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THE URGENCY AND EFFORTS TO IMPROVE FINANCIAL LITERACY IN EARLY CHILDHOOD EDUCATION: A LITERATURE REVIEW

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Keyword

financial literacy, early childhood education, literature review

Abstract

Financial literacy is a fundamental literacy skill that is very important to have. As with other basic literacy, financial literacy is very important to instil in early childhood. However, the literature review that focuses on financial literacy in early childhood still needs to be improved. This research aims to analyze the urgency of financial literacy and the efforts that can be made to teach financial literacy in Early Childhood Education. The method used in this research is a literature review adapted from Chigbu et al. (2023). Based on the results of the review, it was found that financial literacy is very important to develop in early childhood because it is a critical period in children's brain development and the rapid development of executive functions. Efforts that can be used to foster financial literacy from an early age include providing knowledge about the concept of money, the concept of needs and desires, the concept of saving, and sharing with others. These efforts can be made through picture storybooks, interactive media, role-play using artificial money, and interactive games. Financial literacy learning in early childhood can use Project Based Learning (PjBL) and learning cycle learning methods. The review resulting from this research can be a basis for future researchers to develop research related to understanding financial literacy in early childhood. Apart from that, this article can also provide knowledge for stakeholders to develop financial literacy learning at the PAUD level.

INTRODUCTION

Financial literacy has become an essential life skill in today's society. Low levels of financial literacy in various countries have led to effective spending behaviour, adequate financial planning, and mounting debt and loan management (Lusardi, 2019). Recent cases of online loan-related crimes serve as a clear illustration of the consequences of insufficient financial literacy. According to a national survey conducted by the Financial Services Authority (OJK) in 2022, financial literacy in Indonesia remains relatively low at 49.68%. Financial literacy is defined as the knowledge, skills, confidence, attitudes, and behaviours that influence an individual's decision-making and financial management in pursuit of well-being (Otoritas Jasa Keuangan, 2022). Furthermore, the OECD (2020) reported that Indonesia's financial literacy index stands at 13.3, with the financial knowledge aspect at only 3.7, significantly lower than the OECD average of 4.6.

Financial literacy is a crucial skill in the 21st century as it is essential for economic development in today's society. In fact, it should be considered as important as basic literacy skills such as reading and writing (Lusardi, 2019). Given the importance of this skill, financial literacy should also be acquired from an early age. During the ages of 3-5, the executive functions in early childhood develop rapidly. Executive functions involve skills such as following instructions,

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staying focused, and exercising self-control, which are learned and developed from an early age. These skills include the ability to plan, prioritize, follow multi-step directions, multitask, and shift focus (Queensland Government, 2020). Financial literacy is highly dependent on these executive functions, particularly self-control. Therefore, it is crucial to teach financial literacy from an early age.

Instilling financial literacy from a young age is believed to internalize the knowledge, behaviour, and attitudes related to finance, which will grow and solidify into adulthood. Unfortunately, currently, the literature review on financial literacy in early childhood is still limited. So, this research is important to conduct. The objective of this study is to analyze the urgency of financial literacy and the efforts that can be made to teach financial literacy in Early Childhood Education.

METHOD

This research was conducted with a qualitative approach using the literature review method. The databases used in this study were Google Scholar and Scopus for the past five years (2019-2023). The sources utilized in the literature review included journals, conference proceedings, survey data, and other relevant sources related to the topic under investigation. The research steps carried out in this study were adapted from Chigbu et al., 2023. Formulation: determining the research question.

The research questions in this study are:

ID	Research Question	Objective
RQ 1	What is the urgency of financial literacy in Early Childhood Education?	To analyze the urgency of financial literacy in Early Childhood Education
RQ 2	What effort can be made to improve financial literacy in Early Childhood Education?	To identify the efforts that can be conducted to improve financial literacy in Early Childhood Education.

1. Search: looking for literature related to the research question.
   To obtain appropriate literature, the keywords used include "Financial Literacy" and "Early Childhood".
2. Identification: identifying the collected literature.
   Based on the literature collected, literature was then identified that was not available in open access files, was duplicated, or was in a language other than English.
3. Reading: reading the identified literature.
   After identifying the literature in point 3, reading is then carried out to determine the literature that is relevant to the research question.
4. Summarization: summarizing the key points from the read literature.
   Literature that matches the research question is then summarized to obtain the important points.
5. Compilation, Analysis, Interpretation
   From the important points that have been formulated in point 5, they are then compiled into a more complete formulation. In this compilation, a process of analysis and interpretation of these important points is also carried out.
6. References: documenting all the literature used.
   The final step in this literature review is to document and write down all the literature used as references.

RESULTS

A literature search was carried out using the Google Scholar database with the keywords "Financial Literacy" and "Early Childhood" and obtained 191 articles on Google Scholar and 19

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articles on Scopus. Furthermore, the 210 selected articles were filtered based on the specified inclusion criteria. The inclusion criteria in question are articles discussing financial literacy in PAUD units, and the subjects used in the research are early childhood children or PAUD teachers. The selection results showed that eight articles met the inclusion criteria. The article in question is the following.

Author	Title	Year of Publication
Sari, R. C., Aisyah, M. N., Ilyana, S., & Hermawan, H. D	Developing a Financial Literacy Storybook for Early Childhood in an Augmented Reality Context	2022
Jayaraman, J. D., Jambunathan, S., and Adesanya, R	Financial literacy and classroom practices among early childhood and elementary teachers in India and the US	2019
P Fauziah, RC Sari	The development of a financial literacy questionnaire for early childhood	2019
Jayaraman, J. D., Jambunathan, S., and Adesanya, R.	Preparedness of early childhood teachers to teach financial literacy: evidence from the US	2022
Srinahyanti, S., Simatupang, D., & Damanik, S	Development of Interactive Media to Improve Early Childhood Financial Literacy	2021
Fajriyah, L., Farantika, D., and Wulandari, Y.A.D	Growing Financial Literacy in Early Childhood in the Era of Digital Society	2023
Nurarifah, D., Yufiarti, and Dhieni, N	Understand the Relationship Between Financial Literacy and Parenting with Parents' Financial Socialization to Early Childhood	2023
Gardynia, N. and Syaodih, E.	Learning Cycle for Literacy Financial of Early Childhood Education	2021

DISCUSSION

The Urgency of Financial Literacy in Early Childhood Education (ECE)

Literacy is the ability to identify, understand, interpret, create, communicate, and compute using printed and written materials in various contexts (UNESCO, 2023). Literacy is often associated with reading and writing skills or numeracy skills. However, in the 21st century, basic literacy includes reading and writing literacy, numeracy literacy, scientific literacy, financial literacy, digital literacy, and cultural and civic literacy (Setiawan et al., 2019). Therefore, financial literacy is also considered one of the fundamental literacies in the 21st century. Financial literacy encompasses the confidence, knowledge, and skills needed to make beneficial financial decisions for independent financial management, stability, and well-being (Sharkey, 2017).

Similar to other basic literacies, financial literacy should be taught from early childhood. The period from birth to eight years old is considered a critical brain development period. Neuroscientific research indicates that during the early years of life, specifically from 0 to 6 years old, children's brains have remarkable learning capabilities (OECD, 2020). This period is often referred to as the "golden age."

Additionally, the executive functions in early childhood that strongly support early literacy learning develop rapidly between the ages of 3 and 5. Executive functions refer to cognitive abilities that serve as the foundation for tasks such as maintaining long-term goals, delaying gratification, showing perseverance or 'grit,' and also encompassing impulse control (Drever et al., 2015). Fauziah et al. (2019) have developed an instrument to collect data on financial literacy understanding that links it to children's executive function. The indicators for preparing the instrument are aspects of controlling attention in learning to make money, aspects of information

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processing in learning basic budgeting, aspects of cognitive flexibility in learning to identify theft and safety problems, and aspects of goal setting in learning to save.

From this understanding, executive functions are closely related to financial literacy. Financial literacy goes beyond the mere recognition of money; it also includes aspects of money management, such as the culture of saving, wise spending (frugality) and sharing with those in need (Dewayani et al., 2020). Therefore, fostering financial literacy from an early age can be a valuable investment for their financial future and, more broadly, an investment for a nation's development.

Efforts to Improve Financial Literacy

Efforts to improve financial literacy in early childhood education (ECE) can be conducted in various ways. Fajriyah et al. (2023) revealed that fostering financial literacy in early childhood requires collaboration between families, schools and the government. In line with this, Nurarifah et al. (2023) stated that there is a significant relationship between financial literacy and parental parenting style and the financial socialization provided by parents to young children. The things that can be done to foster children's financial literacy include providing knowledge of the concept of money and skills in recognizing various types of money, providing knowledge about the use of money in everyday life and skills in distinguishing needs and desires, providing knowledge and skills in saving money for use. and save it later, raising awareness to share with other people or friends who need it more (Fajriyah et al., 2023). This effort is similar to that proposed by Fauziah et al. (2019), including understanding needs and desires, introduction to saving, and introduction to financial institutions.

These things can be done through various learning methods, the use of learning media, or through learning activities. One of the efforts to promote financial literacy in young children is through illustrated storybooks. These books are suitable media for introducing financial literacy knowledge and skills based on the developmental stages of early childhood. The Financial Services Authority, as one of the institutions responsible for promoting financial literacy, has published several illustrated storybooks related to financial literacy, such as "Yena and Uang Hijau, Eraser Rama, Olin Loves Saving, and When Lilo Picnics" (Dewayani et al ., 2020).

Storybooks are not limited to print books only but can also be combined with technology. This has been explored by Sari et al. (2022), who integrated financial literacy storybooks with Augmented Reality (AR) technology. The research findings indicated that AR-based financial literacy storybooks were effective in improving certain aspects of financial literacy, such as knowledge of honesty, discipline, and money management. However, other aspects, such as delayed gratification, understanding saving goals, and responsibility, showed only slight improvement. In addition to technology-enhanced storybooks, interactive media can stand alone as a tool for fostering financial literacy. Srinahyanti et al. (2021) developed an interactive media called "Let's Get to Know Money" for financial literacy learning.

Financial literacy can also be developed through several learning methods. Project-based learning (PjBL) is also an effective method for developing financial literacy, as shown in the study by Hapsari et al. (2019). They assessed the effectiveness of PBL through games for 5-6-year-old children and found that it significantly improved financial literacy by 66.67%. Apart from that, the learning cycle learning method can also be an alternative to fostering financial literacy in early childhood (Gardynia & Syaodih, 2021).

Jayaraman et al. (2019) revealed that teachers in India utilize school cooperatives, children's literature, and illustrated worksheets for teaching financial literacy. Meanwhile, teachers in America utilize learning centres, play money, fake credit cards, technology, and games to teach financial literacy.

However, these efforts are not without challenges. The primary challenge in fostering financial literacy in ECE is the level of financial literacy among ECE teachers themselves. A study by Jayaraman et al. (2022) revealed a low level of financial literacy among early childhood educators in New Jersey. Therefore, the readiness of teachers to teach financial literacy in ECE

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should be a serious consideration, which can be addressed by incorporating financial courses into the early childhood teacher preparation curriculum.

CONCLUSION

Financial literacy is one of the essential basic literacies that should be nurtured from an early age. This is because early childhood is a period of rapid brain development and executive function in young children. Introducing financial literacy from an early age will benefit their future financial decision-making. Things that can foster financial literacy in early childhood include introducing the concept and types of money, providing knowledge about the use of money in everyday life, differentiating the concepts of needs and desires, introducing savings and financial institutions, and introducing the concept of sharing. These things can be taught to children through various methods, media and learning activities such as picture storybooks, interactive games, fake money and credit card games, Project-Based Learning (PjBL) learning methods and learning cycles. However, understanding financial literacy in early childhood is not limited to schools alone but also requires collaboration between families, schools and the government.

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