Family Financial Planning: Financial Technology and Financial Literacy

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Abstract

Family financial planning is crucial in achieving a prosperous family. Financial technology (fintech) and financial literacy are supportive factors in creating effective family financial planning. This research aims to examine family financial planning, focusing on the influence of financial technology and financial literacy. The research method used is library research with a qualitative approach, drawing information from various publications, journals, books, and articles related to the role of financial technology in family financial planning, digital payment tools in facilitating family financial management, the impact of financial literacy on family financial planning, and strategies for improving financial literacy within the family. Finances play a significant role in individuals' and households' lives. Proper financial management can enhance the well-being of individuals and families. The development of financial technology affects user behavior and provides various financial applications and services. In this digital era, family financial literacy is essential for making wise financial decisions regarding the use of fintech. Strategies for improving financial literacy include wise spending of income and leveraging financial institutions.

Keywords: *family financial planning, financial technology, financial literacy*

INTRODUCTION

A fact is that every organized aspect of life will always require management skills to achieve common goals. In a family organization, managerial abilities are needed to address the challenges faced (Puspita et al., 2021). In today's modern life, family financial planning has become increasingly important and complex. With economic challenges and changes in the financial world, having a good understanding of financial technology and financial literacy is key to achieving financial stability and success.

In the evolving digital era, financial technology, commonly known as fintech, has become an essential component of daily life. Fintech refers to the use of technology in providing financial products and services, including digital payments, online lending, investments, financial planning, and more. Fintech has transformed the way we access, manage, and use our money.

In family financial planning, fintech provides various tools and platforms to help families manage their finances more efficiently. According to Hazmi in Kusdiana & Safrizal, (2022), family financial planning is a systematic, detailed, and planned process of assessing and analyzing the needs and goals of individuals in the short, medium, and long term. Implementing family financial planning also strengthens family resilience (Iswari, 2022).

Although financial technology offers many benefits, it is important for every family member to have good financial literacy. Financial literacy refers to understanding basic financial concepts such as budget management, investment, savings, and debt management. Financial literacy in managing family finances is crucial in daily life. Financial difficulties are not only a function of low income but can also arise from mismanagement of finances (Yushita, 2017). With good financial literacy, families can make smart financial decisions, protect themselves from financial fraud, and build healthy financial habits.

The aim of this research is to explain the importance of fintech and financial literacy in family financial planning. It will discuss various aspects of financial technology that can assist families in financial management, as well as strategies to improve financial literacy so that families can achieve their financial goals more effectively.

METHOD

The research design used in this study is a library research method with a qualitative approach related to financial technology and financial literacy in family financial planning using Google Scholar. By using this qualitative approach, it is expected to provide comprehensive facts about financial technology and financial literacy (Moto, 2019). Library research is a study that involves collecting information and data using various sources such as books, journals, articles, and others (Mirzaqon & Purwoko, 2018). Library research also means data collection technique by examining books, literature, notes, and reports related to the researched problem (Cahyono, 2020). The data sources used in this study include books, journals, articles, and similar materials obtained through Google Scholar using keywords such as family financial planning, financial technology, and financial literacy.

RESULTS AND DISCUSSION

The Role of Financial Technology in Family Financial Planning

Finance is the science and art of managing money, which affects the lives of individuals and organizations, including households. Financial management within a household is an important aspect that supports the well-being of individuals within it. A homemaker plays a significant role in managing the income of a family. Income needs to be managed to meet both current and long-term needs. In a household, there are many needs that must be fulfilled and they tend to increase each year, ranging from daily necessities to unforeseen needs such as education, healthcare, desires, and more. Money is indeed essential, and income and expenses must be managed well to meet daily needs (Delsi et al., 2022). Therefore, the importance of financial planning is crucial to ensure effective financial management.

Family financial planning is a skill that involves planning and organizing family finances, making the amount of needs and expenses clearer. With good family financial planning, it enables children to receive a good education, ensures healthcare, and provides other supportive facilities and infrastructure. Family financial planning can be categorized into short-term, medium-term, and long-term financial planning (Wulandari & Utami, 2020).

The rapidly evolving technology has brought new innovations to the financial sector, known as Financial Technology (fintech). Technology has advanced in financial services, and the current development of financial technology has introduced numerous innovative financial service applications, such as payment tools, loan tools, and others that have emerged in the digital era. Bank Indonesia defines Fintech as a financial technology system that produces products, services, technologies, and businesses, and can influence monetary and financial stability (Mustikasari & Noviardy, 2020).

Fintech is a financial management tool that can impact an individual's personal finance and potentially influence user behavior. The success of an individual in managing their finances can be observed through their financial management behavior. It is important for individuals to have an understanding of financial management behavior, including their abilities in planning, budgeting, monitoring, managing, controlling, disbursing, and saving related to finances (Azzahraa & Kartini, 2022). Research by Becker, (2017) indicates that fintech can enhance household savings, which is part of financial management behavior.

Digital Payment: Facilitating Family Financial Management

Digital payment is one of the new innovations in financial technology that provides new services to the public regarding convenient and efficient non-cash payment transactions that can be done solely through mobile phones without time and location restrictions. Digital payment is commonly known as a digital wallet or mobile money.

According to Rizkiyah et al., (2021), the dimensions of Digital Payment are as follows:

a. Efficiency: Refers to the user's convenience in using the payment method.
b. Service quality: The quality of service in this model refers to the overall support quality when using electronic payment systems.
c. Perceived ease of payment: Refers to the ease of understanding and executing the payment system.
d. Perceived speed: The speed dimension in this model refers to the exchange of payment information that should lead to actual usage and ultimately user satisfaction with the system.
e. Perceived enjoyment: The enjoyment of using electronic payment systems is believed to significantly affect user satisfaction.
f. Security: The security dimension in this model is related to the provision of secure access to all available applications and facilities.

g. Actual use: Usage refers to the amount of time users spend using the technology.
h. Perceived benefit: It assesses the benefits of electronic payment systems to customers, including the use of resources (source) and the time required for accepting payments using electronic payment systems.

The financial management behavior of Indonesian society initially prioritized manual payment transactions in various activities. However, with the development of time, there has been a shift from manual to digital payment management. This also applies to family financial management, where digital payment methods facilitate family financial management. Supported by Safitri, (2023), the benefits of fintech payment services have a positive and significant impact on financial management behavior. The higher the benefits provided by fintech payment services, the greater the influence on an individual's financial management behavior.

The Influence of Financial Literacy on Family Financial Planning

Financial literacy is defined as the knowledge to manage and make financial decisions. It is also defined as the intelligence or ability of an individual to manage their finances (Eriyanti, 2021).

Research studies, such as the one by Ratnawati et al. (2012), have explored the relationship between financial literacy and financial outcomes. These studies have found that individuals with higher levels of financial literacy tend to have better financial habits, such as budgeting, saving, and investing. They are also more likely to make appropriate financial choices, avoid excessive debt, and plan for long-term financial security.

According to Chen & Volpe in Saraswati & Nugroho, (2021), there are four dimensions of financial literacy, namely:

a. The ability to manage income and expenses and understand basic financial concepts, which means having knowledge about personal finance.
b. Saving money in a bank and being able to withdraw it under certain conditions, which is the definition of savings.
c. An agreement between two parties, namely an insurance company and a policyholder, where the policyholder receives premiums from the insurance company, which is the definition of insurance (Law No. 40 of 2014).
d. To reap future benefits, it is important to have a commitment to the use of money or other resources, which is the definition of investment.

The benefits of having financial literacy are to ensure that individuals have good financial planning and to avoid financial problems. Financial literacy of each individual needs to be improved so that they can make better financial decisions and optimize personal and family finances (Suparti, 2016). This is supported by Bonang's research (2019), which states that financial literacy has an influence on family financial planning.

Financial literacy is indeed a crucial aspect of personal finance management. It involves understanding various financial concepts, such as budgeting, saving, investing, debt management, and risk assessment. However, while Ratnawati et al.'s definition emphasizes knowledge and its practical application, it is important to note that financial literacy goes beyond these two aspects (Ratnawati et. al, 2017).

In addition to knowledge and application, financial literacy also encompasses the development of skills and attitudes necessary for making informed financial decisions. It involves understanding the implications of financial choices, evaluating different options, and making decisions that align with one's financial goals and values.

Financial literacy equips individuals with the tools they need to navigate the complex world of personal finance. It empowers them to make informed choices regarding their income, expenses, investments, and debt management. By improving financial literacy, individuals can enhance their financial well-being and make decisions that contribute to their long-term financial success.

Promoting financial literacy is essential for individuals of all ages and backgrounds. It helps individuals become more self-reliant, reduce financial stress, and improve their overall financial health. Governments, educational institutions, and various organizations often undertake initiatives to improve financial literacy levels, aiming to empower individuals to make sound financial decisions and plan for their future.

Strategies to Improve Financial Literacy within Families

Being wise in spending income is part of the government's program to encourage people to utilize financial institutions, both banks and non-banks, to entrust their financial management. The ability of individuals to spend their income appropriately and proportionally in the right institutions actually plays a role in driving economic development. This reality is one of the strategic programs of the Financial Services Authority that directs individuals to maintain wise financial attitudes and behaviors (Lindiawatie & Shahreza, 2021).

The 2019 National Survey on Financial Literacy and Inclusion (SNLIK) showed a financial literacy index of 38.03% and a financial inclusion index of 76.19%. This indicates that the Indonesian population, in general, does not have a good understanding of the characteristics of various financial products and services offered by formal financial institutions, even though financial literacy is an important skill for empowering communities, individual well-being, consumer protection, and improving financial inclusion (OJK, 2021).

According to Widiawati et al., (2022), one strategy to improve financial literacy is through self-efficacy. Self-efficacy significantly contributes to improving financial literacy. Furthermore, a study conducted by Sari & Pandowo, (2021) found that community service activities focusing on improving financial literacy through family financial management successfully increased financial literacy within families in the village of Wonokromo Pleret Bantul.

CONCLUSION

Based on the research findings, it can be concluded that finance plays a crucial role in the lives of individuals and households. Good financial management within the household can enhance the well-being of individuals and families. The development of financial technology or fintech provides various financial applications and services that can influence user behavior. With fintech, individuals can use digital payment tools, loan facilities, and other financial services that assist them in managing their personal finances.

In this digital era, family financial planning can leverage financial technology to simplify day-to-day financial management. However, it is also important to enhance family financial literacy so that they can make wise financial decisions and understand the implications of using fintech in their financial planning. Financial literacy encompasses knowledge and skills in financial management and decision-making. To improve financial literacy within families, several strategies can be implemented. One of them is being wise in spending income, where government programs encourage people to utilize both banking and non-banking financial institutions for their financial management. The ability of individuals to spend their income appropriately in the right institutions also contributes to driving economic development.

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