Unraveling the Link between Financial Literacy and Financial Inclusion: The Mediating Role of Financial Self-Efficacy

Chairil Afandy[a], Kamaludin[b], Sapuan[c] , Siti Yuningsih[d]

[abcd] University of Bengkulu, Bengkulu, Indonesia

https://doi.org/10.35609/gcbssproceeding.2023.1(24)

ABSTRACT

Financial inclusion remains a critical priority in poverty alleviation efforts (Bongomin, et al., 2018). G20, APEC, AFI, OECD, and ASEAN forums have recognized financial inclusion as an essential strategy to reduce income disparities and improve social welfare (www.kemenkeu.go.id). When people have access to financial services, they can manage their economic life more efficiently and are less vulnerable to financial shocks (Demirguc-Kunt, et.al.,2015). The level of financial inclusion in Indonesia has improved to 85.1% based on the 2022 National Survey of Financial Literacy and Inclusion, a 7.1% increase from 2019. However, the financial inclusion index is not evenly distributed across every province, indicating a lack of financial literacy and awareness in certain regions (Dixit and Ghosh, 2013). Financial literacy is critical to building a financially inclusive society as it provides individuals with financial skills and knowledge to make effective financial decisions (Mindra and Moya, 2017). It allows individuals to plan their finances effectively and make rational financial decisions (Kurihara, 2013). Unfortunately, only 49.6% of the Indonesian population has sufficient financial literacy, according to the 2022 national survey.

Keywords: Financial Inclusion; Financial Literacy; Financial Self-Efficacy