# Stepping into the Future Wisely: Shaping Savings Behavior In the Young Generation Through Financial Literacy Program

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## Abstract

Saving is a way for individuals to reduce their consumption in order to have more money in the future. A poor attitude towards money management affects a person's ability to save, creates anxiety, and allows wasteful lifestyle habits to continue in everyday life. Encouraging thrifty behavior among teenagers is thought to reduce waste in consumption activities. This research found that sufficient financial knowledge can increase the saving behavior of the younger generation. Therefore, financial literacy programs should be improved and included in the curriculum at all levels of learning, with the aim of strengthening good attitudes in financial management, including saving, investing, understanding financial functions and services, and making wise financial decisions. In addition, schools and families must collaborate in providing practical and applicable financial education, as well as providing simulations or real exercises that can help teenagers understand and apply everyday financial concepts.

**Keywords:** Saving; money management; financial literacy; teenagers; waste; consumption; financial knowledge.

## 1. Introduction

People with limited capacity may be more prone to making poor decisions, especially when it comes to finance. Often the cause is a lack of education or a lack of insight into the finances of the education system (Soroko, 2023). Inadequate financial education in the education system can result in a significant lack of financial understanding (Jana et al., 2019). The lack of public understanding of financial products and services causes individuals to be unprepared for risks such as losses when saving and investing (Wong Chun Tat et al., n.d.).

According to data from the 2022 National Survey of Financial Literacy and Inclusion (SNLIK), which is organized by OJK every three years, the national financial literacy index figure in 2022 reached 49.68%, showing an increase of 9.11% compared to 2019 which reached 38.03%. (Streimikiene et al., n.d.) states that a lack of ability or unwillingness to save can lead to an extravagant lifestyle. A lavish lifestyle is characterized by high consumption, especially during adolescence. At this stage, you are more susceptible to advertisements, discounts and other factors.

Therefore, it is not only due to the influence of advertising, but also due to social pressure from peers who may maintain their prestige by buying branded goods in order to keep up with their friends, so that adolescents are more likely to spend their money.
(Kuster-Boluda & Vila-Lopez, 2023) highlighted that consumptive behavior can make it difficult for adolescents to manage household finances and distinguish between needs and wants.

Saving behavior has significant benefits for both individuals and countries. Savings can help individuals avoid a wasteful lifestyle, provide an opportunity to meet immediate needs when funds are available, and act as a hedge against debt or savings for retirement. (Sandra, 2023) states that saving behavior reflects a person's ability to manage money well. At the country level, saving behavior reduces the debt burden and increases national investment (Owusu et al., 2023).

As shown in various studies, one of the important factors affecting financial behavior is literacy (Yusfiarto et al., 2023). Financial literacy helps people avoid mistakes in financial management and consumer behavior (Suresh G, 2024). Through financial literacy, especially in adolescence, individuals are expected to gain a comprehensive understanding of financial or banking functions and services and improve their financial management skills.

Financial literacy programs are expected to help improve saving habits and make wise financial decisions. Although many adolescents are selfish and tend to force themselves to be equal to people in a more established environment, financial literacy programs are very important to foster Positive financial behavior in the younger generation (Gifford & Nilsson, 2014). This study aims to assess the level of financial literacy and its influence on adolescents' financial behavior.

A deeper understanding of this relationship will hopefully allow us to develop more effective financial literacy programs to improve financial knowledge and behavior in this age group. Consistent with previous studies that show a positive relationship between financial literacy and financial behavior (Masdupi et al., 2019; Aristya et al., 2022), another study (Sari & Listiadi, 2021) shows that financial literacy does not have a significant impact on financial behavior.

This research is expected to contribute to the understanding of the role of financial literacy in improving the financial behavior of the younger generation. Thus, efforts to improve financial literacy can be more targeted and effective, so as to create a younger generation who better understands and manages their finances wisely.

## 2. Literature Review

### 2.1 Theory

Financial literacy is the cornerstone of effective financial management, encompassing the knowledge and skills necessary to make informed decisions regarding personal finances, budgeting, saving, investing, and understanding financial products and services. It serves as a fundamental pillar for individual and societal well-being, shaping financial behaviors and decision-making across various life stages.

In modern society, individuals with limited financial literacy often face challenges in navigating the complex financial landscape, leading to suboptimal financial decisions and outcomes. Insufficient financial education within formal educational systems contributes to a lack of financial understanding among individuals, resulting in poor financial management practices and hindered ability to save and invest effectively for the future (Soroko, 2023; Jana et al., 2019).

The importance of financial literacy is particularly evident in its impact on saving behavior, especially among young people. Transitioning into adulthood marks a critical period where financial habits and attitudes are formed, laying the foundation for future financial well-being. Research highlights the correlation between financial literacy and saving behavior, emphasizing the role of education in fostering responsible financial habits (Wong Chun Tat et al., n.d.).

### 2.2 Theory 2

Data from the National Survey of Financial Literacy and Inclusion (SNLIK) conducted in 2022 indicates a positive trend, showing an increase in the national financial literacy index compared to previous years (Streimikiene et al., n.d.). However, despite progress, challenges persist, particularly in addressing extravagant lifestyles driven by societal pressures and consumerism, especially among adolescents. Peer influence and the desire to maintain social status through conspicuous consumption contribute to imprudent spending habits, hindering the development of effective saving behavior (Kuster-Boluda & Vila-Lopez, 2023).

Efforts to promote financial literacy among adolescents are crucial for cultivating prudent financial behavior and resilience against societal pressures. Financial literacy programs play a vital role in equipping young individuals with the knowledge and skills to navigate financial decisions effectively. These programs aim to instill a comprehensive understanding of financial concepts, banking services, and prudent money management practices, empowering adolescents to make informed financial choices (Gifford & Nilsson, 2014).

While previous research has demonstrated a positive relationship between financial literacy and financial behavior (Masdupi et al., 2019; Aristya et al., 2022), some studies have reported mixed findings regarding the extent of this association (Sari & Listiadi, 2021). Despite variations in outcomes, the overarching goal remains clear: to enhance financial literacy among the younger generation and promote responsible financial behavior.

## 3. Material and Method

The method used in this research is based on library research or research using library research. This approach involves collecting data and information from various sources such as journals, books, and previous research papers. survey data sources are divided into two categories. The first is primary data obtained directly from informants, especially teenagers, and the second is literature in the form of books, journals, articles, and research supporting financial theory, which is the secondary data obtained.

### 3.1 Design Study

There is no specific method that can be used as a guideline in a study, the methodthat can be suggested is to follow the following steps:

1) data reduction, 2) data presentation, 3) conclusion recovery and verification.

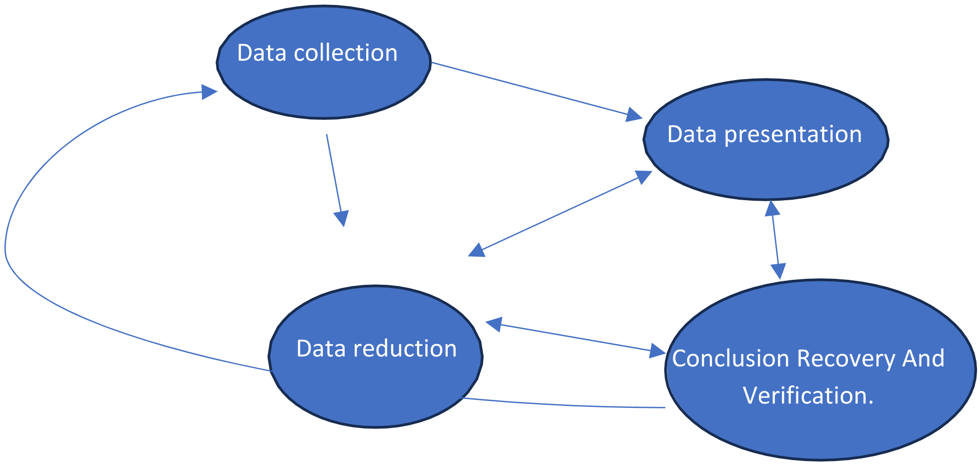


**Figure 1.** Research Model

The next step of data collection is analysis with an epistemological approach often referred to as "library review". This approach combines various theories of financial literacy and saving behavior, as well as other related theories, to provide detailed research results. The results of this study confirm that financial literacy can be an effective solution to improve individual saving behavior. The data analysis technique is conducted in important steps: data collection, data reduction or classification, data presentation or data analysis, and the final stage of conclusion drawing.

### 3.2 Data Analysis

This process ensures that the data is analyzed systematically and thoroughly, thus forming a solid basis for concluding the research findings. In this study, adolescents or young adults were selected as informants to analyze the level of financial literacy related to saving behavior. The purpose of selecting this group is to gain deeper insights into how the understanding of financial literacy affects adolescents' saving behavior.

This research uses this approach to provide detailed and detailed information about financial literacy and its impact on saving behavior.

Therefore, the results of this study are expected to make an important contribution to understanding how financial literacy can be practiced as a concrete solution to increase adolescents' saving propensity.

## 4. Result

The Importance of Financial Literacy Literacy is the ability to read and write. But in the modern context, literacy has evolved into a broader understanding that includes scientific and technical literacy, economic, political, and environmental thinking skills (Stieger & Jekel, 2019). Literacy plays an important role in overcoming various problems that a person faces. (Kang et al., 2024) emphasized that literacy not only provides knowledge but also valuable experience to prepare for the future.

(Behfar, 2024) defines financial literacy as the knowledge, understanding, skills, motivation and confidence to make effective financial decisions that impact the well-being of individuals and society. (Mellal, 2023) explains financial literacy includes individual understanding in making decisions, addressing financial problems, planning for the future, and making good financial decisions.

Financial literacy includes understanding financial features and services, financial risks, and decision making aimed at improving personal financial performance.

(Ferilli et al., 2024) divides financial literacy into four content areas, including understanding money and transactions, financial planning and management, risks and benefits, and financial status.Saving Behavior According to (Posso, 2023), saving money is the act of saving money in piggy banks, post offices, banks, and other places.

(Montoya Castaño et al., n.d.) explains that savings can also be interpreted as the creation of reserves that can be used for daily consumption needs in uncertain economic conditions. Therefore, saving involves delaying or reducing consumption to maintain financial balance in the future. (Theory of Planned Behavior (TPB) argues that saving behavior is formed by cognitive processes influenced by attitudes, subjective norms, and perceived behavioral control.

Behavioral attitudes include positive or negative evaluations of saving behavior, while subjective norms refer to social pressure to engage in the behavior. Cognitive behavioral control involves awareness of one's ability to perform saving behavior. Financial Education to

Improve Adolescent Saving Behavior Piaget's cognitive theory explained by (Scheinholtz et al., n.d.) identifies four stages of cognitive education of children's intelligence.
In the formal active stage (age 11 years and over), adolescents have the ability to think logically and solve various hypothetical problems and are able to make decisions in their lives.

In modern times, shopping centers have become entertainment venues that can trigger consumer behavior among adolescents (Suminar & Meiyuntari, 2015). Based on (Nurlaili, 2023) adolescents begin to understand financial literacy at the age of 15 which can affect their understanding of financial risk (Uy et al., n.d.) shows that financial literacy can reduce financial problems, including saving behavior.

Financial literacy affects many aspects of planning and spending money, including income, credit card use, investment, money management, insurance and financial decision-making. The government has incorporated financial literacy into the curriculum from primary school to university to equip students with the basic skills needed by financial services institutions (Fitriati et al., 2023). By publishing financial literacy books, OJK aims to increase the knowledge of the public, including teenagers, about saving habits and wise financial management.

The studies above show that financial literacy plays an important role in improving saving behavior and the efforts of the government and related institutions to foster financial literacy from an early age will result in good and sustainable financial behavior in the future is likely to be formed.

## 5. Discussion

Financial literacy has evolved beyond its traditional definition of simply being the ability to read and write. In the modern context, it encompasses a comprehensive understanding of scientific, economic, political, and environmental concepts. This broader scope of literacy is crucial in helping individuals navigate and overcome various life challenges (Stieger & Jekel, 2019; Kang et al., 2024). Financial literacy, specifically, is vital for effective financial decision-making, which significantly impacts individual and societal well-being (Behfar, 2024; Mellal, 2023).

Financial literacy involves understanding financial features, services, risks, and decision-making processes aimed at improving personal financial performance (Ferilli et al., 2024). It includes knowledge about money and transactions, financial planning and management, risks and benefits, and financial status. This comprehensive understanding equips individuals with the skills to make informed financial decisions, plan for the future, and address financial problems effectively.

Saving behavior, as explained by Posso (2023), involves setting aside money in various forms such as piggy banks, post offices, and banks. This behavior is essential for creating financial reserves to meet daily consumption needs in uncertain economic conditions (Montoya Castaño et al., n.d.). The Theory of Planned Behavior (TPB) posits that saving behavior is influenced by cognitive processes shaped by attitudes, subjective norms, and perceived behavioral control. Positive evaluations of saving behavior, social pressure to save, and awareness of one’s ability to save all contribute to an individual's saving habits.

Behavioral attitudes, subjective norms, and cognitive behavioral control play a crucial role in financial behavior. Adolescents, in particular, can benefit from financial education that enhances their ability to think logically, solve hypothetical problems, and make informed decisions (Scheinholtz et al., n.d.). Adolescents' financial literacy begins to develop around the age of 15, which significantly affects their understanding of financial risks and behaviors (Nurlaili, 2023; Uy et al., n.d.).

The role of financial literacy extends to various aspects of financial management, including income, credit card use, investment, money management, insurance, and financial decision-making. Recognizing its importance, governments have integrated financial literacy into educational curricula from primary school to university levels. This initiative aims to equip students with the foundational skills needed by financial services institutions (Fitriati et al., 2023). Publications and resources from financial authorities like OJK further aim to enhance public knowledge, especially among teenagers, promoting saving habits and prudent financial management.

## 6. Conclussion, Implication, and Recommendation

Financial literacy programs aim to improve saving behavior and can be used as a research focus to provide better financial management and decision-making solutions. The solution to improve saving behavior in adolescents is to instill knowledge about saving behavior early on and get used to managing household finances well in adolescence. In this context, the role of school teachers and parents is very important.

Optimizing financial literacy requires the application of appropriate learning strategies and models. Teachers and parents can use appropriate learning strategies by incorporating financial literacy into everyday economic situations.

This includes not only the application of financial theories and concepts, but also hands-on experiences such as visits to financial institutions, financial seminars, and interactions with financial institutions such as OJK and banks.

These aim to provide an in-depth understanding of relevant financial topics. The results of this study provide a foundation for teachers and parents to improve financial literacy by implementing effective learning strategies and models early on.

The goal is to improve adolescents' financial behavior so that they can manage their monthly expenses more thoroughly, intelligently and effectively. Improved financial literacy among the younger generation is expected to lead to positive and sustainable financial behavior in the long run.

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