Financial Literacy for Early Childhood at Kindergarten

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Abstract.
Financial literacy is essential for children in early life in order to manage money effectively. In this study, the findings about early children financial literacy shifted from not literate to less literate after attending financial classes held by Universitas Muhammadiyah Yogyakarta (UMY). Meanwhile, parents of students report varying levels of literacy, ranging from less to sufficient literacy. This study employed an exploratory qualitative research approach. Researchers evaluated the comprehension and practices of preschool children and their parents in money management before and after receiving financial management training. The results are then analyzed and presented in the research report. The study was carried out in Aisyiyah Patosan Kindergarten, Sedayu, which is located in Magelang, Central Java, Indonesia.
Keywords: *Financial literacy; Early Chidlhood; Financial Management, and Saving Account.*

I. INTRODUCTION

Financial literacy is essential life skills for children. Therefore, lessons on financial literacy are critical for children so that they understand how to manage their money properly and in accordance with their needs. Financial literacy training should begin as early as feasible for children so that they are accustomed to managing their funds well. Financial literacy is still extremely rare in Indonesia, whether at home or school. Further evidence demonstrates that financial literacy instruction is still not being provided in a serious and systematic manner, particularly in schools (Ndeot, 2023).

Financial literacy education for children is a type of activity that goes beyond simply introducing them to money. It is a combination of activities that teaches the notion of money, how to handle money properly, and how to restrict financial expenditure by discriminating between necessities and wants. The teaching of the distinction between necessities and wants to kids will help them develop self-control for money-spending. For critical personal decisions, a kid requires basic information and skills (Chen & Volpe, 1998). Yet, children are rarely taught these fundamental skills by their families or schools.

Early childhood is characterized by the idea that "children see, children do" which means that children do what they observe (Skinner, 1965). Kids will carry the imprints of all that is taught to them until they reach adulthood. Therefore, it is just as crucial to instil financial literacy in kids as it is to educate them to read and write letters and numbers. Because children who are well-literate in financial management will manage money effectively.

Financial ideas like saving money, being conservative, and purchasing necessities rather than wants are all beyond the financial comprehension of young children (Lusardi & Mitchell, 2011). Consequently, the inclination to spend money when one has access to financial resources is known as premature affluence and is frequently seen in the financial behavior of youngsters. Therefore, it's crucial to start teaching kids about financial literacy at a young age. Financial literacy for young children includes the idea of prudent financial management in addition to the introduction of cash, its use, and its quantity. When early childhood educators introduce the idea of money literacy, they must ensure that children have a solid understanding of responsible financial management, which includes the ability to restrict their spending by making a distinction between needs and wants (Rapih, 2016).

Based on the results of the 2022 national survey on financial literacy and inclusion conducted by the Financial Services Authority, the public financial literacy index rose from 38.03% to 49.68% in 2022. This figure shows a literacy index growth of 11.65% for a year (OJK, 2022). This shows that in general the community is well acquainted with financial products in everyday life. However, further research needs to be done regarding the level of community financial literacy specifically in a smaller environment such as a school environment in rural areas, and specifically at the age of the community. However, compared to the national average, sharia financial literacy is significantly lower. According to the results of the Financial Services Authority's 2022 nationwide survey on financial literacy and inclusion, the public sharia financial literacy index is approximately 9.14%. Therefore, people understanding of Islamic finance remains limited. But instead, because the bulk of its people are Muslims, Indonesia presents enormous opportunities in the realm of Islamic banking. However, only a few people have a thorough understanding of Islamic financial instruments (OJK, n.d.).

The growth of Islamic financial literacy remains suboptimal, both within families, educational institutions, and communities. Efforts to give Islamic financial literacy instruction need to be more serious and well-planned. Consequently, children should be taught Islamic financial literacy, starting in preschool. One of the most crucial life skills is the capacity to organize and manage one's resources so that one can make sound judgments in life. One of the most crucial resources to have is financial management skills. Therefore, developing financial literacy abilities from a young age is essential; these skills are not just necessary for adults (H & Rukiyati, 2023). The starting point toward fostering financial literacy in young children is to introduce them to the notion of money through early childhood education (ECE) curriculum activities. Children can discover and learn more about the use of money through a more realistic presentation. Teachers and parents can incorporate financial concepts and money management skills into their regular social contacts with adults, as well as include activities that allow students to build financial abilities during the educational process. Thus, it is clear that these financial experiences and skills are directly tied to daily living. Financial literacy in early childhood tries to include financial knowledge, attitudes, and behaviors into play activities.

One of the targets of Sharia Financial Literacy is Aisyah Bustanul Athfal Kindergarten. The application of Islamic learning and habituation is a core teaching and learning activity. Unfortunately, Islamic financial literacy learning is not yet part of the curriculum. TK ABA Patosan is one of the kindergartens in Patosan hamlet, Muntilan but has 43 students from various hamlets. The economic situation of student guardians who have various characters with professions as farmers, traders, housewives. This diversity is the right target for Sharia Financial Literacy so that the financial sustainability of households, and schools becomes neatly organized. If student guardians, teachers already have good Islamic financial literacy, then they can become role models for early childhood in learning Islamic financial literacy and Islamic financial inclusion. Based on the Community Service Program, actual actions will be taken to provide a solution, for instance, Sharia Financial Literacy for Early Childhood. It is hoped that this initiative will result in an increase in Sharia financial literacy and inclusion. The purpose of this study is to measure the level of financial literacy in the community, namely among early childhood students and their parents at Aisyiyah Patosan Kindergarten in Magelang, Indonesia.

1I. LITERATURE REVIEW

Financial literacy is the ability to manage finances when making financial decisions, according to Chen and Volpe (1998). A person who lacks financial literacy is more likely to struggle with debt, be more involved with higher credit expenses, and be less inclined to make long-term plans (Lusuardi et al., 2010). To prevent financial difficulties, financial literacy is a fundamental requirement for all people. Financial distress can also result from mistakes made in managing their money or from mismanagement in finance (Muizzuddin et al., 2017). In addition, research by Garman et al. (1996) found that making poor financial decisions can have an adverse effect on productivity at work in addition to having a negative impact on an individual's personal life.

Despite the fact that financial literacy is a helpful tool for making educated financial decisions, Orton (2007) argues that it has become an indispensable part of daily life. However, experiences in different nations provide very low figures. According to Byrne's (2007) research, insufficient financial understanding can lead to the formulation of unfavorable financial plans and prejudice in the pursuit of success during unproductive times. According to Muizzuddin et al. (2017), two propositions have been proposed to predict the level of financial literacy: self-efficacy theory, which includes the motivational construct (manage finances, use credit cards less, and control debt), and goal-setting theory of motivation, which includes the goal commitment and goal specificity construct (financial planning).

III. METHOD

The research method using exploratory qualitative research approach. The focus of this study is Aisyiyah Patosan Kindergarten, Sedayu, which is located in Magelang, Central Java, Indonesia. Data collecting approaches include observation and interviews. Data sources include both original and secondary data. Primary data obtained through observation and interviews with Aisyiyah Patosan Kindergarten. Secondary data, such as document data or archives, are used to help research. In this study, triangulation techniques were employed to validate the data. According to this viewpoint, analysis consists of three stages: data reduction, data presentation, and generating conclusions.

IV. RESULT AND DISCUSSION

Children are current and future socioeconomic agents, and their actions will have an impact on societal evolution. The financial crisis has underlined the significance of fostering social responsibility and improving financial management skills for all individuals, including youngsters. Important citizenship values and financial management skills learned at a young age can diminish social and economic vulnerability, lowering the probability of debt-induced poverty (UNICEF, 2012). Financial literacy in early life is critical because it tries to assist children in increasing their financial literacy as adults, ensuring that economic well-being continues throughout their lives.

Children can improve their financial literacy by focusing on factors such as sociodemographics, financial socialization agents (family environment, peers, school, and media), and motivation (Mat Nawi et al., 2020). Family is the most important influence on financial literacy in early life. LeBaron et al.,(2020) also noted that family influence is far more powerful than other financial socialization agents. Children with strong financial literacy are likely to help the country's economy in the future.

Developing financial skills for young children should consider the child's developmental traits, family characteristics, and culture; fundamental financial experiences outside of the family; and guaranteeing family engagement in financial literacy instruction. The following methods can be used to promote financial literacy in early childhood:

1. Teach youngsters about the importance of money from a young age.
2. Provide adequate pocket money based on needs.
3. Encourage children to save money by providing a location to put their funds (teachers can also allow children to deposit their piggy banks at school).
4. Invite youngsters to shop so that they may observe how parents or grownups buy
5. The teacher can facilitate children to play socio-drama, playing the roles of sellers and buyers in markets, stalls, and so on. The teacher provides various play activities, such as connecting objects

with pictures of money according to the price of the object and playing exchanging items in the box according to what the child needs using toy money.

6. Invite children to save money at the bank in their own name (establish a savings account), observe the bank's activities firsthand, or role-play the bank's activities.
7. Introduce children to sharing.
8. Use activities to encourage kids to create a shopping list. This can be accomplished by having kids go shopping with their parents as needed.
9. Encouraging kids to start making things at school that they can sell to raise money, like fruit salad and beaded bracelets, to help foster entrepreneurship from a young age.

Aisyah Bustanul Athfal Kindergarten, founded by Aisyah Organization and spreading throughout Indonesia, is one of the ideal target partners. The main curriculum is Islamic education and indoctrination. Nonetheless, there is now a lack of knowledge and instruction on Sharia Financial Literacy. One of these is the kindergarten, TK ABA Aisyah Patosan, Sedayu, Muntilan, which has five teachers and is located on waqf property in the little hamlet of Patosan. Students from the nearby hamlets make up the 43 students in classes A and B. Sharia Financial Literacy must be ingrained in the student's guardian as their economic status differs as well.

It is clear from the observation and analysis of the aforementioned scenario that there is a lack of Islamic financial literacy education for teachers, student guardians, and students; there are no suitable learning resources for early childhood Islamic financial literacy; and there is a lack of familiarity with Islamic financial institutions. The following are the proposed solutions, which are based on observations made by partners:

a. Support and instruction in Sharia Financial Literacy for educators, instructors, and preschoolers.
b. Assembling the appropriate educational resources to teach kindergarteners financial literacy in sharia
c. Overview of Islamic banking establishments

Implementation Method

The strategy or method suggested to address the issues that partners are facing, specifically:

1. Offering instructors and student guardians support and instruction on Sharia Financial Literacy through the use of:
   a. Introducing people of different literacy levels to the Financial Services Authority's Sharia Financial Literacy and Inclusion Program.
   b. Financial planning support for families and schools related to Sharia
   c. Helping kids participate in financial decision-making
2. How to get learning materials for Islamic financial literacy for kids:
   a. Purchasing educational materials for kids, such books with eye-catching covers and illustrations that promote sound money management practices.
   b. Presenting some components of the Islamic financial literacy curriculum to the pupils, such as savings habituation material through the use of piggy banks or other savings techniques; presenting information on the distinctions between wants and requirements while making financial decisions; through the introduction of Mutual Sharing Material, the zakat infaq sedekah material
3. How to present Islamic financial institutions via their websites and videos

Result

Financial literacy tests were administered to both children and parents. This was conducted to see how changes in behavior and habits affected children and parents before and after training. The objective is that both children and parents will be able to follow the program effectively. Thus, knowledge and comprehension of financial products in general, as well as Islamic financial products, will improve. Therefore, the degree of financial literacy in general, as well as sharia, can be increased to *sufficient literate*.

Based on the results, the level of financial literacy of children before the training was at the *not literate* level, and changed to *less literate* at the basic level. Children know the function of money to buy goods, but have not been able to distinguish needs and wants. Then children also know that another function of money is to save. However, they have not been able to save regularly, because they are still unable to distinguish between wants and needs. Thus, after participating in financial literacy training, children understand that the function of money is not only for shopping but also for saving. Furthermore, children need to be trained to resist desires in order to save regularly.

Meanwhile, the level of financial literacy in parents was initially at the *less literate* level, and changed to *sufficient literate* after the training. Parents are educated about financial institutions, products and services, without knowing what benefits, risks or features can be obtained from existing financial products or services. Parents' knowledge only includes basic product information that is common for beginners. Then after the training, parents have knowledge about financial institutions and products and services, including the benefits, risks and features that can be obtained, but do not yet have the skills on how to use or buy financial products and services.

V. CONCLUSION

This study set out to measure the level of financial literacy in the community, namely among early childhood students and their parents at Aisyiyah Patosan Kindergarten in Magelang, Indonesia. The results showed that early children financial literacy shifted from not literate to less literate after attending financial classes held by Universitas Muhammadiyah Yogyakarta (UMY).

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