FINANCIAL LITERACY IN PREPARATION TO GLOBALIZATION

Ratna P Ruring, S.Pd.
Universitas Negeri Malang

Abstract

Globalization is an economic topics that are hot at the moment. Need the good preparation so that a country can survive in competition the world today. People's behavior is a reflection of the readiness of accountries. This article discusses how action should be taken people not tocget carried away by globalization. Financial literacy good people help in taking decision based on rationality. Further financial literacy closely related to a person's decision to manage finances, consumption, make loans, savings, and risk mitigation.

Keywords: Globalization, Financial Literac*y*

INTRODUCTION

As part of the world community, Indonesia can not be separated from globalization, is global network that unites people together who eventually formed the dependence between countries and the unity of the world, it causes more the least control over restrictions on a State. In economic globalization to encourage the expansion of markets for producers and increase the prosperity of a country.

This year Indonesia has begun to enter the ASEAN free market, it could be laboratory and the means preparing to enter the free market world. Globalization encourages the development of the industry, the manufacturers vying to improve production by presenting various new products increasingly innovative and diverse. Plus all the conveniences offered by today's technology consumers do not even need hassles transaction. The number of options and convenience is what drives the higher interest of the buying public. If no control is not impossibleThis behavior will evolve into a pattern of consumer behavior.

The growth in the industry will be moving towards positive if balanced with attitude wise of consumers. But the reality in developing countries, industrial progress rapid rise to various problems are quite complex due to unpreparedness of the community itself. High levels of consumerism which is marked by the increasing number of shopping center, luxury residences, a love of foreign brands, industry fast food, etc. This causes people begin to rely on all facilities supplied and demanded everything fast and instant. A shift in public taste against foreign brands because perstise will affect the local industry. This gives foreign companies to further develop their products in Indonesia. If not seriously dealt with this issue could end with the demise of local industry.

Lina and Rosyid (2007) states that consumer behavior is a behavior purchase is no longer based on rational considerations, melaikan mindless existence the desire to reach the level of irrational longer. This looks conspicuous consumptive culture the poverty rate in Indonesia is still high reinforce the inequality social community. In detail BPS recorded during the period September 2013 to March 2014 the number of poor in urban areas around 10.51 million people. While poor people in rural areas decreased by approximately 17.77 million people.

To avoid the adverse effects of globalization everyone should have the skills in the act of taking the economy. Ability is still considered lacking in Indonesian society. Improve () community is one alternative that can be done in an effort to improve skills in the economic act. itself is knowledge management which is based on financial considerations to take economic decisions rational in everyday life. in Indonesia can be said is still relatively low. Consumer behavior is one indication of the lack of in the community. Other Indications seen from a lack of public awareness to have a safety or protection services insurance. In developed countries people aware akam importance of having protection for things unpredictable future. Daily *Kompas* (03/05/2013) report of the total population Indonesia amounted to 240 million people, only about 43.7 million people, or only about 18 percent of the total population of Indonesia who have life insurance protection. And of 43.7 million people these, only about 11 million people, or just 4.5 percent of the total population that has individual life insurance. In this case the need for government intervention in the form of education to increase public knowledge about good financial management. Lusardi and Mitchell (2011) found that in many rapidly developing parts of the world such as America, Germany, Italy, Sweden, the Netherlands, Japan and New Zealand. Result This is reinforced by research Ruring (2014) about the existence of a positive relationship between and the habit of saving someone.

Saving decision that a person is not a natural talent that formed since born. This is an economic behavior that is based on good financial knowledge. Domestic savings, is a term used to refer to government savings and society as a whole, which is one source of sufficient capital promising.

To be able to enter the free market in the globalization of Indonesia needs to prepare many aspects in order to survive in the competition world. Industry should be supported sufficient capital, good management, adequate infrastructure, human resources competent and so on. However, the main obstacle is seingkali resources inadequate capital. Kekuragan capital is often covered with a foreign debt or attract as many foreign investors. By maximizing savings Domestically, the government will have sufficient capital to fund various activities in country without the help of a third party. Especially at this time Indonesia has begun to enter the bonus demographics since 2012 and, where the proportion of childbearing age not more than age productive. In other words, increasing the of the public an opportunity to be able to create capital resources and human resources ready to face global climate increasingly complex.

THEORETICAL FRAMEWORK

Financial Literacy And Globalization

In the economy of a country, savings and investment is an indicator that can determining the rate of economic growth. Economic development. Economic development developing countries including high economic growth, have substantial funds. But on the other hand, the source of funds mobilization efforts in the country to finance the construction of facing obstacles in both capital formation government revenue is derived from exports of goods and services abroad, or government revenue through tax instruments.

Private consumption is one of the macroeconomic variables. In the identity of the national income by expenditure approach is denoted with the letter C. Somebody consumption expenditure is part of the revenue is spent. Section income that is not spent on so-called savings denoted by the letter S. Where consumption expenditures of all people in a country are summed, then the result is a society of consumption expenditures of the State concerned.

On the other hand if the savings all people in a country are summed, then the result is saving society of that State. Furthermore, public savings together with saving the government establish a national savings. The last of these, national savings a source of investment funds. The consumption is directly proportional to one's income. In macro aggregates, private consumption is proportional to the national income. The greater it is the income, the greater the consumption expenditure. Savings behavior, too,so that if revenues grow, both consumption and saving will be equally increases. Comparison of the amount of additional expenditure on additional consumption called the marginal revenue desire to consume *(the marginal propensity to consume,* MPC). While the ratio of the amount of additional savings to income marginal named desire to save *(the marginal propensity to save*, MPS). In the life of society relative economy has not been established, usually MPC their relatively large numbers, while numbers

MPS they are relatively small. That is, if they earn additional income, then most of the additional revenue will be allocated to consumption. The opposite applies to communities that their economic life has been relatively more established.

The purchasing power of a person depends on two basic elements, namely disposable income and the price of goods is required or desired. If the amount of revenue that can be spent by someone changed the quantity of goods demanded will also change. Similarly, the price of the desired items are also changing. Mathematically influence changes in prices and incomes together on the quantity demanded can known simultaneously.

Indonesian economic crisis that hit Indonesia in mid-1997 then into a multidimensional crisis affecting the condition of Indonesia in general not only against any economic sector. The rupiah depreciated very sharply, inflation high, decreasing confidence of investors to invest in Indonesia, a few as a result of the economic crisis. Gradually, with several changes of structure political and policy application by governments, the condition of Indonesia show change for the better and stable economic conditions.

In Indonesia to finance national development which include domestic investments, sources of funds can besumber of national savings and foreign loans. However, because of the limited amount of funds and loans obtained from abroad, it is necessary higher national savings as the main source of funds.

Hollis Chenery and several other authors have introduced a 'two-gap ''on economic development. The rationale, 'chasm savings and' abyss exchange ' are two obstacles that separate and stand alone in achieving the target level growth in developing countries. Chenery see foreign aid as a means of to cover both the gap in order to achieve economic growth The targeting. Sumitro (1994) explains that the shortage in the balance between national saving and investment should be closed by the inclusion of outside capital originating of savings by foreign circles.

However, foreign debt brings total direct impact and negative effects against domestic savings. In addition the use of foreign aid is not effective in sustain the development process. It is characterized by the influence of domestic savings to be a substitution on domestic saving itself so that the existence of savings Domestic become ineffective in development financing (Kuncoro, 2000).

Foreign debt seems to still be an integral part of Indonesia's economy for long periods of time. The problems that cause mengelembungnya foreign debt, as the magnitude of the debt agreed current account which continues to be a deficit dankebutuhan large funds to build up debt abroad unavoidable. However, the need for optimism to overcome foreign debt problems and the adverse impact (Purnomo, 2003).

Follow the framework of the model Harrod - Domar, in a closed economy (without the foreign sector) in conditions of full employment, and without mobility of capital, savings becomes very important for economic growth, the mechanism via growth investment. Therefore, the investment can be regarded as a function of savings I = f (S). The higher the level of savings that can be created by the greater ability of the State to invest. Furthermore, increased investment to add more capital and through a multiplier process generates economic growth and increased revenue per capita is higher. With a ratio of S / Y remains unchanged. Increased revenue add the community's ability to save and so on.

In 2007, total domestic savings in Indonesia reached Rp 1084.3 trillion.

This is twenty times more than the savings in 1990 which amounted to Rp 53.8 trillion. The savings come from the government or public / private. Though Thus, the contribution of government savings are relatively small. Of the total savings in 2007, only 8.03 percent (Rp 87.1 trillion) which is a government savings, while the majority Other large (91.97 percent or Rp 997.3 trillion) is a public savings.

But the survey results household balance sheets BI in 2012, only 48% of the total households in Indonesia who had savings in the bank, non-bank financial institutions, and non agencies finance. In other words, there are 52% of households in Indonesia who do not have savings at all. This is in line with World Bank survey in 2010 which states, in Indonesia access to formal financial services are only available to half the population Indonesia. A total of 32% of Indonesia's population does not even have a good savings in formal and informal sectors and into the category of *financially excluded.*

The availability of sufficient domestic savings could be one of the alternatives in address the problem of foreign debt. the potential to increase domestic savings Indonesia still quite high, by maximizing the various aspects related to be able to encourage people are more pro-active in saving. Improving *financial literacy* is one of the aspects that can be maximized.

Currently demographic Indonesia can be said to have entered a state of a demographic bonus, wherein the magnitude of the productive age group are more than the age of the insured group. By maximizing the various aspects of this phenomenon provides various value plus the Indonesia's economic growth. With

the government's *full employment* will obviously increase aggregate national

income. Increased revenue will be followed by a marginal increase national savings if everyone has menanbung consciousness. At this very moment either to increase the knowledge of good financial management.

Concept Financial Literacy

Financial literacy can be defined as financial knowledge with the aim of achieving welfare (Lusardi and Mitchell, 2007). In the Australian Securities & Investments Commission (2011: 229) definition of *financial literacy* is understood internationally *The definition originally develop in the United kingdom and Appearing in the Australian ANZ national surveys of adult financial literacy(ANZ surveys) of 2003, 2005, and 2008, the definition was Also recently-adopted by New Zealand: "The ability to a make informed judgments and to make-affective management decisions regarding the use of money.*

Based on the above understanding is explained that *financial literacy* is the knowledge, understanding and capabilities that are not only financial but also in regulating the a knowledge that helps us to make judgments and decisions economy. Coussens (in Mimbs-Johnson and Lewis, 2009) states that is the culmination of access to finance, education, and understanding, as well as individual interests, attitudes and practices that directly shows the benefits of efficiency and effectiveness individual financial, and indirectly in the end benefit the community at generally.

Orton (in Sina & Nggili, 2007) clarifies by stating that the *financial literacy* becomes integral to people's lives because of *financial literacy* is a useful tool to make informed financial decisions. Yet from the experience of many countries shows that *financial literacy* is still relatively less high. Byrne (in Satrio, 2012) also showed that low financial knowledge will cause the creation of a financial plan that is wrong, and causing bias in prosper when age was no longer productive.

In a study conducted by the *Organisation for Economics Co-operation and Development* stated that the education or financial knowledge is becoming increasingly required such as:

1) People today are faced with increasingly complex financial instruments, with various advantages and disadvantages of each.
2) The presence of the baby boomers (the generation born after World War II in the United States), pensioners, the unemployed and increasing life expectancy.
3) Low levels of community. In the research stated that financial education is not only important for Any individual interests. Financial education not only helps people to use money wisely, but also provide benefits to the economy. If consumers have financial education is good then

they would be able to use the money in accordance with what they need, it will encourage manufacturers to make products or services which is more in line with needs.

Components *Financial literacy*

The level of person'sFinancial literacy holds great influence to achieve financial independence. A person's level of *financial literacy* can be seen from the extent to which the individual's ability to utilize financial resources, dependents, determine the expenditures, manage risk souls and their assets, and prepare security financial resources in the future when they retire / saving.

a. Financial resources

Each individual work to be able to meet their needs. The work is divided into two, namely fixed-income jobs (civil servants and private) and work profession, such as painters, lawyers, football players, and artist. Both types of work are distinguished based on the stability of income and employment period. Fixed income jobs on generally have relatively high earnings stability with a period of relative labor Sure. While work profession generally less stable earnings with term relatively short working time.

The difference meciptakan differences in the management and use of revenue obtained between permanent workers and professionals. The use of general revenues allocated to three components: consumption, savings and investment (Masassya, 2006, in Satrio, 2012). Ideal revenue allocation on these three components is 60%: 30%: 10%. This proportion is ideal when applied to workers with a fixed income. In the professional workers the formula is changed to 30%: 10%: 60%. The formula is based on the difference the argument that professional workers have an income that is not bound by the period of employment shorter, but at the peak of his career in general revenue could be very high.

Allocation of income used for consumption should ideally be done in a rational way. Before deciding to make purchases of goods and services, someone needs collecting information such as quality, price, usage (benefit), warranty and payment method. The longer the period of consumption, the more expensive, then the more information that must be owned by the consumer. For example, the purchase plan the home course will have the intensity of extracting information more than with the purchase of clothing.

While Jappelli (2010) states that is important to make decisions about how to invest the right, how much to borrow right in money market, and how to understand the consequences on the overall stability of the economy. *Financial literacy* is important because the increasing complexity of today's financial products. For example, selection and savings bonds mixed with a variety of different contracts can make someone fooled. Low *financial literacy* impact on diversification bad product so as to bring a result in the acquisition of investment return is not profitable. Previous research by Christelis, et.al. (2010) found that a person's cognitive abilities influence on investment decisions that are taken, with the word Another *financial literacy* give someone a good consideration before taking a decision.

b. Debt

Errors manage debt impact on the excess debt that revenue will be drained used to pay the debt. Also, can lead to loss of confidence related to the ability to manage money. For that in an effort to improve excessive debt inability to understand the need to start from ourselves so that they can take proactive steps fix it now and in the future (Brown and Taylor, 2005). Lusardi and Tufano (2008) asserts that experienced excess household debt due to low so that just repeat mistakes from time and time. Other than previous reviews, Karvof (2010) confirms that the household's ability to process low debt due to low ability to make appropriate financial plan. Low ability to plan due to lack of . In the sense that households need to increase economic understanding in order to make precision analysis to process the debt. These capabilities can be initiated from having a principle to pay yourself first.

c. Expenditure

When deciding to meet spending needs or someone will be guided on its income. A person's income may not only derived from one kind of work, but also other sources of income. Source additional income could be an alternative revenue if a problem occurs when the main source of income. Source spending comes not only from revenues alone. For spending which requires a relatively large data, such as home, spending using revenue could risk disrupting the fulfillment of other needs. To overcome expenditures relatively large, the source of debt financing could be considered. Based funds, debt or loan can be grouped into three, namely: (1) credit is not expensive, usually can be obtained from parents or family members. (2) intermediate valuable credits, usually can be obtained from commercial banks and credit unions. And (3) the credit is expensive,usually obtained from a finance company or bank through the credit card. The amount of the loan installment to be adjusted by the amount of income obtained each month. Experts suggest that the proportion of expenditure for installments The maximum credit amounting to 20% of net income after taxes each month (Kapoor et al., 2001: 176).

Shefrin (2007) states that household expenditure and income as if always chase chase to win each race, and can allegedly often the winner is spending so true if the statement that household behavior towards money is more important than how much money owned. However, many households are not yet aware of the importance of management finance, by reason of a small amount of income that is too small to be managed, while the big earners also feel I have a lot of money so it does not require financial management again. Guhardja as quoted Surachman, et al. (2010) strengthens that the ownership of money in a family resources will be relatively limited, depending the number and quality of people who participated in the search of income, while desires and needs of each family and the members are relatively limited. Even the desire and the need for goods or services from each family and its members from time to time always changing and are likely to multiply. The fulfillment of the wishes and needs of each family and its members are basically a part of every family.

d. Protection

Life in the future can not be predicted with certainty. Various possibilities it could happen, both good and undesirable, such as natural disasters or accidents. For that preparations for possible bad that might happen. Risks soul occurs when the breadwinner in the family died or suffered disability permanent so it can not work, before people could dependents independent life.

Hartono (2012) explains that self-protection is part of the financial objectives primer as it aims to protect yourself and family from the possibilities The worst that can happen to yourself and your family from misfortune such as illness, accident, or even death. The principle of insurance protection that is simple to move risks that may happen to the insurance company. To that end, required pay a premium to get the insurance money is determined by insurance company. Risks associated with the value of assets occurs if there is a possibility that the assets are owned by a person or family experiencing loss, fire, damage, and so on, which led to losses for the owner in the future next (Warsono, 2010).

To manage the risk of life and personal assets or family can do with non-insurance techniques and insurance. Non-insurance techniques in general done independently by individuals and members of the family style without involving a third party. While risk management souls using do with transferring insurance risk covered individual to another party (the insurer).

e. Savings

Retirement is a time when a person is no longer working formally, or occupation which has been the main source of income. For some people, retirement is when that is not fun. This is because the loss of the main bustle and busyness, facilities, reverence, reduced income, and so on. But for some Another retirement party is an exciting moment because it can maximize time with families, contributing to society and run a hobby that during work can not be done. One of the key contributing factor to happiness when retirement is financial resources. In retirement planning are four steps that need to be decided (Kapoor, et al., 2001), namely:

(1) To analyze the assets and liabilities owned.
(2) To estimate expenditures needs and adjust for inflation (To be harmonized with the availability of financial resources).
(3) Evaluate the planned retirement income.
(4) Increase income by working part-time to still be able to interact with other people.

But not everyone is able to plan retirement savings well, Results research

Lusardi and Mitchell (2007) that the pension savings not be optimal because have low . This not only has implications for savings low but also the welfare of the low. Low welfare will have implications in most of the family activities that worsen the like circle endless poverty. Other research results that Yunus, et al. (2010) that literacy economy positively associated with intention to save because individuals or families want to try to save due to the lack of financial knowledge. Lack of knowledge worsen the situation if not promptly corrected through efforts continuous to improve *financial literacy.*

CONCLUSION

Globalization brings a lot of positive and negative impacts for each country. Impact The negatives can be minimized with the readiness of the community itself. Increase *financial literacy* community is one form of such efforts. With *financial* Good *literacy* community will be able to consider any economic action taken. *Financial literacy* itself includes five essential components of an act of economic, i.e financial resources, debt, spending, and savings protection.

Reference

Chistelis, Dimitris. 2010. *Cognitive Abilities and Portfolio Choice.* Www.ideas.repec.org (accessed on May 19, 2015)

Jappelli, Tullio, 2010. *The Consumption Response to Income Change*. http://www.nber.org/ (Accessed on May 19, 2015)

Johnson, Mimbs Cheryl A. & Angela Radford Lewis. 2009. *Importance of Financial Literacy.* (Online), (www.natefacs.org, accessed on December 17, 2013).

Kapoor, JR, LR Dlabay, and RJ Hughes. 2001. *Personal Finance-Sixth Edition.* Singapore: McGraw Hill Book.

Kuncoro, Mudrajad. 2000. *Development Economics, Theory, Issues and Policy.* Yogyakarta: UPP AMP YKPN.

Lusardi, Annamaria. 2007. *Household Saving Behavior: The Role of FinanciaL Literacy, Information, and Financial Education*

Programs. (Online), (www.nber.org, accessible at December 14, 2013).
Lusardi, Annamaria and Peter Tufano. 2008. *Debt Literacy, Financial Experiences and Overindebtedness.* Www.ideas.repec.org (accessed on May 19, 2015)

Satrio, Yogi Dwi. *2012. Analysis of Financial Literacy Faculty of Economics, University Malang.* Unpublished thesis. Malang: Graduate Program UM.

Shefrin, Hersh. 2007. *Behavioral Corporate Finance, Decisions that Create Value.* New York: McGraw-Hill / Irwin.

Sina, Peter Garlans and Ricky Arnold Nggili. 2009. *Are You Sure Have Literacy*

The High Finance. (Online), (www.journal.uny.ac.id , accessed on 12 December 2013).

Sumitro, Djojohadikusumo. 2002. *Economic (Third World Development Theory, Poverty).* Jakarta: Library LP3ES.