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Financial Plan for Students who Dare to Dream

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ABSTRACT

This article discusses the importance of financial planning for university students in Indonesia who face financial challenges in pursuing their education and dreams. With low levels of financial literacy, college students need to understand personal financial management, including budgeting, saving, and finding additional sources of income. The research shows that financial education in higher education is critical to improving students' understanding of financial management and investment, which are key elements in achieving financial independence. In addition, the research also examines the financial planning challenges faced by students and workers, as well as the role of gender in investment. The findings show that university students have an initial awareness of financial planning, but are often hampered by limited resources. Meanwhile, workers, while more knowledgeable about investments, also struggle to set aside funds due to the high cost of living. Students' self-control is better than workers, who experience more pressure. Gender-based investment findings show that men tend to be more risk-taking, while women are more conservative. Motivation and financial literacy are key factors in effective financial planning. This article emphasizes the importance of better financial education to improve financial literacy among college students, so that they can manage their finances wisely and achieve their financial goals.

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INTRODUCTION

In the course of their education, students are often faced with various financial challenges that can hinder their dreams. Tuition fees, daily needs, and extracurricular activities are often a heavy burden. However, underneath it all, every student has the potential to achieve their dreams. With proper financial planning, they can overcome these obstacles and turn their dreams into reality.

A good financial plan is not just about calculating income and expenses, but also involves understanding short-term and long-term goals. Students who dare to dream need to have a clear strategy for managing their resources. This includes planning a budget, saving money, and looking for additional income opportunities. With the right approach, they can create a strong foundation for a brighter future.

In this fast-paced era, the ability to plan your finances is an essential skill. Students who are able to manage their finances wisely will not only be better prepared for the world of work, but will also be more confident in pursuing their ambitions. This article will inspire students to keep dreaming and take steps towards financial success.

Personal financial management (financial planning and control) is one form of application of financial management. Financial management is not only important for companies but knowledge of financial management is also important to apply to the scope of each individual's family.

Lack of knowledge about financial planning is a serious problem for Indonesians. This conclusion was drawn from a survey on the level of financial literacy organized by VISA in early 2012. Indonesia with a score of 27.7 ranked 27th out of 28 countries studied, just above Pakistan. This indicates a weak understanding of financial management. In fact, most Indonesians do not implement a family budget. Indonesia is at the bottom of the rankings with the majority of its citizens not having at least three months' worth of reserve funds for emergencies.

Financial education is still a big challenge in Indonesia. Financial education is a long process that encourages individuals to have a financial plan in the future in order to gain prosperity according to the pattern and lifestyle they live. Meanwhile, in Indonesia itself, personal finance education is still rarely found, both in elementary schools and universities. Research conducted by Cole, Sampson, and Zia (2009) found low levels of financial literacy in families in India and Indonesia. Developed countries such as the United States, Canada, Japan and Australia include countries that provide financial education to their people, especially students, with the hope that people's financial literacy will increase. Education plays a very important role in the formation of financial literacy, both informal education in the family environment and formal education in the university environment. In the family environment, the level of financial literacy is determined by the role of parents in providing support in the form of financial education in the family. Differences in parents' socio-economic status bring big differences in parenting. Children are conditioned by subculture and socioeconomic class positions which in turn affect their conditions and behavior. Learning in higher education plays an important role in the process of forming students' financial literacy. Effective and efficient learning will help students have the ability to understand, assess, and act on their financial interests.

Financial literacy is a basic need for everyone to avoid financial problems. Financial distress is not only a function of income alone (low income), financial distress can also arise if there is mismanagement such as misuse of credit, and lack of financial planning. Having financial literacy is vital for a prosperous life. With proper financial management that is certainly supported by good financial literacy, the standard of living is expected to increase, this applies to every level of income, because no matter how high a person's income level is, without proper management, financial security will definitely be difficult to achieve.

In the process towards financial freedom, students often face various problems that hinder them, ranging from limited understanding of finance to limited availability of money due to sources of income that come from parents and the absence of other sources of income such as employment.

The problem formulation of the research is how students who have big dreams can organize an effective and efficient financial plan towards financial freedom. The purpose of this research is to find out the effective and efficient ways used in managing their finances.

RESEARCH METHOD

The research method in this article is a qualitative method with literature review or library research. The purpose of this article is to analyze existing theories by looking at their comparison to previous theories in the research literature. The literature used is sourced from the google scholar electronic machine. The reason for conducting qualitative research research is that the research has an exploratory nature.

RESULTS

The Problem of Financial Literacy in Indonesia

Lack of financial literacy is one of the major challenges in Indonesia. Based on a VISA survey in 2012, Indonesia ranked 27th out of 28 countries studied in terms of understanding financial management. Most Indonesians are not in the habit of budgeting and have minimal emergency funds. This shows the importance of financial education to improve financial literacy, especially for the younger generation.

In developed countries such as the United States, Canada and Japan, financial education has been widely implemented. In the context of higher education in Indonesia, financial literacy is still a challenge. Universities need to play a role in educating students to understand and manage their finances well.

Financial Literacy: A Pillar to Prosperity

Financial literacy involves understanding, assessing and making decisions related to personal finance. This article emphasizes that financial literacy is not only necessary to overcome income limitations, but also to avoid financial mismanagement issues. Credit mismanagement and the absence of financial planning can negatively impact an individual's financial stability.

For university students, financial literacy can be a tool to achieve financial independence. While they often face income limitations depending on their parents, financial planning skills can open up opportunities to manage resources more effectively.

Research by Andreas Rudiwantoro on "The Millennial Generation's Essential Steps to Financial Freedom Through Investment" This research emphasizes that investment is an important element in financial planning to protect assets from inflation and achieve long-term goals. Tandelilin (2010) defines investment as a commitment of resources for future gain. The author also distinguishes between real investment (physical assets such as property) and financial investment (stocks and mutual funds). In the context of the millennial generation, financial investment is the choice due to easy access and smaller capital.

Characteristics and Challenges of the Millennial Generation

Millennials have a good knowledge of financial products, but their direct involvement in investment is still low. Fear of fraudulent investments and preference for conventional savings are the main barriers. In addition, this generation often makes mistakes in financial management, such as not having a clear financial plan and being trapped in a consumptive lifestyle.

Investment Instruments Reviewed

Mutual funds: Referred to as a solution for individuals with small capital and minimal investment knowledge. Mutual funds are managed by investment managers and come in several types such as money market, fixed income, mixed and equity funds. These instruments provide flexibility in risk and potential returns.

Stocks: The importance of choosing "blue chip" stocks for long-term investment is emphasized. The author supports the "Yuk Nabung Saham" program to increase public participation in the capital market.

Research conducted by Inanda Shinta Anugrahani, Novi Trisnawati and Ali Faiq Pradana on "Achieving Family Financial Freedom Through Financial Planning Strategies and Entrepreneurial Insights".

Financial Planning

Family financial planning is the ability to organize income, expenses, assets, and liabilities in a structured manner. According to Wulandari (2020), financial planning helps determine the main needs and expenses. The SMART concept (Specific, Measurable, Achievable, Relevant, Time-bound) is the basis for determining effective financial goals. In addition, families are encouraged to understand the difference between needs and wants so that they can prioritize their finances appropriately.

Entrepreneurial Insights

Entrepreneurship is identified as an effective tool to achieve financial freedom. Entrepreneurship allows families to create additional liquid income and has positive impacts such as the creation of new jobs, the reduction of economic disparities, and the improvement of people's living standards. Presenters in this program emphasized the importance of starting a business that matches local interests and potential, and provided examples of successful businesses such as craft products and home-based businesses.

Financial Knowledge Enhancement: Participants are trained to create a simple balance sheet, analyze cash flow, and differentiate between needs and wants.

Entrepreneurship Development: Participants were given insights on business administration, licensing, and product development based on local potential. Some home-based businesses, such as herbal preparations, received further guidance in terms of marketing and legality.

Research conducted by M. Chiquitha Okta Vania Santak, Wukuf Dilvan Rafa, and Syarbini Ikhsan on "The Role of Financial Planning in Achieving Financial Freedom". Financial planning is a systematic process to achieve life goals through planned financial management. In Indonesia, awareness of the importance of financial planning is increasing, but practice is still minimal. The GoBear Financial Health Index (2021) survey shows that many Indonesians only started financial planning at the age of 41, even though financial freedom should ideally be planned early. Financial freedom is the ability to manage finances without complete dependence on regular income, providing flexibility to fulfill life's needs without the burden of debt.

Concept of Financial Freedom

Financial freedom involves taking full control of one's finances, which includes managing needs, wants, savings and investments. The author highlights the importance of allocation methods such as the 50-30-20 rule, which divides income into needs (50%), wants (30%), and savings/investments (20%). However, achieving financial freedom requires discipline, careful planning, and good self-control.

Financial Planning:

Students tend to have an initial awareness of financial planning but it is limited to meeting basic needs. For example, some informants pointed out that while planning helps, limited financial resources prevent them from achieving financial freedom.

Workers have a better understanding of investment and insurance but still struggle to set aside funds due to limited salary and high daily expenses.

Self-Control and Financial Attitudes:

Students show relatively high self-control, such as prioritizing needs over wants and limiting impulsive spending. Workers show restraint in spending, but their self-control is lower. They have difficulty managing their finances due to the pressure of high living costs.

Barriers to Financial Planning:

Limited financial resources. Impulsive behavior and lack of discipline in following a financial plan. Research conducted by Alva Putri Yevitayani, Alzaiwa Afriandra, Pamungkas Amelia Rosa, Audrey Christabella Kurniawan, Ferio, Yunita Wanasiri, Aprihatiningrum Hidayati with the title "Exploration of Gender Roles in Mutual Fund Investment Selection to Achieve Time and Financial Freedom". This article identifies ten key themes related to gendered investment:

1. Definition of Investment: Men's perceptions are more focused on short-term financial gains, while women see investing as achieving long-term financial security.
2. Investment Type: Men are more risk-taking with stocks, while women prefer stable, low-risk mutual funds.
3. Investment Experience: Male respondents have a tendency to flaunt investment returns, while females are more cautious and prioritize education before investing.
4. Gender factor: Gender influences risk perception and investment instrument preference, but most respondents agree that investment decisions are more influenced by individual experience.
5. Cultural Heritage: The family environment has a huge influence on investment decisions, especially for women.
6. Investment Feelings: Men tend to be risk-optimistic, while women are more anxious about potential losses.
7. Investment Apps: Apps like Seedlings were the top choice of respondents, reflecting a preference for easy-to-use platforms.
8. Financial Management: Women are more focused on managing their finances for the long term, while men tend to focus on quick returns.
9. Future Goals: Men's goals are often financial outcome-oriented, while women prioritize family stability.
10. Financial and Time Freedom: Men tend to focus on time freedom through early retirement, while women view financial freedom as long-term security.

This finding is in line with Bannier & Neubert's (2016) research which found that women are more conservative in investment. However, there is an anomaly with the findings of Simanjuntak et al. (2022), which states that women are more willing to take risks under certain conditions. This article also supports the concept that culture and financial education play an important role in shaping investment preferences.

The results can assist the mutual fund industry in designing products that are more inclusive and responsive to gender needs. Financial education tailored to gender differences is also recommended to increase financial literacy and investment participation.

Research conducted by Magda Endrica Raharjo (2023), Bambang Hadi Santoso and Budhi Satrio on "The Effect of Motivation, Financial Literacy, and Demographics on Financial Planning to Achieve Financial Freedom".

Financial Freedom

Financial freedom is defined as a condition where individuals no longer feel pressured by financial problems. According to previous research, financial freedom can be achieved through good financial planning, which includes effectively managing income, expenses, and investments (Mason & Wilson, 2018).

Motivation and Financial Literacy

Motivation and financial literacy are two key factors that influence financial planning. Motivation, in this context, refers to an individual's internal drive to achieve financial goals. Research by Lusardi and Mitchell (2014) shows that highly motivated individuals tend to be more active in planning their finances.

Financial literacy, on the other hand, encompasses the knowledge and skills required to make informed financial decisions. According to research by Atkinson and Messy (2012), high financial literacy is positively associated with individuals' ability to plan and manage their finances.

Financial Planning

Financial planning serves as a mediator between motivation, financial literacy and financial freedom. This study shows that good financial planning can increase an individual's chances of achieving financial freedom. This is in line with the findings by Joo and Grable (2004) who state that effective financial planning can reduce financial stress and improve individual well-being.

Demographics

Demographic factors, such as age, income and family size, can also influence financial planning and financial freedom. However, this study found that demographic factors have no significant influence on financial planning or financial freedom. This may suggest that motivation and financial literacy play a greater role in determining financial planning success than demographic factors.

Overall, this study emphasizes the importance of motivation and financial literacy in effective financial planning and achieving financial freedom. By improving these two factors, individuals can better plan their finances and achieve their desired financial goals.

CONCLUSIONS

Students often face financial challenges that can hinder their dreams, such as tuition fees, daily needs, and extracurricular activities. To overcome these obstacles, students need to have a well-thought-out financial plan that involves budgeting, saving, and finding additional income opportunities. Effective financial planning is not only important for achieving short-term goals, but also for realizing long-term goals.

Education on personal financial management, both in the family and in college, is essential to establish good financial literacy. However, the level of financial literacy in Indonesia is still low, as seen from surveys that rank Indonesia low in global financial literacy. More extensive and structured financial education can help improve people's understanding, especially among university students, so that they can manage their finances wisely and prepare for a better future.

As part of the effort to overcome financial challenges, this study aims to find out effective and efficient ways for college students to develop a financial plan to achieve their financial freedom. In this case, students who have big dreams need to have a clear strategy to manage their finances, in order to face various financial obstacles and achieve their desired financial goals.

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