

Improving the Quality of Life for the Elderly Group through Basic Financial Literacy Education Program

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Volume

4

Issue

2

Edition

November

Page

417-424

Year

2023

Article History

Submission: 29-08-2022

Review: 01-03-2023

Accepted: 09-10-2023

Keyword

Financial Literacy;

Elderly;

Sandwich Generation;

How to cite

Sulistyowati, C., Aryani, M. G. A., Qalby, Z. H. (2023). Improving the Quality of Life for the Elderly Group through Basic Financial Literacy Education Program. *Jurnal Pengabdian Masyarakat*, 4(2), 417-424.
<https://doi.org/10.32815/jpm.v4i2.1247>

Abstract

Purpose: This research paper explores the significance of enhancing financial literacy among the elderly. It focuses on a community program in Gundih Village, Surabaya, conducted in August 2022, aiming to improve the elderly's quality of life through primary financial education.

Method: The study employed a comprehensive approach, including workshops and assessments to teach critical financial concepts. Data was collected through surveys, interviews, and observations analyzed quantitatively and qualitatively to gauge the program's impact.

Practical Applications: The study's findings have practical implications. By equipping the elderly with financial knowledge, particularly in retirement planning, savings, and loans, the program empowers them to make informed financial decisions, reducing potential burdens on their families.

Conclusion: This research underscores the importance of financial literacy for the elderly. The program in Gundih Village serves as a successful model, demonstrating that improving financial knowledge enhances the elderly's financial independence, benefiting both them and their families.



Introduction

Surabaya City is the capital of East Java province, covering an area of approximately ±326.81 square kilometres, with a population of 2,970,843 people in 2021, totalling around 10 million residents. The city is divided into 31 districts and 163 sub-districts (kelurahan). One of the districts in Surabaya is Bubutan, which comprises five sub-districts: Jeparu, Tembok Dukuh, Alun-Alun Contong, Bubutan, and Gundih (Pemkot Surabaya, 2023).

According to data from the Central Statistics Agency (BPS) of East Java, the percentage of elderly individuals in Surabaya has been steadily increasing. In 2018, the elderly population constituted 8.53% of the total population, rising to 8.84% in 2019. This trend continued in 2020, reaching 9.19% of Surabaya's total population, which is approximately 253,751 elderly individuals. The increasing number of older people is an indicator of the success of healthcare development, as it aligns with rising life expectancy. The 2020 population census revealed that the elderly population in East Java had reached 13.10%, indicating a relatively ageing demographic (BPS Jatim, 2023).

The growing elderly population brings both potential and challenges to the development of East Java. This demographic shift has complex consequences, as the socio-economic characteristics of the elderly differ from those of the younger population (Marcheline et al., 2023). Therefore, policymakers need to pay special attention to addressing the unique needs of the elderly population and ensure that development initiatives benefit them as much as possible (Astuti et al., 2022).

Financial issues are not limited to young people; even the elderly (lansia) may struggle to maintain long-term financial stability (Kbilitsetskhlashvili & Chezha, 2020). Unlike working individuals who still receive income from salaries or other sources, retired or non-working elderly individuals typically rely on pension funds or support from their children (Romaniuk et al., 2023). However, some may need to improve in managing these finances. Elderly individuals recognize the importance of understanding financial concepts to make informed decisions, but various challenges arise due to the ageing population, affecting every aspect of life (Kiaei et al., 2022).

To address this situation, a comprehensive program for elderly development is needed in Indonesia. The increasing life expectancy has led to a growing elderly population, presenting new challenges. Unfortunately, the elderly often receive insufficient attention, hindering their ability to achieve a healthy, prosperous, and productive elderly life. To improve the welfare and quality of life of the elderly population, it is essential to provide them with financial literacy, one of the ways to enhance their quality of life. Wise financial management can make the elderly self-sufficient and not burden the sandwich generation. The term "sandwich generation" refers to a generation squeezed between providing for their children or partner and supporting their elderly parents. By promoting financial freedom, negative stereotypes associated with the elderly can be dispelled (Fadzil et al., 2021; Greeson et al., 2022).

The implementation of financial education to improve the financial literacy of the community is of paramount importance. A 2013 survey conducted by OJK (Indonesia's Financial Services Authority) revealed that the financial literacy level of the Indonesian population can be categorized into four groups (Rizkan et al., 2022).

Firstly, the "Well literate" group, comprising 21.84% of the population, demonstrates a strong understanding and confidence in financial institutions and their products. They possess knowledge about features, benefits, risks, rights, obligations, and the skills to effectively use financial products and services. Secondly, the "Sufficient literate" group, which represents 75.69% of the population, possesses a good level of knowledge and confidence in financial institutions, products, and services. They understand the features, benefits, risks, rights, and obligations associated with financial products and services. Thirdly, the "Less literate" group, making up 2.06% of the population, has limited knowledge about financial institutions, products, and services. Lastly, the "Not literate" group, comprising 0.41% of the population,

lacks any knowledge or confidence in financial institutions, their products, and services, and they do not possess the skills to use them (Nurkholik, 2023; Perdana & Yasa, 2021).

To empower the general public, including the elderly, in making informed decisions about financial products and services that align with their needs, it is crucial for them to gain a clear understanding of the benefits and risks, recognize their rights and obligations, and have confidence in the potential positive impact of these financial choices on their well-being (Voros et al., 2021). Financial literacy offers substantial advantages to the public, including the ability to select and utilize financial products and services effectively, thereby enhancing financial planning capabilities. Additionally, it helps individuals avoid unclear or risky financial investments by fostering an understanding of the benefits and risks associated with financial products and services (Julito et al., 2021). Moreover, financial literacy also holds considerable benefits for the financial services sector, as it fosters a more informed and engaged customer base (Setiawan, 2020). With higher levels of financial literacy among the public, more individuals are likely to utilize financial products and services, contributing to the growth and sustainability of the financial sector (Pebrianti et al., 2023).

The primary objective of community service programs focusing on financial literacy is to enhance the quality of life for the elderly population. These programs aim to introduce fundamental financial concepts, including the definitions of investments, savings, loans, and financial technology, encompassing various e-wallet options available in Indonesia. Specific areas of focus within these programs include promoting the importance of saving, understanding the implications of borrowing, making informed decisions regarding suitable investments, and mastering portfolio management.

This initiative aligns with the broader efforts led by OJK to bolster financial literacy across Indonesia, including among the elderly residing in Gundih Village. This particular community of elderly individuals in Surabaya actively engages in various cheerful activities, such as participating in elderly health clinics and group exercise sessions, highlighting the importance of holistic well-being for the elderly population.

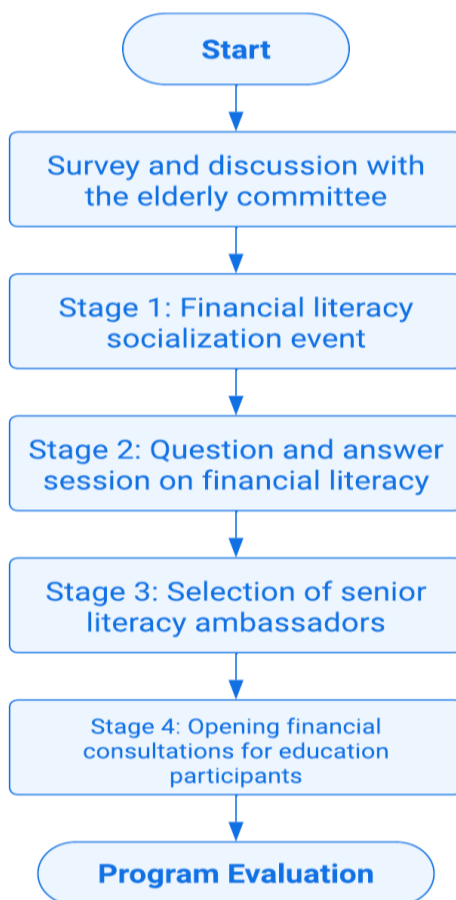
Method

The subject of the community service project is the Elderly Group in Gundih Village, Bubutan District, Surabaya, consisting of approximately 75 individuals. The activity took place on August 14, 2022, on Gundih Street, Alley 5, following a group exercise session for the elderly. The involvement of the accompanying subjects included participating in the financial literacy socialization event. Prior to the socialization event, the community service team conducted a location survey. It held discussions with the elderly group's leader to gain a better understanding of the issues in the Gundih area.

Here is an explanation of the stages in the community service implementation method:

1. The initial stage involves conducting a location survey and discussing with the organizers of the Gundih elderly group to identify the issues faced by the group.
2. The first stage, following the survey and discussion, is to conduct education or socialization about finances, including an introduction to savings in the form of deposits, accounts, and prudent loan and investment management.
3. The second stage is to open a question-and-answer session for education participants to assess their understanding of basic financial concepts.
4. The third stage involves selecting senior financial literacy ambassadors based on their knowledge of finance and experience in financial management so that other seniors can better understand financial matters.
5. The fourth stage is to offer financial consultations for education participants.
6. Program evaluation.

Figure 1. Flowchart of the community service implementation method



Result

This community service activity is expected to be a milestone in improving the financial understanding of the elderly group, thereby eliminating the negative stigma that the elderly are a burden to the sandwich generation. Elderly individuals who are financially literate can guide the sandwich generation in managing their finances, allowing them to achieve financial freedom in their later years. The education program ran smoothly because all participants were cooperative and active. This was further supported by the involvement of the organizers, who encouraged and set positive examples for their members. Below are the results of each stage of the community service activities in Gundih Village.

The first stage was Basic Financial Literacy Education for the Elderly Group. The goal of this education is to provide a basic understanding of finance for the elderly, including:

1. Understanding of investment and how to make wise investment choices.
2. Understanding and types of savings, such as savings accounts, checking accounts, and deposits.
3. Understanding and types of loans, including online loans, leasing, and various lending institutions.
4. Understanding and types of e-wallets in Indonesia, such as Shopee Pay, GoPay, OVO, and others.
5. It was being prudent to manage loan amounts, including the risks associated with the Paylater applications that are currently prevalent in Indonesia.

421) Improving the Quality of Life for the Elderly Group through Basic Financial Literacy Education Program, Sulistyowati, C., Aryani, M. G. A., Qalby, Z. H.

Figure 2. Financial Education for the Elderly Group



The second stage is the Question-and-Answer session. In this stage, the presenter asks questions related to finance. Some of the questions include defining what loan interest means, providing examples of leasing institutions, mentioning e-wallet examples, and discussing fake investments and online loans.

Figure 3. Q&A session



The third stage is the selection of financial literacy ambassadors for the Gundih elderly group. In this stage, the team selects ambassadors based on their participation in answering questions. Mr. Suko was chosen as a financial literacy ambassador due to his knowledge of basic finance, including mentioning leasing institutions, providing examples of e-wallets, and discussing investments.

Figure 4. Financial Literacy Ambassadors Selection



Stages four and five are the final stages involving the evaluation of the results along with the elderly group's organizers.

Figure 5. Program Evaluation



Discussion

The rising elderly population presents both opportunities and challenges for development in East Java. The demographic shift has complex implications, as the socio-economic characteristics of the elderly differ from those of the younger population. Therefore, policymakers must pay special attention to addressing the unique needs of the elderly population and ensure that development initiatives are designed to benefit them effectively.

Financial challenges are not exclusive to the younger generation; even the elderly may encounter difficulties in maintaining long-term financial stability. Unlike working individuals who continue to receive income from salaries or other sources, retired or non-working elderly individuals typically rely on pension funds or support from their children. However, some may need to improve in managing these finances. While elderly individuals recognize the importance of understanding financial concepts to make informed decisions, various challenges arise due to the ageing population, affecting every aspect of life.

To address this situation, a comprehensive elderly development program is needed in Indonesia. The increasing life expectancy has led to a growing elderly population, presenting new challenges. Unfortunately, the elderly often receive insufficient attention, hindering their ability to achieve a healthy, prosperous, and productive elderly life. To improve the welfare and quality of life of the elderly population, it is essential to provide them with financial literacy, one of the ways to enhance their quality of life. Wise financial management can make the elderly self-sufficient and not burden the sandwich generation. The term "sandwich generation" refers to a generation squeezed between providing for their children or partner and supporting their elderly parents. By promoting financial freedom, negative stereotypes associated with the elderly can be dispelled.

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Conclusion

Based on the results and discussions above, several conclusions can be drawn. Firstly, the elderly group still requires guidance when it comes to applying financial products, especially those related to technology, such as e-wallets and Paylater products. Secondly, it is evident that the elderly group already has a basic understanding of fundamental financial concepts, including the importance of managing income, having emergency funds, and handling loans. Lastly, it is crucial to acknowledge the involvement of various stakeholders, including the younger generation (or sandwich generation), elderly associations, local community authorities (RT, RW), and financial institutions, in providing accurate information and explanations regarding financial management. This collective effort is aimed at preventing the elderly from falling victim to investment scams and ensuring their financial well-being.

Acknowledgements

This Community Service activity was funded by the 2022 Budget of the Faculty of Economics, Airlangga University, Surabaya. Various parties who contributed to the success of this event include Mrs Puput, the Head of Gundih Sub-district; Mr. Ali, the Head of Neighborhood Association (RW) 1; Mr. Suko, the Chairman of the Gundih Elderly Community; and Mr. Syukur, the Elderly Community's Senior Member.

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