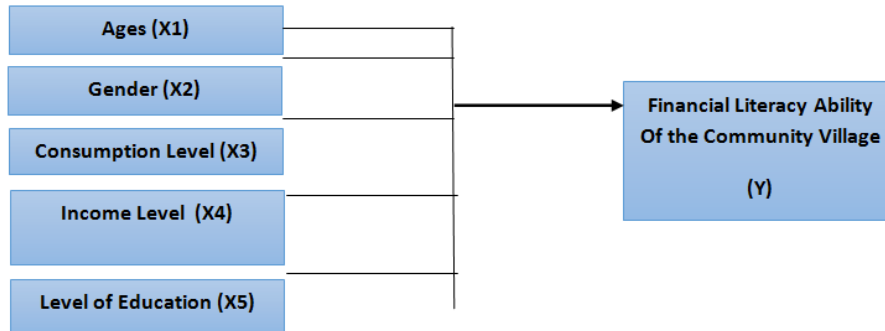
### 3. Education.

According to the Republic of Indonesia Law Number 20 of 2003 concerning the National Education System, education is a conscious and planned effort to create a learning atmosphere and learning process so that students actively develop their potential to have religious spiritual strength, self-control, personality, intelligence, morals noble, and the skills needed by him, society, nation and country. The measurement of the level of formal education is classified into 4 (four), namely:

1. Higher education level, that is, at a minimum, has undergone higher education.
2. Higher education level, namely high school education or equivalent
3. Medium level of education, namely junior high school education or equivalent.
4. Low education level, namely elementary education or equivalent

### III. Method Of Research

The material in this study uses quantitative material. The quantitative material in this study is related to data on the independent variables of age (X1), gender (X2), consumption level (X3), income level (X4), and education level (X5), and the dependent variable is public financial literacy ability ( Y) in the Heroes' Village. The conceptual framework in this study is described as follows:



**Figures 3.** Research Concept of Binary Logistic Regression Analysis Method

The analytical method used is descriptive statistical analysis and binary logistic regression analysis. The binary logistic regression analysis model is as follows:

$$\text{Log} \left( \frac{P}{1 - P} \right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Information : Log (P / 1-P) = Financial literacy ability, 1 if financial literacy skills are in the high category, and 0 if financial literacy is in the low category

$\beta_0$  = Constants

$\beta_1, \beta_2, \beta_3, \beta_4$  = Regression coefficient

X1 = Age, 1 if age 25 - 45 years (adulthood), and 0 if age  $\geq$  46 years (old age)

X2 = Gender, 1 if male respondent, and 0 if female respondent

X3 = Consumption rate, 1 if  $>$  IDR 1,500,000, and 0 if  $\leq$  IDR 1,500,000

X4 = Income level, 1 if  $>$  IDR 1,500,000 and 0 if  $\leq$  IDR 1,500,000

X5 = Education level, 1 if education level is above compulsory education, and 0 if education level is compulsory education The variable indicators are as follows:

**Table 3.** Indikator Variabel

Variables		Indicators	
1.	1. Ages	a.	25 – 45 years
		b.	$\geq$ 46 years
2.	2. Gender	a.	A Man
		b.	A Woman
3.	3. Consumption level	a.	$\leq$ Rp 1.500.000,-
		b.	$>$ Rp 1.500.000,-
4.	4. Income level	a.	$\leq$ Rp 1.500.000,-
		b.	$>$ Rp 1.500.000,-
5.	5. Education Level	a.	Primary School – Junior High School
		b.	SMA – Perguruan Tinggi
6.	6. Financial Literacy Ability	a.	Down
		b.	High

#### IV. Result

A number of samples in this study were 100 people of Pahlawan Village, Tanjung Tiram Subdistrict who were grouped into two categories based on their level of financial literacy, namely those with high levels of financial literacy and those who had low levels of financial literacy. Distribution of respondents based on financial literacy levels is shown in tables 4

**Tables 4.** Distribution of Respondents in the Pahlawan Village

		Financial Literacy High Financial	Financial Literacy low Financial	Total	amount (%)
<b>Ages</b>	25 – 45 years	25	30	55	55
	≥ 46 years	1	44	45	45
		26	74	100	100
<b>Genders</b>	A Man	5	5	10	10
	A Woman	21	69	90	90
		26	74	100	100
<b>Consumption level</b>	≤ Rp 1.500.000,-	11	54	65	65
	> Rp 1.500.000,-	15	20	35	35
		26	74	100	100
<b>Income level</b>	≤ Rp 1.500.000,-	11	54	65	65
	> Rp 1.500.000,-	15	20	35	35
		26	74	100	100
<b>Level of education</b>	SD – SMP	10	60	70	70
	SMA – PT	16	14	30	30
		26	74	100	100

From the table above, it can be seen that respondents who obtained high financial literacy skills were 26 people or 26% of the total respondents, while those who obtained low financial literacy skills were 74 people or 74% of the total respondents. Respondents aged 20-45 years who have high and low financial literacy skills each number 25 and 30 people, while respondents aged ≥ 46 years who have high and low financial literacy skills each number 1 and 44 people. Male respondents who have high and low financial literacy skills are 5 people each, while female respondents who have high and low financial literacy skills are 21 and 69 respectively.

The number of respondents whose consumption level is ≤ Rp. 1,500,000 with high financial literacy skills of 7 people, while those who have low financial literacy skills are 31 people. Respondents with a consumption level of > Rp 1,500,000 with high financial literacy skills of 19 people, while those with low financial literacy skills were 31 people. Likewise, respondents in the income level category are also the same as consumption level categories.

The number of respondents whose level of education is elementary - junior high school (compulsory education) with high financial literacy skills of 10 people, while those who have low financial literacy skills are 60 people. Respondents with high school level education (above compulsory education) with high financial literacy skills were 16 people, while those with low financial literacy skills were 14 people.

#### V. Conclusion

Based on the results of research and discussion, the conclusions in this study are as follows:

1. There is a positive and significant influence between ages on people's financial literacy skills in Pahlawan Village, Tanjung Tiram District.
2. There is a positive and significant influence between the sexes on people's financial literacy skills in Pahlawan Village, Tanjung Tiram District.
3. There is a positive and significant influence between the level of consumption on the financial literacy skills of the people in Pahlawan Village, Tanjung Tiram District.
4. There is a positive and significant influence between the level of income on the community's financial literacy skills in Pahlawan Village, Tanjung Tiram District
5. There is a positive and insignificant influence between the level of education on the financial literacy skills of the community in Pahlawan Village, Tanjung Tiram District.

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