

The Mindset Change of a Saving Paradigm in to an Investment Paradigm: A Managing Finance for Indonesian Students in the Philippines

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ABSTRACT

The purpose of this community service activity is to introduce the latest investment instrument products to the public, especially Indonesian students in the Philippines, on the importance of financial literacy knowledge in improving financial management skills through investment instruments. This is important to do considering that investment is a provision for students in terms of financial management, so that during the study abroad period students can manage finances wisely and have a long-term thinking orientation. If supported by strong financial planning and adequate management skills, then development constraints for the long term in terms of finance will be optimally mitigated. The method used in achieving this goal is training on the introduction of investment instruments and how to choose investment instruments, how to transact in investment, how to determine which investments are good and bad, investment strategies, and maintaining the psychological stability of an individual investor. The evaluation results showed that 90% of the training participants agreed that during the training the students gained new insights on how to invest and helped the students understand the importance of managing finances well. This community service activity received a positive response and motivated participants to be more actively involved in increasing their interest in investment. A total of 98% of participants were interested in investing. Of the 98% who were interested in investing, 40% chose mutual funds as their investment instrument, 19% chose stocks, 17% chose bonds, 5% chose property, 2% chose crypto, and the remaining 17% had yet to decide which investment instrument to choose. The recommendation given to students to advance their understanding of investment is that students are expected to set aside 10-20% of their pocket money every month for low to medium risk investments, such as mutual funds, deposits, or precious metals.

Keywords: Investment, Investment Instruments, Financial Planning, Financial Literacy

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INTRODUCTION

The growing trend of investment is a phenomenon in today's society. The phenomenon of increasing the number of investors in the Indonesian capital market has been recognized by the Indonesian central securities depository, called Kustodian Sentral Efek Indonesia (KSEI). In fact, the level of investment awareness of the younger generation in Indonesia is quite high. This can be seen from the number of investors in the capital market. Based on KSEI Public Statistics data as of June 2023, the ratio of Indonesian student investors in 2023 is getting higher. It was recorded that the number of individual Single Investor Identification (SID) in the capital market as of June 2023 increased to 11,188,847. In May 2023, the number of SIDs was only 11,022,872. As many as 26.86 percent of them are students. In terms of age, the number of investors under 30 years old accounted for 57.57 percent of all investors (Kustodian Sentral Efek Indonesia, 2023). This is the largest number overall.

Although there are quite a lot of investors with student backgrounds, the reality is that stock investment activities do not always run smoothly as expected. This is due to a decision made by investors based on uncertainty problems and complex market situations. Many investors still lack understanding of the right way to invest so that if seen from the phenomena that occur, namely the number of investors who are deceived by offers of profits with unreasonable interest and unclear investment management. This type of investment is commonly referred to as fraudulent investment. It is conditions like this that have led to the rise of fraud cases and illegal investment offers. Careful planning and knowledge are necessary in the world of investment. This is the main guideline in financial management because if you choose the right investment, it will be able to contribute a sustainable source of income to an individual or company.

In recent years, the topic of financial literacy has become a hot topic, because financial literacy is an important aspect that must be considered by both developed and developing countries. The money remaining at the end of the month had predictable gender, age and income correlates but of the other, attitudinal, factors it was financial literacy that dominated. People who say they understand and manage their finances have more disposable income relative to how much they earn. One important question is the role of finance literacy in determining personal wealth. Certainly, it may be expected that brighter, better educated people obtain better jobs with more pay, but also gain in their financial literacy in doing so. Yet educating people in financial matters can be done with all groups and appears to be a very sensible intervention for those concerned with poverty reduction and wealth creation (Furnham & Fenton-O'creevy, 2024). Gender, age, academic level, work experience, and academic specialization emerge as influential factors affecting financial literacy within the student population. Males, older students, postgraduates, individuals with more work experience, and those pursuing business-related courses exhibit comparatively higher levels of financial literacy. These insights provide a nuanced understanding of the demographic and educational characteristics associated with varying degrees of financial literacy among students (Blay et al., 2024). Students are one of the main targets in financial literacy activities.

Indonesian student association in the Philippines, called Perhimpunan Pelajar Indonesia Filipina (PPIF) is an organization of Indonesian students in the Philippines. PPIF members consist of Indonesian high school, undergraduate, postgraduate and doctoral students spread across the Philippines. According to PPIF, there are a number of difficulties that Indonesian students have to face when continuing their education to the next level abroad. One of the most prominent is managing finances. This was also presented in a study in 2022 conducted by international technology company Wise. Based on Wise's survey data, 66% of students admitted that they felt the biggest challenge they had to face while studying abroad was managing finances. Indonesian students seem to have difficulties when it comes to making payments in different currencies. This then branched out to the issue of overseas transfer fees and waiting times. This becomes a challenge when they have to send or receive money, which then affects their financial management. Before going abroad, 24% of respondents were concerned about managing their finances with the high cost of living. However, after they were abroad, the concern increased to 66%. This reflects that students are not really considering the financial realities of studying abroad. Based on the Wise survey results, the majority of international students have difficulties in managing personal finances, one of which is when transferring money abroad. Seven out of 10 students (73%) agree that high fees and hidden costs are unexpected when making transactions. This then has a negative impact on their finances (Pininta Kasih, 2022).

Seeing the problems experienced by PPIF members, especially in financial management during study abroad, we try to participate in helping these problems as part of community service (PKM). One of them is by providing knowledge about investment financial literacy. The PKM team intends to organize activities that can help provide knowledge and insights related to financial literacy about investment. The material provided is in the form of training that starts from personal financial management to how to invest through trusted investment instruments. With the hope that these activities can provide knowledge and help Indonesian students in managing finances and investing.

METHOD

The method used in completing the implementation of community service to solve partner problems that have been mutually agreed upon, among others, the solution offered to overcome the main problems of partners within the period of program realization is training on investment instrument education as a means of financial management for Indonesian students in the Philippines. The target of the implementation of community service activities is Indonesian students who are continuing their studies at the Philippines campus through the Perhimpunan Pelajar Indonesia Filipina (PPIF). The event was held at the Adventist University of the Philippines, Manila, on Sunday, August 18th, 2024. The stages of implementation are as follows:

a. Preparation of materials and case studies

At the initial stage, the PKM team explored the insights and mindset of the participants about saving and investing. The results of this exploration will be used as

a basis in developing the format of mentoring and tutorial materials in financial planning and introduction to investment and coordinating with the mentoring team to assist mentoring and tutorial training on investment materials. This investment material is expected to provide a stimulus and more understanding of financial management. In addition to the material, the PKM team also provides case study questions that are easily understood by all partners who come from various different educational backgrounds. The provision of this case study is expected to hone students' abilities in choosing investments from the material provided.

b. Implementation of community service activities

All materials and case studies that have been prepared will then be presented to PPIF partners by the PKM team. The implementation of the activity is accompanied by a question and answer session if there any participants who still do not understand the material provided. At the end of the implementation of community service activities, a questionnaire will be distributed as an evaluation to determine the level of understanding and skills of PPIF participants after PKM activities.

RESULTS AND DISCUSSION

Gen Z's monthly financial sources, which could ultimately influence their investment and saving behaviours, primarily originate from their own income and pocket money from parents. There is no substantial difference found in these sources between the participants' annual family income and gender. Nonetheless, we do discover that as Gen Z ages and becomes more mature, their financial sources shift away from parental pocket money and towards gifts from friends and family (Sparkes and Cowton, 2004). Therefore, based on the funding pattern, we may deduce that Gen Z is rapidly becoming more self-sufficient by depending on their own income (Khan, A., Zhang, L., Gupta, 2022).

In the initial stage, the PkM team conducted initial observations and surveys to gather information about the problems experienced by Indonesian students in the Philippines through PPIF partners. Based on these observations and surveys, the PPIF Chairperson admitted that the biggest challenge they had to face in the Philippines was managing their personal finances as students while studying abroad. The survey results show that as many as 76% of students have set aside their pocket money or income for savings, the rest are unable to set aside because they have been absorbed by the cost of living in the Philippines. Of the 76%, 96% of the students set aside their income in the form of savings, the rest in the form of precious metals/gold. But overall, 49% of students do not understand investment instruments and their risks.

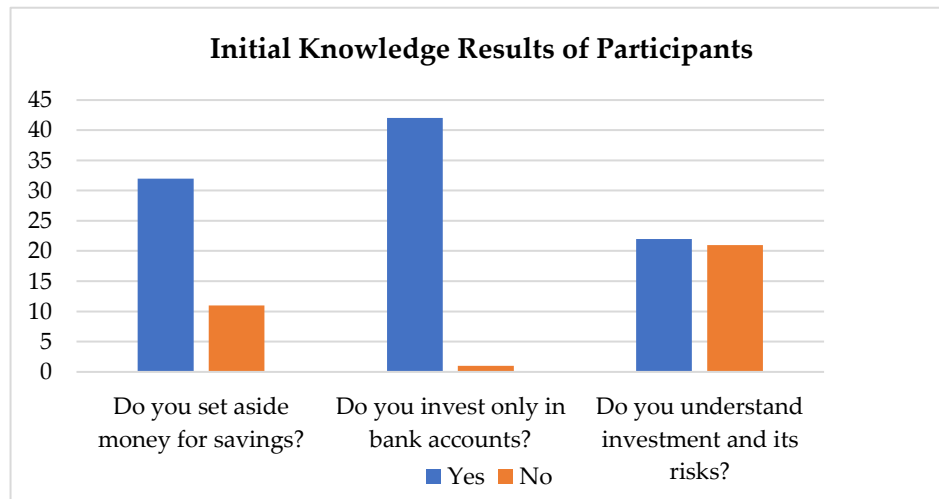


Figure 1. Initial Knowledge Results of Participants

These problems encourage the PKM team to organize training activities that start from personal financial management to how to invest through investment instruments. The PKM implementation was carried out on August 18, 2024 at the Adventist University of the Philippines, Manila. This activity was attended by 43 Indonesian students who were studying in the Philippines through the Indonesian Student Association in the Philippines.

The PKM implementation began with the first session of mentoring by focusing on providing participants with an understanding of financial planning; the second session of mentoring focused on the differences in the understanding of saving and investment; and the third session of mentoring focused on introducing types of investment instruments and case studies to PPIF partners by the PKM team. During the socialization session, the participants showed high enthusiasm, which was evident from the many questions and discussions that took place. One participant voiced the main challenge in choosing a safe type of investment for students who are still unfamiliar with investment instruments. Therefore, to overcome this problem, it is necessary to sensitize Indonesian students on the importance of investing to grow wealth in the future as opposed to saving. By investing, it is expected that the value of students' wealth in the future can increase beyond the inflation rate, thereby improving the welfare of students in the future.



Figure 2. Providing Training to PPIF Participants

Investment is basically money used to make money and for that purpose money is planted (invested) in objects that provide results and increase the principal amount. Based on this understanding, holding cash is not an investment because cash does not provide income and its value will decrease due to inflation. Conversely, placing cash in savings at a bank is an investment because savings provide income. Similarly, buying shares is an investment because shares provide income in the form of dividends and their value can be expected to increase in the future.

Investment can also be defined as an activity of placing funds in one or more than one type of asset over a certain period in the hope of earning income and/or increasing the value of the investment (Van Horne, James C.; Wachowics, 2019). These assets can basically be classified into two types, namely real assets and financial assets. Real assets can be seen physically and in form, for example property assets such as land, buildings, houses or precious metals such as gold, diamonds and silver. Meanwhile, financial assets are claims against certain parties such as companies. These claims are usually expressed in the form of certificates or securities that show ownership of these financial assets, such as stocks, bonds, and bank loans.

By owning shares, the investor has an ownership claim to the company that issued the shares, while bonds provide a debt claim to the owner of the bond. Another investment instrument introduced to PPIF partners is mutual funds which is a financial product, where there is an Investment Manager (MI) who gets funds from people who want to invest, then the MI invests the funds into a securities portfolio (Indonesia, 1995).



Figure 3. Discussion and Q&A session with participants

The final stage of the socialization and mentoring activities was the evaluation stage. The evaluation stage was carried out through discussions and questions and answers with the participants regarding the results of the socialization material provided. In addition, a questionnaire was also distributed to determine the level of understanding and skills of participants after community service activities through google form unesa.me/investment. In addition, some participants also expressed interest in investing.

Based on the questionnaire results, it is noteworthy that 98% of students were interested in investing. Of the 98% who were interested in investing, 40% chose investment instruments in the form of mutual funds, 19% chose in the form of stocks, 17% in the form of bonds, 5% in the form of property, 2% in the form of crypto, and the remaining 17% still have not determined the form of investment instrument chosen. Having said that, we note a clear correlation that 90% of students agreed that the investment education provided during the PkM can provide new insights into how to invest and help students understand the importance of managing finances well.

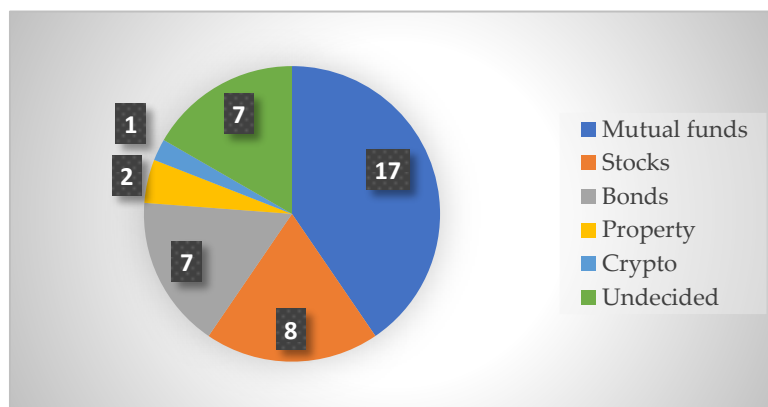


Figure 4. Types of investment instruments preferred by participants

This is also similar to the research that the majority of Generation Z was saving for a variety of reasons, including setting up money for future educational fees, making investments, and purchasing assets like cars, mobile phones, or laptops for personal use. Just a tiny percentage of participants said they would save money in order to make a charitable donation. For the most part, Gen Z can manage their strategy to save up to 50% in order to pay their daily costs and purchase personal assets. Interestingly, they set aside almost 50% of their savings for investments. Overall, we can conclude that Gen Z individuals who are financially conscious have firmly ingrained saving habits, which will help them get to financial independence (Rhoads, S., Wang, Y., Nguyen, 2023).

Overall, this community service activity went well, which was marked by the increased knowledge and awareness of the participants regarding the understanding of financial literacy, especially in investment instruments. This can be seen from the beginning before the community service activity where the investment known to the students was only savings, but after providing material they were interested in investing in other types of instruments as presented in Figure 4.

CONCLUSION

The implementation of community service activities has been carried out in accordance with the time, objectives and outcomes targeted by the community service team. Based on the results of the questionnaire that has been filled out by the service partners, it can be seen that community services activities are useful according to the needs of the partners. The material provided can help partners in financial management during study abroad. The service partners also hope that for the following year assistance can be carried out again as a continuation of this year's activities such as financial check-ups and a deeper understanding of investment instruments. The results of this mentoring and training show that Indonesian students have recognized the importance of investing compared to saving, changing the paradigm of saving society to investment society, with the hope of becoming an individual investor to increase the wealth and economy of Indonesian students in the future.

Thank-you note

Thank you to Universitas Negeri Surabaya, Indonesian student association in the Philippines (PPIF), and the entire team that has worked together in completing this community service activity.

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