J-CEKI : Jurnal Cendekia Ilmiah
Vol.4, No.1, Desember 2024

Individual Ability In Financial Literacy

Adriani[1], Murtiadi Awaluddin[2], Baso Sardjan[3], Sitti Fadjriyah[4], Indah Ramadhani Amir[5]
[1,3,5]Sekolah Tinggi Ilmu Ekonomi-LPI
[2]Universitas Islam Negeri Alaudin
[4]Sekolah Tinggi Ilmu Manajemen Lasharan Jaya
E-mail: adriani@stie-lpi.ac.id[1], murtiadi.awaluddin@uin-alauddin.ac.id[2], sardjan@stie-lpi.ac.id[3], siti_fajriah@stimlasharanjaya.ac.id[4], indah@stie-lpi.ac.id[5]

Article History:
Received: 17 November 2024
Revised: 02 Desember 2024
Accepted: 05 Desember 2024

Keywords: *Individual ability, finansial literacy*

Abstract: *The aim of the research is to find out how to manage financial literacy using the Du Pont system method. The method used in this research is qualitative and quantitative research methods using the du pont method In measuring financial literacy Regarding ROA, ROE, and interest margins (and non-interest fees), all of them in financial operations for corporate success" (Sundarajan : 2022). Research result DuPont Model which is based on analysis of Return on Equity (ROE) & Return on Investment (ROI). The return on equity disaggregates performance into three components: Net Profit Margin, Total Asset Turnover, and the Equity Multiplier. Return on Investment consists of Assets Turnover and Profit Margin. The return on investment consists of Assets Turnover (Operating Income X Total Assets) and Profit Margin (EBIT X Operating Income). In conclusion, ROE & ROI is the most comprehensive measure of profitability of a firm. It considers the operating and investing decisions made as well as the financing and tax-related decisions.*

INTRODUCTION

In financial literacy, it is important knowledge and skills in a society that relies on individual responsibility and independence. As stated by Lusardi (2008), individuals need to know how to read and write finances, considering the complexity of financial instruments and financial decisions required in everyday life. This is what the younger generation who grew up in a society with a complex financial landscape does (Amagir et al., 2018). Knowledge, skills and better understanding with financial concepts and risks can help improve decision making in financial management among adults and the younger generation (Organization for Economic Co-operation and Development **(OECD), 2017).**

In addition, financial literacy is defined as "an ability or skill possessed by a person in managing money", according to **Remund (2010**), or according to a more comprehensive definition, as "a combination of awareness, knowledge, skills, attitudes and behavior needed to make sound financial management decisions. and ultimately achieving individual financial

well-being" (INFE 2011). This is a necessary prerequisite for reasonable financial decision-making and, thus, for financial well-being. The lack of financial literacy carried out and its causes have been widely discussed by academics and practitioners, see for example References Bucher-Koenen and Lusardi (2011) and Burke and Manz (2014). In addition, the impact of financial illiteracy has also been investigated in various studies (Bianchi 2018; Fernandes et al. 2014; Gathergood and Weber 2017; Lusardi and Mitchell 2014; Van Ooijen and van Rooij 2016; Van Rooij et al. 2011).

In a related paper, Christelis et al. (2010) and McArdle et al. (2009) found that response accuracy to simple math questions was a strong predictor of total wealth, financial wealth, stock ownership, and the fraction of wealth held in shares. America et al. (2003) and Lusardi and Mitchell (2007) also provide data evidence of a relationship between financial literacy and saving decisions. In all of this research, financial literacy is considered a determinant of savings decisions and savings portfolios, without realizing that, like other forms of human capital, financial information can be accumulated, and that the decision to invest in financial literacy entails both costs and benefits.

The novelty of this research is in managing finances by fulfilling financial inclusion which includes credit, savings, payment systems, investment and insurance and all financial service providers. In this case, one thing that is us

The DuPont analysis model requires only a few simple calculations available to any manager Some studies ,have shown that a slightly modified analysis of the DuPont model can, on the one hand, simplify very complex financial analyses, and on the other hand, it can provide everyone with a very good strategic planning tool due to the relatively small time necessary to understand and appropriate it.

LITERATURE REVIEW

In financial literacy is a very important element in making and understanding finance. This can influence the company's financial life and a manager's decision making in making a profit. (Huston, S : 2010). Increasing financial literacy is very important for society and better welfare and decisions (Hilgos, M. Hogarth : 2023). The author is interested in the theme of financial literacy, which can provide knowledge, education, behavior and community welfare. Financial decisions made and highly dependent on financial individuals. The second is the ability to understand finance which is obtained in knowledge for decision making Hilgert dkk. (2003). ccording to (Shania: 2020) the DuPont model is used to characterize organizationsn organization. Utilization of operating incomeas a criterion for judging managers relies oncorporate characteristics that will limit the ability of a leader to carry out these functions. [Bager,H. : 2021] DuPont Multiplication components in certain industries have more generous valuation rather than the usual ratio, shows increased validity for certain industries. Banks are particular field of study because of their work and show. Problems arise in its management investments made by banks, depositors, consumers, and other stakeholders. Bank manager especially when going through a busy atmosphere because of regulations. To mitigate risk,management does something to encourage in achieving unattainable results following shareholder aspirations (shania:2021) .[Thesing: 21) To identify three forms of corporate governance special problems with banks. (Li, D :2021), address recurring trends that combine influences bank managers' financial incentives to be acted upon. (Gurol : 2021) explored the differences therein governance structure based on various services sector existence. Apart from that the volume is complete The organizational structure of a company is

determined by many factors, all of which can also influence success goals and methods of assessment: existence and distribution of company assets and liabilities (leverage, share of capital assets, market risk, flow attitude. company size, and sector). Return rates acceptable for use in economy and quantitative calculations. We accept that emphasis on profitability indicators for bank assessment is minimal. Regarding ROA, ROE, and interest margins (and non-interest fees), all of them in financial operations for corporate success" (Sundarajan : 2022). he goal of a for-profit business in finance that focuses on making a profit is primarily related to the needs of external debt suppliers andequity capital. Economic returns to shareholders consist of dividends and capital gains on market value their shares. So the income obtained is used as dividends in the long term, the shareholders are the main parties deals with financial measures such as revenue, ROA, ROE, ROI. (R. Thorpe, J. Holloway, 2008).

METHODOLOGY

This research uses qualitatif research. The research method used is the DuPont method, also known as the strategic profit model, which in the Dupont method formula generally divides Return on Equity (ROE) into three important components as we can see from the following equation , ROE = (Profit margin) * (Asset turnover) * (Equity multiplier) = (Net profit/Sales) * (Sales/Average Total Assets) * (Average Total Assets/Average Equity) As we can see, ROE is the net margin multiplied by the asset turnover ratio and the equity multiplier. Division of return on equity into three.

RESULT

Results of research conducted to analyze financial literacy using the duapont system method in companies. The Dupont system method is used to calculate ROE, ROA, ROI which is used in managing company finances. The results obtained in this research measure the company's ability to finance debts and assets calculated in one accounting period.

The calculation of this equation serves to improve one basic indicator in DuPont analysis, namely return on equity (ROE). The main purpose of conducting an analysis using DuPont is to avoid misleading conclusions regarding company profits. Apart from that, this analysis can also be useful for assessing a company's financial performance by comparing various estimates in the balance sheet and profit and loss financial statements.DuPont Model which is based on analysis of Return on Equity (ROE) & Return on Investment (ROI). The return on equity disaggregates performance into three components: Net Profit Margin, Total Asset Turnover, and the Equity Multiplier. Return on Investment consists of Assets Turnover and Profit Margin. The return on investment consists of Assets Turnover (Operating Income X Total Assets) and Profit Margin (EBIT X Operating Income). In conclusion, ROE & ROI is the most comprehensive measure of profitability of a firm. It considers the operating and investing decisions made as well as the financing and tax-related decisions.

CONCLUSION

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