
EMPOWERING THE 'MINISTER OF FINANCE': AN EFFORT TO IMPROVE THE FINANCIAL LITERACY OF HOUSEWIVES

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Abstract

Financial literacy is an important part of financial sector consumer protection. With financial literacy, the community will be able to choose financial products and services that are appropriate to their needs and have the ability to do better financial planning. Data shows that housewives have low financial literacy and, hence, are vulnerable to fraud and scams. Fraud and suspicious fundraising activities are still prevalent in many cities all over Indonesia, including Medan. Training of financial literacy and the legal protection in investment for housewives were designed and implemented to help overcome this issue. The training took place in Medan Selayang and Medan Maimun Districts and aimed to improve housewives' financial literacy, including on how to manage household money properly and safely so as not to get trapped in bad investment, as well as to educate them about the legal measures that can be taken if they become victims of fraud. The training was conducted using lecture method followed by discussion and consultation. The participants were provided pocket books that were designed to be easily read and understood. Questionnaires were also prepared to measure the knowledge of the participants before and after training. The result of the test shows that the participants' financial literacy improved after the training.

Keywords : financial literacy, consumer's protection, investment, housewife.

1. INTRODUCTION

Financial literacy is the combination of consumers or investors understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities to make informed choices, to know where to go for help and to

take other effective actions to improve their financial well being.¹ People with low level of financial literacy tend to be easily deceived in using their money, such as getting trapped in various forms of fraud and scams. Conversely, people who have a high level of financial literacy are able to choose and utilize financial products and services, have the ability to do better financial planning, have appropriate

financial goals and able to manage their overall finances better.²

Consumer protection in the financial sector is provided in two ways, through regulation and education. Regulation extends to the regulation of the market, including the activities of financial institutions in selling financial products and services to consumers. Financial education is crucial to help consumers understand risks and rewards, as well as their rights and obligations in utilizing financial products and services. Education plays an important role in improving one's financial literacy and increasing the number of users of financial products and services.³

Financial education, both formal and informal, plays an important role in providing financial literacy. While formal understanding of financial literacy can be achieved through seminary or through education channels, parents in a family environment also have a crucial role in determining financial literacy.⁴

In 2013, the Indonesian Financial Service Authority ("OJK") stated that the finances of 50% of Indonesian households are managed by the wives. Most of them become "ministers of finance" in their families. The decision to use money such as gold, savings, or paying an insurance policy in a family is determined by the wife. A housewife dominates the decision making on money rather than the husband who is generally and culturally perceived as the head of the family who provides a living for the entire family.⁵

In financial planning, a housewife should be able to allocate income into financial products offered in financial services with investment objectives that will be beneficial in the future. Housewives needs to identify what

the family's basic expenses are, the sources of family income and the excess of money each month for investment.⁶ An investment plan is also important to provide both husband and wife financial security when they enter their retirement age.⁷

However, research states that men have higher financial literacy than women.⁸ This is in line with the the result of a survey conducted by OJK in Indonesia concluding that only 2.18 percent of housewives are financially literate and only 3.37% use financial products and services.⁹ Another research confirms this findings, adding that women in the workforce can be categorized as having a higher level of financial literacy than housewives.¹⁰

The above condition indicates that housewives are very susceptible to becoming victims of fraud and illegal investment which is detrimental and complicates the achievement of family welfare and financial freedom. This can be seen from rampant cases where housewives became victims of financial fraud and scams in the last 5 (five) years as published in various media reports.

Investment frauds or fraudulent fundraising activities in communities that are risky and harmful (such as a chain gathering, multi-level marketing business, affiliate marketing, etc.) are still prevalent, including in the city of Medan. *Satgas Waspada Investasi* (the Investment Alert Task Force) found that in 2017 there were at least 62 companies in Medan collecting public funds without permission from the authorities.¹¹

In 2017, women and housewives became the target of education in the implementation framework of Indonesian National Financial Literacy Strategy (SNLKI).¹² Stay-at-home housewives become OJK's priority target in financial literacy improvement.¹³ By equipping them with financial literacy, housewives are expected to

be able to estimate what percentage of the income allocated to consumption, savings, and investment.¹⁴

To help overcome the issue stated above, training of financial literacy and the legal protection in investment for housewives was designed and implemented. This activity aims to improve the financial literacy of housewives to understand how to manage and invest household money properly and safely to prevent falling victim of fraud and scams, as well as to educate them about the legal measures that can be taken if they become victims of fraud. In addition, the housewives are expected to be able to forward this knowledge to family members and the surrounding community.

2. METHOD

In each targeted area, the training was conducted in 1 (one) day, divided into 2 (two) sessions. The training was delivered in lecture method followed by discussion and consultation.

2.1. Targeted Areas

The targeted areas for the training were Medan Selayang and Medan Maimun. These two sub-districts in total cover more than 30,000 households.¹⁵

2.2. Partners

The community service team for the training partnered with the Family Welfare Development teams (*Tim Penggerak Pembinaan Kesejahteraan Keluarga* or hereinafter "TP PKK") of both sub-districts.

2.3. Targeted Participants

OJK has established the 3 (three) life phases of an adult:

- a. **Phase 1 ('the Receiving' phase): age 0-25 years**

In this phase, in general, humans receive the economy from their parents in paying for all their living needs, including school fees, clothes and so on.

- b. **Phase 2 (the 'Giving' phase): age 25 - 55 years**

In this phase, humans are generally considered productive and able to earn their own income. In the second half of this phase, they also build their family and are economically responsible for their children.

- c. **Phase 3: age 55 years and over**

In this phase, a person has reached retirement age and no longer receives income from formal employment. In this phase, with smart financial management, they can still live independently, prosperously, and are not dependent on their children and relatives.¹⁶

Making reference to the categorization above, the main target of the training activities are housewives in the second phase. In the second phase of life, a married couple in a household is categorized as productive people who need to manage finances well to support their family and life in the future.

2.4. Training Tools

Every participant was provided a pocket book that was designed to be easily read and understood. The book was prepared based on an informal consultation with OJK's Legal Deputy Commissioner. It also adapted materials from a similar book developed by OJK that is also available for public access.

2.5. Financial Literacy Measurement

To measure the financial literacy improvement, a questionnaire containing 10 (ten) multiple choice questions was prepared and tested on the participants before and after training. The questionnaire included questions that cover knowledge on 4 (four) components: 1) general economic landscape; 2) the concept of money and payment systems; 3) financial planning; and 4) regulation, consumer

protection and authority over financial institutions.

3. RESULT AND DISCUSION

3.1. Targeted Participants Outreach

With the assistance of TP PKK of Medan Selayang and Medan Maimun, the training successfully attracted a total of 102 participants.

Based on the 3 (three) life phases, the participants can be classified into the following classification:

- Phase 1: 8 participants
- Phase 2: 89 participants
- Phase 3: 5 participants

It can be seen that 87,25 percent of the housewives taking part in the training are targeted participants.

3.2. Lecture Sessions

Lecture (Photo 1 & 2) was delivered as the first part of the training activity. The lecture was in 2 (two) sessions and it covered the 4 (four) important aspects of financial literacy: 1) general economic landscape; 2) the concept of money and payment systems; 3) financial planning; and 4) regulation, consumer protection and authority over financial institutions.



Photo 1. Lecture session at Medan Selayang



Photo 2. Lecture session at Medan Maimun

3.3. Discussion and Consultation

Discussion and consultation were important aspects of this community service. In this session, the housewives actively engaged by asking questions and sharing their stories. The session also involved discussion about popular fraud and scam cases, as well as the legal aspects of the cases.

3.4. Participants' Financial Literacy Before Training

The pre-test conducted before training (Photo 5), provided the following findings:

- a. Only 68,62 percent of the participants understand that both husband and wife are responsible for the family's economy.
- b. The participants have fair knowledge of the concept of money and payment system. 46 percent of the participants understand the various function of money and 95 percent know the concept of credit card as part of the payment system.
- c. In the area of financial planning, the participants show a diverse level of knowledge in several aspects. 86,27 percent have the knowledge of the sources of income. However only 35,29 percent know that their monthly credit repayment should not exceed more than

30 percent of their monthly income. Even lower, only 11,76 percent of the total participants know that a family should set an emergency fund at least three times their salary/income. 78,43 percent of the participants know the importance of preparing a retirement fund and 72,54 percent know about the concept of productive debt.

- d. As for the knowledge of consumer protection, regulation and existing financial authority, 84,31 percent of the total participants know that they should only seek loans from authorized banks and leasing companies. However, only 18,62 percent knows that OJK is the regulatory and supervisory authority in the financial industry.



Photo 3. Discussion session at Medan Selayang



Photo 4. Discussion session at Medan Maimun



Photo 5. Participants at Medan Selayang working on questionnaire



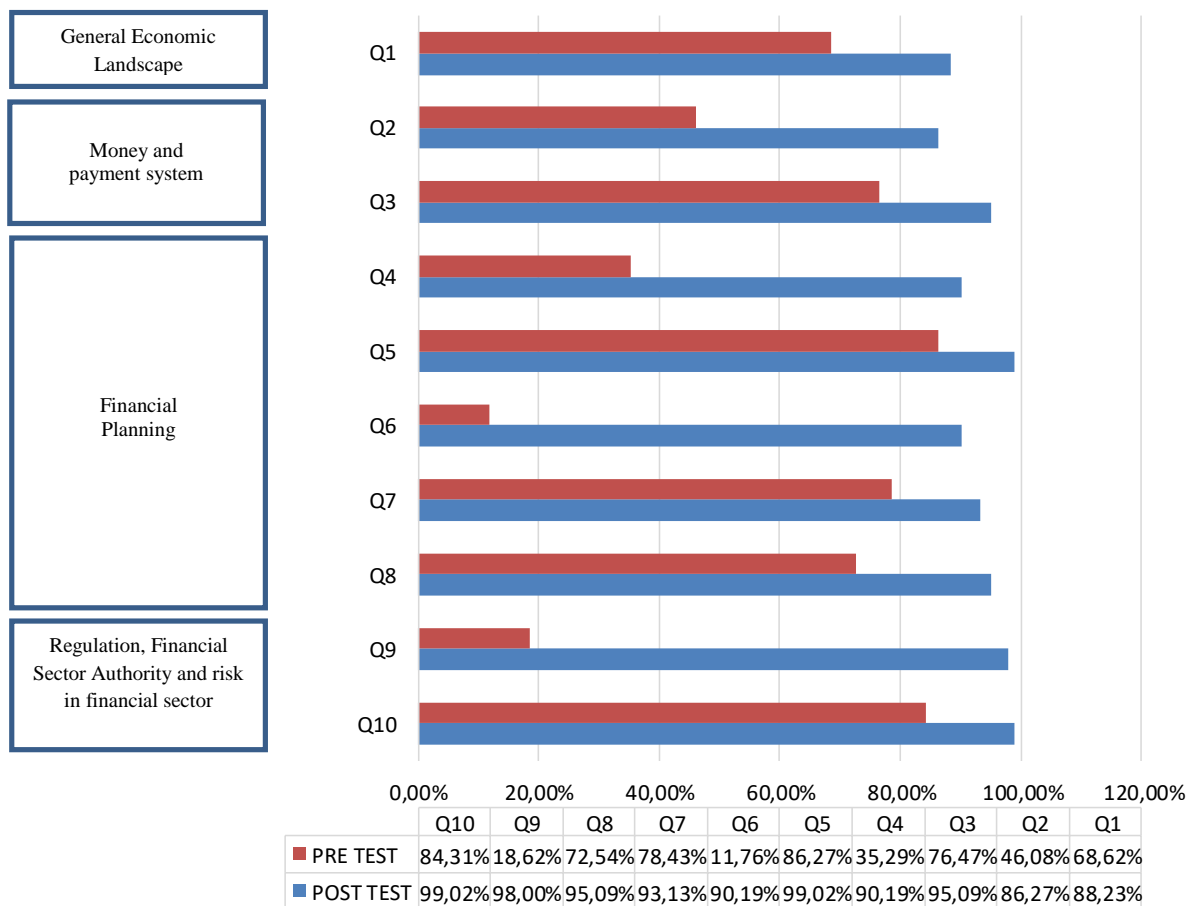
Photo 6. Participants at Medan Maimun reading through the pocket book

3.5 Improvement in Financial Literacy

The result of the post-test shows that the participants' overall financial literacy improved after the training. The biggest improvement is in the aspect of financial planning and the knowledge of regulation, consumer protection and financial industry authority (see the chart below).

4. CONCLUSION

The training of financial literacy and the legal protection in investment for housewives in Medan Selayang and Medan Maimun sub-districts were held successfully. The training managed to improve the financial literacy of 102 housewives that took part as participants.



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