

Financial Literacy as a Determinant of Community Welfare: Empirical Evidence from a Rural Context

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Abstract: The purpose of this study is to determine the effect of Financial Literacy on the Welfare of the Community in Titidu Village, Kwandang District, North Gorontalo Regency. This research uses a descriptive quantitative approach with a sample size of 44 people. The instrument used is a questionnaire or survey. The data analysis technique employed is simple linear regression analysis. Based on the results of the simple regression analysis, it can be seen that there is a positive and significant effect of financial literacy on the welfare of the community in Titidu Village, Kwandang District, North Gorontalo Regency. The regression analysis shows a coefficient of determination of 0.434, indicating that 43.4% of the variation in community welfare is influenced by financial literacy. This indicates a positive relationship between financial literacy and community welfare, where the better the financial literacy, the higher the community welfare. The remaining 56.6%, or the residual value, is influenced by other factors not examined in this study.

Keywords: financial literacy, community welfare, rural context

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INTRODUCTION

Social welfare constitutes an integral and inseparable component within the paradigm of economic development. Economic development is deemed successful when the level of social welfare improves. Welfare can be defined as a certain degree of satisfaction derived from the consumption of received income. However, the level of welfare itself is relative, as it depends on the extent of satisfaction obtained from such income consumption. The relationship between the concepts of welfare and needs is established through the fulfillment of those needs. Consequently, an individual is considered prosperous when their needs are met, although the level of these needs does not necessarily correspond directly with welfare indicators.

According to Suharto in Jahidin (2016), social welfare is a planned and institutionalized effort that encompasses various forms of social intervention and social services aimed at fulfilling human needs, preventing and addressing social problems, as well as strengthening social institutions. Welfare has a broad meaning; it is not only associated with income and consumption

but also with assets. This means that welfare does not solely focus on the consumption of goods and services but also on access to wealth and social assets. Social welfare is a subjective matter.

Improving community welfare is one of the main objectives of development, especially in rural areas that are often left behind in terms of access to education, information, and financial services. Titidu Village in Kwandang District, North Gorontalo Regency, is no exception to this challenge. One important factor that can play a role in enhancing community welfare is financial literacy.

Titidu Village is one of the villages located in Kwandang District, North Gorontalo Regency, Gorontalo Province, Indonesia. Financial literacy can be examined from several perspectives, particularly regarding how the community manages their financial resources, as well as the impact of limited or advanced financial literacy on the village’s economic life. Many villages in remote areas, such as Titidu Village, face challenges in accessing adequate financial information. Rural communities often lack access to banks or other formal financial institutions, and they may not fully understand financial products and services such as credit, insurance, savings, or investments. This situation can make it difficult for them to make sound financial decisions.

The majority of the residents of Titidu Village work as fishermen, with marine fishing being one of the main sources of livelihood. Agriculture and small businesses also form part of the village’s economic life. The community’s life in this village is still strongly rooted in family values and mutual cooperation (gotong royong). Below is the population data of the Titidu Village community:

Table 1. Population of the Community in Titidu Village

No	Hamlet	Number of Households	L	P	L+P
1.	North	193	355	365	720
2.	Satria Utama	170	252	305	557
3.	Talulobutu	183	390	309	699
4.	Payunga	150	245	245	490
5.	South	82	132	115	247
	Jumlah	778	1374	1339	2713

With a population of approximately 2,713 people in Titidu Village, the estimated number of workers in various sectors is as follows: Agriculture: $2,713 \times 10\% = 271.3$ (rounded to 271), Teachers: $2,713 \times 5\% = 135.65$ (rounded to 136), Fishermen: $2,713 \times 10\% = 271.3$ (rounded to 271), Traders: $2,713 \times 5\% = 135.65$ (rounded to 136). The following table shows the income of the community in Titidu Village who work as farmers, fishermen, traders, and teachers:

Table 2. Income of Titidu Village Community Based on Occupation (2024)

Occupation	Number of People	Monthly Income (Rp)	Total Village Income (Rp)
Fishermen	271	Rp 2.000.000	Rp 542.000.000
Farmers	271	Rp 1.500.000	Rp 406.500.000
Traders	136	Rp 3.000.000	Rp 408.000.000
Teachers	136	Rp 3.500.000	Rp 476.000.000
Total	814	-	Rp 1.832.500.000

Based on the table above, the total monthly income of the community in Titidu Village is IDR 1,832,500,000 from various occupations, with the average income per person as follows: Farmers: IDR 1,500,000 per person, Fishermen: IDR 2,000,000 per person, Traders: IDR 3,000,000 per person, Teachers: IDR 3,500,000 per person. In general, it is evident that teachers have the highest monthly income among the professions, while farmers and fishermen constitute the largest number of workers. One of the reasons for this is the lack of financial literacy affecting the community's welfare.

In rural areas like Titidu Village, the level of financial literacy tends to be lower compared to urban areas, which can contribute to economic and social disparities. Financial literacy encompasses knowledge of financial planning, debt management, investment, and insurance, all of which play a crucial role in improving community welfare.

This study aims to analyze the extent to which financial literacy influences the welfare of the community in Titidu Village, Kwandang District, North Gorontalo Regency. By understanding this impact, it is hoped that targeted policies and programs can be formulated to enhance financial literacy among the village community.

METHOD

This study uses a quantitative method. According to Sugiyono (2015), the quantitative method is a research approach that examines patterns within a specific population or sample and is based on the positivist paradigm. Data collection in this method utilizes research instruments, and the data analysis is quantitative or statistical in nature, aimed at testing the hypotheses that have been formulated. It is called a quantitative method because the research data consists of numbers and the analysis employs statistical techniques. The objective of this study is descriptive. Descriptive research is a type of study that describes the characteristics of objects, individuals, groups, organizations, or environments (Kartawinata & Mubarq, 2018).

The research design used in this study is as follows:

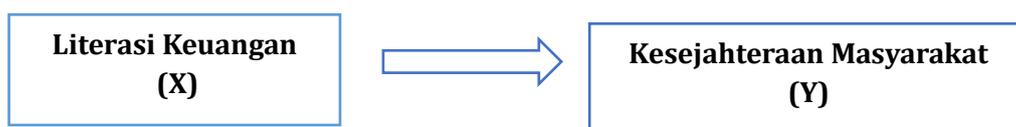


Figure 3. Research Design

Explanation:

X: Financial Literacy

Y: Community Welfare

The variables and operational definitions used in this study are independent and dependent variables. To provide a clearer description of each variable, the operational definitions of each variable are presented in the table below.

Table 4. Operational Definitions of Variables

Variable	Variable Definition	Indicators
Financial Literacy (X)	Financial literacy is a combination of financial awareness, knowledge, skills, attitudes, and behaviors needed to make sound financial decisions and ultimately achieve individual financial well-being. (OECD, 200)	- Financial Knowledge - Savings - Borrowing - Insurance - Investment (Sudiyarti et al., 2021)
Community Welfare (Y)	Welfare is defined as a condition where all basic life needs are fulfilled, especially fundamental needs such as food, clothing, housing, education, and healthcare. (Bustamam et al., 2021)	- Family Income - Educational Aspects - Health Aspects - Housing and Family Facilities (Bustamam et al., 2021)

According to Arikunto (2017), a population is the entire subject of a study. If a researcher intends to study all elements within the research area, then the study is considered a population study. In other words, the population consists of the community living in Titidu Village, Kwandang District, North Gorontalo Regency, based on the type of occupation, totaling 814 people.

Table 5. Income of Titidu Village Community Based on Occupation (2024)

Occupation	Number of People	Monthly Income (Rp)	Total Village Income (Rp)
Fishermen	271	Rp 2.000.000	Rp 542.000.000
Farmers	271	Rp 1.500.000	Rp 406.500.000
Traders	136	Rp 3.000.000	Rp 408.000.000
Teachers	136	Rp 3.500.000	Rp 476.000.000
Total	814	-	Rp 1.832.500.000

A sample is a component that represents the size and characteristics of a population. A researcher uses a sample, which is a part of the population, when the population is very large and the researcher cannot study the entire population due to limited resources, funds, and time, as explained by Sugiyono (2021).

Based on the data, the population consists of 814 people, categorized according to their types

of occupation. It was found that the total sample size is 44 people. A simple random sampling method was used in this study. As explained by Sugiyono (2021), in this method, sample members are selected randomly from the population.

Table 6. Distribution List of Sample Members

No.	Hamlet	Number of People
1	North	10
2	Satria Utama	8
3	Talulobutu	9
4	Payunga	8
5	South	9
	Jumlah	44

The data collection method used in this study includes several strategies, namely:
survey (questionnaire)

Table 7. Likert Scale

Response	Score
Strongly Agree (SA)	5
Agree (A)	4
Less Agree (LA)	3
Disagree (D)	2
Strongly Disagree (SD)	1

Documentation

In the context of this study, documents refer to records of events that have occurred, which can take the form of images, scientific writings, or unique individual works (Sugiyono, 2021). The use of the documentation method involves the process of reading and collecting data from various sources, including scientific books, journals, dissertations, as well as information obtained from the internet and other relevant sources. This documentation provides detailed information and a strong basis for analyzing this research.

The data collection techniques used in this study include surveys using questionnaires and documentation. The questionnaire consists of several statements aimed at obtaining information that supports the validity of the research results. This study uses a Likert scale for measurement, involving several variable indicators to detail the variables to be measured.

The use of the documentation method involves reading and collecting data from various sources, including scientific books, journals, dissertations, and information obtained from the internet and other relevant sources. This documentation provides detailed information and a strong foundation for analyzing this research.

The data analysis techniques used in this study are Simple Linear Regression Analysis, Partial Hypothesis Testing, and Coefficient of Determination Testing.

Statistical hypothesis is used to determine whether there is a significant effect between the dependent variable and the independent variable. The hypothesis model used in this test is as follows:

- H0: There is no effect of variable X (Financial Literacy) on variable Y (Community Welfare).
- H1: There is an effect of variable X (Financial Literacy) on variable Y (Community Welfare).

RESULTS AND DISCUSSION

Research Results

After ensuring that the data meet the normality requirements, the next step is to perform regression analysis to examine the relationship between financial literacy and community welfare. The analysis was conducted using simple linear regression. The statistical method applied is simple regression with the regression model as follows:

$$\hat{Y} = a + bx \text{ (Sugiyono, 2018)}$$

Where:

\hat{Y} : Community Welfare

X: Financial Literacy

The regression analysis conducted with the assistance of SPSS produced the following findings:

Table 7. Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients		T	sig
	B	Std. error	Beta			
1 (Constant)	14.970	12.868			1.163	.251
Financial Literacy	.654	.115	.659		5.680	.000

Dependent Variable: Community Welfare

The regression results show the model equation:
 $Y = 14.970 + 0.654X$

This means that every one-unit increase in the financial literacy variable is predicted to increase community welfare by 0.654 units. The positive regression coefficient indicates that there is a positive effect of financial literacy on community welfare.

Table 8. Results of Partial Regression Test Criteria Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		T	sig
	B	Std. error	Beta			
1 (Constant)	14.97	12.868			1.163	.251
Financial Literacy	.654	.115	.659		5.680	.000

Dependent Variable: Community Welfare

Based on the analysis results, the calculated t-value for the financial literacy variable is 5.680. To determine whether H0 is accepted or rejected, the critical t-value is obtained at a 5% significance level. The critical t-value is 1.682. The comparison shows that the calculated t-value is greater than the critical t-value. This leads to the rejection of H0, indicating that there is a significant effect of financial literacy on community welfare.

This study proves that financial literacy has a positive and significant effect on community welfare. Therefore, the next step is to determine the magnitude of this impact. The coefficient of

determination is analyzed to measure the proportion of variation in the dependent variable that can be explained by the independent variable. This value ranges from 0% to 100%, with higher values indicating a greater proportion of explanation. The following shows the goodness of fit between the variables in the financial literacy regression model on community welfare:

Table 9. Coefficient of Determination Results

Model	Model Summary			
	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.659 ^a	.434	.421	4.713

Predictors: (Constant), Financial Literacy

Dependent Variable: Community Welfare

The regression analysis shows a coefficient of determination of 0.434, indicating that 43.4% of the variation in community welfare can be explained by financial literacy. This signifies a positive relationship between financial literacy and community welfare, where better financial literacy corresponds to an increase in community welfare. The remaining 56.6%, or the residual value, is influenced by other factors that were not investigated in this study

Discussion

According to Suryant and Susilowati (Ibrahim, 2021), community welfare is the condition in which basic needs are fulfilled, as reflected by decent housing, adequate clothing and food, affordable and quality education and healthcare, or the condition where every individual is able to maximize their utility to a certain level, as well as the fulfillment of both physical and spiritual needs.

Community welfare is an inseparable part of the economic development paradigm. Economic development is considered successful if the level of community welfare improves. There are several factors that influence the level of community welfare, one of which is financial literacy.

Financial literacy aims to bring about changes in individuals' attitudes and behaviors in managing their finances better, enabling them to plan, use, and evaluate their financial resources according to their needs. A lack of knowledge about financial management leads to many inappropriate financial decisions, such as wasteful spending and impulse buying, which contribute to the low level of community welfare.

Kahneman and Tversky (2017), in prospect theory, state that individuals often make financial decisions based on emotions and biases rather than rational information. Financial literacy, in this context, can help individuals reduce cognitive biases that frequently influence economic decision-making, enabling them to manage financial resources more efficiently and improve welfare.

Based on the analysis results, the calculated t-value for the financial literacy variable is 5.680. To determine whether H0 is accepted or rejected, the critical t-value is obtained at a 5% significance level. The critical t-value is 1.682. The comparison shows that the calculated t-value is greater than the critical t-value. This leads to the rejection

of H0, indicating a significant effect of financial literacy on community welfare.

This study proves that financial literacy has a positive and significant effect on community welfare. Therefore, the next step is to determine the magnitude of this impact. The coefficient of determination is analyzed to measure the proportion of variation in the dependent variable that can be explained by the independent variable. This value ranges from 0% to 100%, with higher values indicating a greater proportion of explanation.

Regression analysis shows a coefficient of determination of 0.434, indicating that 43.4% of the variation in community welfare is explained by financial literacy. This signifies a positive relationship between financial literacy and community welfare, where better financial literacy corresponds to higher community welfare.

Based on the results of the research conducted, it was found that financial literacy has a positive and significant effect on the level of community welfare in Titidu Village, Kwandang District, North Gorontalo Regency. This study shows a direct relationship between financial literacy and community welfare. In other words, the higher the community's understanding of financial literacy, the greater the improvement in community welfare. Conversely, if the community's understanding of financial literacy is low, it will lead to a decline in community welfare.

To achieve welfare, individuals must be able to maximize their utility. To maximize utility, competent financial skills are needed. Therefore, the community needs to be provided with adequate knowledge related to financial matters. Financial literacy is a long process of building financial understanding for individuals so that they can plan their finances for the future to achieve welfare in accordance with their lifestyle and living patterns.

This study aligns with research conducted by Brilliant & Kautsar (Sheda, G. A. 2023) on whether financial literacy affects household welfare in Indonesia. Their findings indicate that financial literacy influences the welfare of the Indonesian community. Through financial literacy, individuals gain the ability to manage their finances better, enabling them to utilize their money to purchase products and services that suit their needs, ultimately achieving welfare.

With higher financial literacy, the community is better able to plan their financial future, which in turn improves quality of life and welfare. Kahneman & Tversky (2017) revealed that increased financial literacy can reduce uncertainty and enhance self-control in decision-making, which directly contributes to individual welfare. Mandell & Klein (Septia R., et al. 2025) demonstrated that improved financial literacy has a direct impact on individual economic welfare, especially in the context of risk management and daily financial management.

Based on statistical testing and discussion, it can be concluded that financial literacy has a positive and significant effect on the level of community welfare in Titidu Village, Kwandang District, North Gorontalo Regency. This means that the higher the community's knowledge of financial literacy, the higher the level of community welfare. Conversely, if the community's knowledge of financial literacy is low, the level of community welfare will decrease.

CONCLUSIONS

Based on the results of the research and empirical theoretical discussion, it can be concluded that there is a positive and significant effect of financial literacy on the welfare of the

community in Titidu Village, Kwandang District, North Gorontalo Regency. The positive sign means that the better the value of the financial literacy variable, the higher the welfare of the community in Titidu Village, Kwandang District, North Gorontalo Regency. If there is a change in financial literacy, there will be a corresponding change in the welfare of the community in Titidu Village, Kwandang District, North Gorontalo Regency in the same direction. The coefficient of determination also indicates that the variation in community welfare in Titidu Village, Kwandang District, North Gorontalo Regency can be explained by financial literacy

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