



## UNDERSTANDING OF ACCOUNTING AND GENDER ON FINANCIAL LITERATION LEVELS

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### ABSTRACT

*This study aims to analyze the effect of understanding accounting and gender on the level of financial literacy of postgraduate students in the economic education program at Surabaya State University. This research uses a quantitative approach. The study showed that the level of financial literacy of postgraduate students of economic education courses at UNESA was 19.7% at the high level, 32.4% at the moderate level, and 47.9% at the low level. The level of financial literacy shows an average of 60.49, and the meaning is moderate. Accounting understanding shows an average of 70.28, and it means that the level of accounting understanding is moderate. The participation rate was 43.7% male and 56.3% female. The level of financial literacy of students in the female gender group was higher than male, female by 62.00 ( $62.00 > 60$ ) which means moderate, and male by 58.55 ( $58.55 < 60$ ) which means low. Based on data analysis, it can be concluded that accounting understanding has a significant effect on the level of financial literacy of postgraduate students in economic education programs at UNESA. Meanwhile, gender has no significant effect.*

**Keywords:** Understanding of accounting, Gender, Financial Literacy

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## **INTRODUCTION**

Basic financial knowledge and skills to manage financial resources effectively are needed by everyone to create a prosperous life. Welfare refers to the condition of a person who has all the needs and desires of a life fulfilled. Not being able to distinguish between needs and wants is one of the big problems that make it difficult for most people to manage their finances. This inability often leads to the emergence of various non-priority expenses so that there is no money left to save or invest. Knowledge and understanding of personal finance are needed for a person to be able to make correct and correct financial decisions. Correct knowledge and understanding will encourage someone to have the ability to choose priority needs so that they can avoid negative cash flow problems.

The ability to manage personal finances is known as financial literacy. The financial crisis and various problems related to the inability to manage finances have made it increasingly clear that financial literacy is important. Several countries have declared financial literacy as a national program so that people become financially literate to increase the prosperity and welfare of the nation.

The results of a World Bank survey in the Global Financial Inclusion Index (Findex) in 2017, that around 250 million people in Indonesia, only around 48.9 percent of Indonesia's adult population have accounts at formal financial institutions (World Bank, 2017). Likewise, OJK data in the National Financial Literacy Survey (SNLIK) III in 2019 shows a financial literacy index of 38.03 percent. The OJK survey also shows a financial literacy index based on gender, namely men's financial literacy at 39.95 percent and women 36.13 percent (OJK, 2020). This shows that the level of financial literacy of the Indonesian people is still low.

Financial literacy is a skill regarding personal financial management, such as estimating income tax, budget planning, debt decisions, and recognizing the importance of establishing a pension fund. Financial literacy will lead someone to find the truth about basic knowledge of personal financial management that can help develop decision making about future responsibilities for personal finance (Guthrie & Nicholls, 2015). Financial literacy affects the level of financial risk tolerance. Financial literacy has a high influence on low-risk tolerance levels (Hermansson & Jonsson, 2021). Individuals with high levels of financial literacy will be more confident in making personal financial decisions and are ready to accept financial risks.

French & McKillop (2016) states that financial literacy explains a significant proportion of wealth inequality. In general, financial literacy is directly proportional to ownership of individual financial assets. Financial literate individuals generally have a lot of financial's assets (Feng et al., 2019). The main

components of financial literacy are the ability to count (accounting) and manage finances. Financial literacy is a basic need for everyone to avoid financial problems. One of the causes of financial difficulties is the income function, which is low income. Financial difficulties are caused by mistakes in financial management (mismanagement) such as misuse of credit cards, loans, and financial planning.

Financial literacy affects individual financial's decisions, such as retirement planning, investment decisions, seeking professional consultants, and debt decisions. Measuring the level of personal financial literacy is very useful for professionals, researchers, and policymakers. For example, policymakers make effective financial education schemes to increase financial literacy to improve overall welfare (Li, 2020). Financial literacy level refers to the DEFINIT, SEADI, and OJK studies (Financial Services Authority, 2013) that classify financial literacy into 2 (two) groups. Namely basic financial literacy and advanced financial literacy. There are three types of financial literacy indices. First, a financial literacy index lower than or equal to 60 is called a low financial literacy index ( $0 \leq \text{FLI} \leq 60$ ). Second, the financial literacy index is higher than 60 and less than or equal to 80 it is said that the financial literacy index is moderate ( $60 < \text{FLI} \leq 80$ ). Third, a financial literacy index of more than 80 is called high financial literacy ( $> 80$ ).

A student as an individual is someone who is in the process of gaining knowledge or studying and is registered to be carrying out education at one form of a tertiary institution will face an increasingly varied and complete range of financial products. Lusardi et al. (2010) suggest that students are more likely to bear financial risks from their parents in the future. Generally, students are free to make unilateral decisions regarding their finances. That will be obvious to postgraduate students because they have a more strategic way of thinking. Strategic thinking is closely related to the willingness to train yourself to get used to seeing problems from various perspectives. Most people are not comfortable enough with the views of other people who are different, meaning that they are too cozy with their point of view (Budiraharjo, 2015).

Results of observations show that the level of financial literacy of S2 students of the Economic Education study program is 33.39%  $< 60$ , so the literacy level of S2 students of the Economic Education study program is still low. It has been found to 96.7 percent already had savings in the bank, but 16.7 percent made a budget but did not observe changes in the inflation rate.

This master student of the economic education study program already has his career and is married, so he definitely can manage finances independently and confidently. Independence and experience in financial management at large

should increase their financial literacy. However, the phenomenon shows the opposite condition, the level of financial literacy of S2 economic education program students is still low. They often make mistakes in making financial decisions. They have to find other income, such as making loans to peers and close family, instant investment, looking for freelance work. The hope is to get the additional revenue that can help the lack of resources used during education.

## **LITERATURE REVIEW**

### **Accounting Understanding**

The word "understanding" in the Big Indonesian Dictionary comes from the word "understand" which means understanding, a lot of knowledge. Understanding means a process, action, how to understand or understand (study carefully to understand). So, "understanding" is a process and how to learn well and earnestly so that you know and have a lot of knowledge.

An accounting understanding indicator is understood the basic concepts of accounting, namely the concepts of assets, debt, and equity. Measurement understanding of accounting for S2 students in economic education courses UNESA was developed by testing the understanding of basic accounting concepts (assets, debt, and equity) through 7 indicators of conceptual understanding according to Bloom's taxonomy. The measurement scale used in developing the test is the Guttman scale.

### **Gender**

Society assumes that gender is the same as the definition of sex. In other words, they mean that gender is sex. There are two theoretical concepts about gender, namely the theory of nature and nurture. The nature of theory explains that the differences between men and women are natural, so be accepted. Nurture theory states that the differences between men and women are the result of socio-cultural constructs (Udau, 2013). This construction forms masculine and feminine characteristics. The character of the masculine is strong, tough, firm, rational, and mighty. Meanwhile, the feminine is characterized by soft, more emotional, caring, spoiled, and motherly.

These characteristics are interchangeable, meaning that there are men with feminine character and women with masculine character. These changes can occur in different places and from time to time. It looks, for example, in the past, in one place, men were the leaders, but now in the same place, women can become leaders. Meanwhile, elsewhere, it is the opposite. This condition shows that everything may be exchanged between masculine and feminine characteristics, which can change from time to time and differ from one group to another. This interchangeable characteristic is known as gender.

Thus, gender is a masculine and feminine characteristic of men and women that results in different roles, functions, status, and responsibilities. It is formed by various social interactions. This construction occurs for a long time and continues through one's actions in social interaction. The interactions that last a long time and from time to time appear as "natural" actions organized in an organized manner in a social environment. This is in line with the opinion of West & Zimmerman (1987) which states that gender is formed through social interaction. This opinion is reinforced by Goffman's theory of "gender display".

### **Financial Literacy**

Capuano & Ramsay (2011) defines financial literacy as knowledge and understanding of financial concepts to produce the ability to make effective decisions about money. According to Titko et al. (2015), financial literacy is a combination of awareness, knowledge, skills, attitudes, and behaviors needed to make financial decisions and achieve individual financial well-being. This is in line with the opinions of Lusardi & Mitchell (2007), that financial literacy can be defined as financial knowledge to prosper. Financial literacy can be used as a basis for financial decision making to achieve prosperity in the future.

Huston (2010) states that financial knowledge is a dimension that cannot be separated from financial literacy but cannot describe financial literacy. Financial literacy has an additional dimension that requires individuals to have the ability and confidence to use financial knowledge to make financial decisions. Remund (2010) explains that the basis of financial literacy is a person's ability to manage money.

Based on several studies on financial literacy since 2000, Remund categorizes the definition of financial literacy into five categories, namely knowledge of financial concepts, ability to convey the financial concept, intelligence in managing personal finances, financial suitability decision-making skills, and confidence in planning effectively for future financial needs. Nababan & Sadalia (2013) explained that individual financial literacy includes basic knowledge of personal finance (basic personal finance), awareness of credit and debt, awareness of savings and investment, and awareness of risks. According to Remund (2010), in general, there are four things in financial literacy, namely budgeting, savings, loans, and investment.

Indicators of financial literacy in this study are a model from Titko et al. (2015), namely loans and savings, personal budgeting, economic issues, financial concepts, financial services, and investment. The financial literacy index category consists of three types: first, the financial literacy index is low if it is lower than or equal to 60 ( $0 \leq \text{FLI} \leq 60$ ). Second, the financial literacy index is moderate, if it is

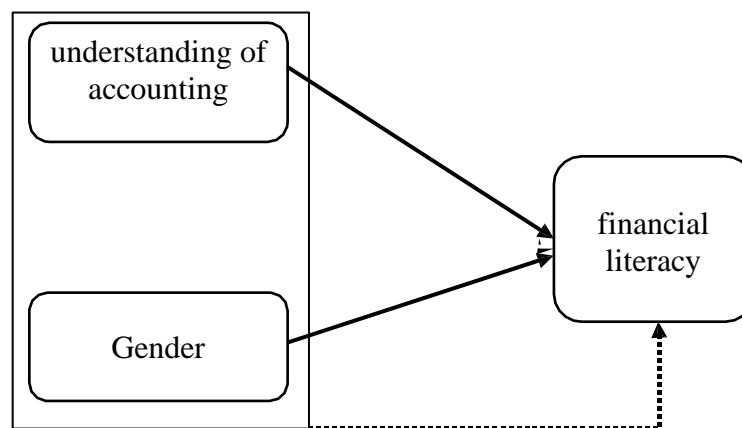
higher than 60 and less than or same to 80 ( $60 < FLI \leq 80$ ). Third, the financial literacy index in advance, if it is higher than 80 ( $> 80$ ).

Table 1. Financial Literacy Index

Index	Information
$0 \leq FLI \leq 60$	Low
$60 < FLI \leq 80$	Moderate
$FLI > 80$	High

*Source: Processed data (2020)*

The research design is as follows.



Picture 1

Research Framework

## **METHODOLOGY**

The method applied in this research is associative research. The relationship in this study is causal (cause and effect). The research objective was to analyze the understanding of accounting and gender on the financial literacy of students of Master of Economics Education, State University of Surabaya. The sample in this study were graduate students of the economic education program at the State University of Surabaya, which consisted of 75 students.

Types and sources of data used in this study are primary data and secondary data. Primary data is in the form of data sourced from distributing questionnaires to S2 students in economic education study programs. The data of main includes accounting understanding, gender types, and financial literacy. Secondary data is literature reviews and journals on understanding accounting, gender, and financial literacy.

The data collection used were questionnaires and tests. The questionnaire in this study consisted of open and closed questions. While the test used is a base ability test. The research instruments in this study were questionnaires and test questions. The questionnaire was prepared based on research variables and research indicators based on theoretical studies. The instrument scale uses the Guttman scale with a score of one (1) as the correct answer and a score of zero (0) if the answer is wrong. While the instrument test questions to measure understanding of basic accounting concepts.

Based on the research design, the multiple linear regression equation model is as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 Dg + ei$$

Where:

- Y** = dependent variable (financial literacy)
- X1** = independent variable (understanding of accounting)
- Dg** = Dummy variable (gender)
- $\alpha$**  = Constant
- $\beta_1$**  = variable regression coefficient X1
- $\beta_2$**  = variable regression coefficient Dg
- ei** = confounding factor / error

## RESULT

### Financial Literacy

Table 2 shows results of the financial literacy level of postgraduate students of the economic education study program at UNESA. The financial literacy index of students in the economic education study program at UNESA was 14 people (19.7%) high, 23 people (32.4%) moderate, and 34 people (47.9%) low.

Table 2  
Descriptive Results of Financial Literacy

Information	Frequency	Percentage (%)
High	14	19,7
Moderate	23	32,4
Low	34	47,9
Total	71	100,0

Average = 60.49 (Moderate)

Source: Processed data (2020)

**Accounting Understanding**

Table 3 shows results of the level of accounting understanding of postgraduate students in the economic education study program at UNESA. There were 23 students (32.39%) who had an excellent accounting understanding of accounting, 5 students (7.04%) were better, 14 students (19.72%) were good, and 12 students (16.9%) was sufficient, 9 people (12.68%) were less, and 8 people (11.27%) were ugly.

Table 3  
Descriptive Results of Accounting Understanding

Information	Frequency	Percentage (%)
Very good	23	32,39
Almost very good	0	0
Better	5	7,04
Good	14	19,72
Almost good	0	0
More than enough	0	0
Enough	12	16,90
Less	9	12,68
Ugly	8	11,27
Total	71	100

Source: Processed data (2020)

**Gender**

Table 3 shows the results of the gender distribution of postgraduate students of the economic education study program at UNESA on the financial literacy level. The level of financial literacy of students in the economic education study program at UNESA based on gender groups is as follows. The level of financial literacy for the male gender group consisted of high at 5.6% (4 people), medium at 12.7% (9 people), and low at 25.4% (18 people). Meanwhile, the female sex group consisted of 10 people (14.1%) high, 14 people (19.7%) moderate, and 16 people (22.5%) low.

Table 4  
Gender

Level of FL	Gender			%		
	M	F	Total	M	F	Total
High	4	10	14	5,6	14,1	19,7
Moderate	9	14	23	12,7	19,7	32,4
Low	18	16	34	25,4	22,5	47,9
Total	31	40	71	43,7	56,3	100

Source: Processed data (2020)



Regression calculations through SPSS produce the output in the model summary table, ANOVA, and the coefficient as follows.

Table 5  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,593	,352	,323	19,72093	1,985

a. Predictors: (Constant), Gender, Understanding Accounting  
b. Dependent Variable: Finalcial Literacy

Source: Processed data with SPSS 21 (2020)

Table 6  
ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	14150,44	3	4716,8	12,128	,000 <sup>b</sup>
Residual	26057,31	67	388,9		
Total	40207,75	70			

a. Predictors: (Constant), Gender, Understanding Accounting  
b. Dependent Variable: Finalcial Literacy

Source: Processed data with SPSS 21 (2020)

Table 7  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant) X <sub>1</sub>	16,275	8,402		1,937	,057
Dg	,439	,103	,445	4,270	,000
	-4,266	4,836	-,089	-,882	,381

a. Dependent Variable: Finalcial Literacy

Source: Processed data with SPSS 21 (2020)

Table 8  
Multiple Linear Regression Test Results

Variabel	Coefficient	t	t <sub>table</sub>	Sig.	Information
(X <sub>1</sub> )	0,439	4,270	1,996	0,000	Rejected
(Dg)	-4,266	-0,882	1,996	0,391	Fail to reject
Constanta = 16,275		Fhitung = 12,128			
R Squere = 0,352		Sig. F = 0,000			

Source: Processed data with SPSS 21 (2020)

### **Accounting Understanding of Financial Literacy**

Accounting understanding affects the financial literacy level of postgraduate students in the economic education study program at UNESA. So, if accounting understanding increases, it will also increase student financial literacy.

First, the concept of assets: students' understanding of assets is high enough, but not followed by their maximum application so that there are still errors in treating these assets. In general, they think that an asset is a wealth that is only in the form of money, even though all resources that have economic benefits for the future are assets that can be managed and recognized optimally so that they can lead to a more prosperous life. They still ignore the management and control of other assets that do not move and cannot be captured by the five senses, such as land, buildings, vehicles, uniqueness, expertise, and so on.

Second, the concept of liability: students' understanding of liabilities (debt) is still low. They cannot distinguish debt from the perspective period, so they cannot plan and prioritize debt payment obligations. The characteristics and types of debt must be known, to control and avoid getting into debt. This low understanding of students causes anti-debt transactions (credit). Debt transactions should be used as an alternative source of wealth with measurable calculations.

Third, the concept of equity: students' understanding of equity is quite good, but the ability to recognize and calculate profit (loss) is still low. This problem is because they still think that all income obtained from sales is the profit it will increase capital. Expenditures that are charged for revenue have not been calculated proportionally and by actual conditions. As a result, the profit and loss do not show the real conditions because not allocated as the cost of goods from the total revenue.

### **Gender on Financial Literacy**

Gender does not affect the financial literacy of postgraduate students of the economics education program at UNESA. Gender is a cultural concept used to distinguish the roles, behaviors, mentality, and emotional characteristics of men and women who develop in society.

Most male students have low financial literacy levels because they have inaccurate and inexperience in carrying out economic activities. Because most students are married, then financial management and economic activities are over to the wife.

Female students also have low levels of financial literacy. In the aggregate, the financial literacy level of female students was higher than that of male students. Because the average student has carried out direct financial management in their daily life, they have more economic activities.

## **Understanding of Accounting and Gender on Financial Literacy**

Simultaneously, assuming other variables are constant ("given"), understanding of accounting and gender affects the level of financial literacy of postgraduate students of the economic education study program at UNESA.

The dominant variable affecting the level of financial literacy of postgraduate students of the economics education program at UNESA is the variable of accounting understanding. However, this study has not examined other variables that affect the level of student financial literacy.

First, savings and loans: most students have less knowledge of savings and loans. Because they do not pay attention and take into account the size of the savings and loan interest rates, the current value of money, and cannot distinguish the characteristics of the types of loans in terms of time.

Second, budgeting: Most students do not budget revenue and expenditure, especially personal income tax planning. They consider daily income and expenses the same over time, so there is no need for good planning for each period. Thus, controlling and evaluation do not function in economic activities (especially consumption activities), both those that have occurred and will occur.

## **CONCLUSION**

Understanding of accounting has a positive and significant effect on the level of financial literacy of postgraduate students in economic education courses at UNESA. The study showed that the level of financial literacy of postgraduate students of economic education courses at UNESA was 19.7% at the high level, 32.4% at the moderate level, and 47.9% at the low level. The level of financial literacy shows an average of 60.49, and the meaning is moderate. Accounting understanding shows an average of 70.28, and it means that the level of accounting understanding is moderate. The participation rate was 43.7% male and 56.3% female. The level of financial literacy of students in the female gender group was higher than male, female by 62.00 ( $62.00 > 60$ ) which means moderate, and male by 58.55 ( $58.55 < 60$ ) which means low. The results showed that students' understanding of assets and equity was high. Meanwhile, students' understanding of obligations (debt) is still low, especially in the concept of debt as seen from the period.

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