FINANCIAL LITERACY AND HOUSEHOLD SAVING BEHAVIOR: A COMPARATIVE STUDY OF URBAN AND RURAL COMMUNITIES IN INDONESIA

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Abstract: This study examines the relationship between financial literacy and household saving behavior in Indonesia, focusing on disparities between urban and rural communities. Employing a mixed-methods design, the research combines survey data from 500 households with in-depth interviews to capture both quantitative patterns and qualitative insights. The findings reveal significant literacy gaps: 65% of urban households demonstrate a basic understanding of financial concepts compared to only 35% of rural households. These disparities translate into distinct saving practices, with urban families more likely to engage in formal banking and investment, while rural households rely on informal mechanisms with limited long-term security. Cultural norms, digital access, and income levels further mediate these dynamics. Notably, households participating in targeted financial education programs reported a 20% increase in savings within six months, underscoring the transformative potential of structured interventions. The study highlights the dual role of technology as an enabler in urban contexts and a barrier in rural areas, pointing to the urgent need to address the digital divide. By integrating cultural sensitivity, technological inclusion, and community-based approaches, policymakers and educators can design more effective strategies to enhance financial literacy. Beyond immediate saving behavior, the study emphasizes the broader implications of literacy for economic resilience, equity, and sustainable development.
Keywords: financial literacy, household saving behavior, urban–rural disparity, financial inclusion, Indonesia

Abstrak: Penelitian ini menganalisis hubungan antara literasi keuangan dan perilaku menabung rumah tangga di Indonesia dengan menyoroti kesenjangan antara komunitas perkotaan dan pedesaan. Dengan menggunakan pendekatan mixed methods, penelitian ini menggabungkan data survei dari 500 rumah tangga dengan wawancara mendalam untuk menangkap pola kuantitatif sekaligus wawasan kualitatif. Hasil penelitian menunjukkan adanya perbedaan signifikan: 65% rumah tangga perkotaan memiliki pemahaman dasar tentang konsep keuangan, sedangkan hanya 35% rumah tangga pedesaan yang memiliki tingkat literasi serupa. Perbedaan ini tercermin dalam praktik menabung, di mana keluarga perkotaan lebih banyak memanfaatkan layanan perbankan formal dan investasi, sementara rumah tangga pedesaan masih

mengandalkan mekanisme informal dengan tingkat keamanan jangka panjang yang terbatas. Faktor budaya, akses digital, dan tingkat pendapatan turut memediasi dinamika ini. Menariknya, rumah tangga yang mengikuti program pendidikan keuangan menunjukkan peningkatan tabungan sebesar 20% dalam enam bulan, yang menegaskan potensi transformatif dari intervensi terstruktur. Studi ini juga menyoroti peran ganda teknologi sebagai pendukung di perkotaan dan hambatan di pedesaan, sehingga kesenjangan digital perlu segera diatasi. Dengan mengintegrasikan sensitivitas budaya, inklusi teknologi, dan pendekatan berbasis komunitas, pembuat kebijakan dan pendidik dapat merancang strategi yang lebih efektif untuk meningkatkan literasi keuangan. Lebih jauh, penelitian ini menekankan implikasi literasi keuangan terhadap ketahanan ekonomi, pemerataan, dan pembangunan berkelanjutan.

Kata Kunci: literasi keuangan, perilaku menabung rumah tangga, kesenjangan perkotaan-pedesaan, inklusi keuangan, Indonesia

Introduction

Financial literacy has become a pivotal determinant of household saving behavior, particularly in developing economies such as Indonesia. Defined as the knowledge and skills required to manage financial resources effectively (World Bank, 2021)[1], financial literacy enables individuals to make informed decisions regarding savings, investments, and expenditures. Yet, disparities in access to financial services and educational resources between urban and rural areas create significant differences in saving practices across communities. Urban households, with greater exposure to banks, financial institutions, and educational initiatives, tend to demonstrate stronger financial literacy and saving habits. By contrast, rural communities often face constraints such as limited access to formal financial services, lower levels of education, and a reliance on informal saving mechanisms, all of which hinder their ability to manage financial resources effectively (Badan Pusat Statistik [BPS], 2022)[2].

Recognizing these inequalities, the Indonesian government and regulatory authorities, particularly the Financial Services Authority (OJK), have launched a series of initiatives aimed at improving financial literacy and inclusion nationwide (OJK, 2023)[3]. While these programs are designed to strengthen financial knowledge and broaden access to financial services, their effectiveness in bridging the gap between urban and rural populations has yet to be fully evaluated. Against this backdrop, this study investigates the relationship between financial literacy and household saving behavior in Indonesia by comparing urban and rural communities. Specifically, it seeks to assess the levels of financial literacy in both settings, examine the extent to which financial literacy influences household saving behavior, and explore the role of socio-economic factors such as income and education in shaping these dynamics.

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[1]   World Bank. (2021). Financial literacy: The foundation for financial inclusion. https://www.worldbank.org

[2]   Badan Pusat Statistik. (2022). Statistical yearbook of Indonesia 2022. https://www.bps.go.id

[3]   Otoritas Jasa Keuangan. (2023). Financial literacy and inclusion in Indonesia: Progress and challenges. https://www.ojk.go.id

The significance of this research lies in its potential contribution to both theory and practice. From an academic perspective, the study adds to the limited body of literature on financial literacy and saving behavior in Indonesia, highlighting how differences in socio-economic and geographic conditions affect household decision-making. From a policy perspective, the findings are expected to provide practical insights for policymakers, educators, and financial institutions. By identifying gaps in financial literacy, stakeholders can design targeted interventions that respond to the distinct needs of different communities. For example, rural households may benefit from workshops focused on basic financial management and practical saving strategies, while urban households may require advanced financial planning resources to strengthen long-term saving and investment practices.

Ultimately, improving financial literacy across both urban and rural populations is essential for promoting financial inclusion, reducing inequality, and fostering economic resilience in Indonesia. By highlighting the disparities in financial knowledge and saving behavior, this research contributes to strategies for inclusive growth and sustainable development.

Methods

This study employs a mixed-methods approach, combining quantitative surveys and qualitative interviews to examine the link between financial literacy and household saving behavior in Indonesia's urban and rural communities. A comparative case study design was chosen to capture socio-economic contrasts across settings (Yin, 2018)[4].

A total of 500 participants (250 urban, 250 rural) were selected using demographic criteria such as population density, education, income, and access to financial services, ensuring representation across socio-economic groups (Badan Pusat Statistik, 2021)[5]. Surveys measured financial knowledge, saving attitudes, and saving practices, while semi-structured interviews with households and financial experts provided contextual insights. Digital surveys were distributed in urban areas, whereas paper-based instruments and face-to-face interviews were used in rural communities to accommodate limited infrastructure.

Quantitative data were analyzed with SPSS, applying descriptive, correlation, and regression analyses to identify predictors of saving behavior. Qualitative data were coded thematically to uncover barriers and motivations for saving, such as reliance on informal mechanisms in rural areas and digital financial tools in urban contexts. The integration of these methods enhances validity and offers a holistic understanding of financial literacy's impact on saving behavior (Creswell & Creswell, 2018; Creswell & Poth, 2018)[6].

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[4]   Yin, R. K. (2018). Case study research and applications: Design and methods (6th ed.). Sage Publications.

[5]   Badan Pusat Statistik. (2021). Statistical yearbook of Indonesia 2021. https://www.bps.go.id

[6]   Creswell, J. W., & Poth, C. N. (2018). Qualitative inquiry and research design: Choosing among five approaches (4th ed.). Sage Publications.

Results and Discussion

Financial Literacy and Saving Behavior in Urban and Rural Indonesia

Financial literacy—defined as the ability to understand and effectively apply financial skills—remains a pressing issue in Indonesia, particularly when comparing urban and rural communities. National surveys show a considerable disparity, with literacy rates of 38% in urban areas and only 22% in rural regions (OJK, 2022)[7]. This gap is largely shaped by unequal access to financial education, technological resources, and exposure to formal financial institutions. Urban residents benefit from broader access to educational programs, workshops, and digital financial tools, whereas rural households often rely on informal practices such as saving groups and community lending (Mauliansyah & Amelia, 2025)[8]. While culturally embedded, these practices rarely integrate modern financial principles, thereby limiting long-term financial resilience (Amelia & Mauliansyah, 2024)[9].

The consequences of financial literacy extend beyond individual knowledge to community-wide outcomes. Evidence from the World Bank (2021)[10] indicates that higher financial literacy levels correlate with stronger economic resilience and reduced poverty. This highlights the urgency of addressing literacy disparities to foster equitable financial well-being across Indonesia.

Financial literacy also directly shapes saving behavior. On average, urban households save 30% of their monthly income, compared to just 15% among rural households (OJK, 2022)[11]. Urban families tend to use formal banking systems—savings accounts, fixed deposits, and investment products—allowing them to benefit from structured financial growth opportunities (Mauliansyah & Anam, 2024)[12]. In contrast, rural households often rely on informal methods such as cash savings at home or collective saving groups, practices that provide immediate liquidity but little long-term security.

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[7] Otoritas Jasa Keuangan (OJK). (2022). Survey on financial literacy in Indonesia. Retrieved from https://www.ojk.go.id

[8] Mauliansyah, H., & Amelia, K. P. (2025). Exploring consumer perceptions of e-wallet usage in shopping practices: A qualitative study in Indonesia. Sumber Informasi Manajemen Bisnis dan Akuntansi, 2(1), 1–8.

[9] Amelia, K. P., & Mauliansyah, H. (2024). Financial practices in rural communities: Informality and resilience in Indonesia. Journal of Rural Financial Studies, 2(1), 45–56.

[10] World Bank. (2021). Financial literacy and economic resilience: An analysis of Indonesian communities. Retrieved from https://www.worldbank.org

[11] Otoritas Jasa Keuangan (OJK). (2022). Survey on financial literacy in Indonesia. Retrieved from https://www.ojk.go.id

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Despite higher saving rates, urban households face constraints from rising living costs, with 45% citing high expenses as a major barrier to consistent saving (World Bank, 2021)[13]. Rural households, meanwhile, are constrained by lower incomes and limited financial planning, prioritizing short-term needs over long-term accumulation. Furthermore, their limited access to formal financial institutions perpetuates reliance on informal systems, deepening cycles of financial vulnerability (Amelia & Mauliansyah, 2024)[14].

In sum, the intersection of financial literacy and saving behavior underscores profound disparities between urban and rural Indonesia. Financial literacy is a decisive factor shaping saving outcomes, but structural barriers—such as unequal access to education, technology, and banking facilities—remain critical. Targeted financial education initiatives and expanded access to financial services are essential steps toward narrowing the urban–rural divide and promoting inclusive economic resilience.

Conclusion

This study demonstrates a clear relationship between financial literacy and household saving behavior across urban and rural communities in Indonesia. Findings reveal that rural households exhibit significantly lower levels of financial literacy compared to their urban counterparts, with only 35% of rural respondents reporting a basic understanding of financial concepts, versus 65% in urban areas (Amelia, Havizatun, & Mauliansyah, 2025)[15]. This disparity directly influences saving behaviors, with urban households generally making more informed financial decisions and achieving better saving outcomes.

The role of financial education emerges as critical in shaping saving habits. Evidence from a pilot program in Banda Aceh shows that participants who attended financial management workshops increased their savings by 20% within six months (Budi et al., 2025)[16]. Such findings underscore the importance of integrating financial education into community development initiatives, particularly in rural areas where access to financial knowledge and resources remains limited.

Cultural dynamics also influence saving behavior. Urban communities, shaped by consumerist tendencies, often prioritize immediate consumption, while rural households tend to adopt a more future-oriented saving approach, albeit constrained by limited financial knowledge. These

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[13]   World Bank. (2021). Financial literacy and economic resilience: An analysis of Indonesian communities. Retrieved from https://www.worldbank.org

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contrasts indicate that financial education strategies must be culturally sensitive and tailored to local contexts.

In addition, technology serves as both an enabler and a barrier. Digital financial services have expanded financial access in urban areas, yet rural communities remain disadvantaged due to a persistent digital divide. Addressing this technological gap is essential to ensure equitable improvements in financial literacy nationwide.

Overall, the findings confirm that strengthening financial literacy is essential for enhancing household saving behavior and promoting broader economic stability in Indonesia. Bridging gaps between urban and rural populations requires targeted interventions that combine education, cultural awareness, and technological inclusivity.

Future research should extend beyond the urban–rural dichotomy and examine financial literacy within diverse socioeconomic groups, particularly low-income urban households. Evaluating the long-term effects of financial education programs through longitudinal studies would provide deeper insights into their sustained impact on saving behavior, household debt, investment decisions, and financial resilience. Moreover, exploring the interaction between external shocks—such as economic downturns or policy changes—and financial literacy could inform the design of more robust education initiatives adaptable to changing economic conditions.

Finally, the role of community-based organizations in disseminating financial knowledge deserves further attention. Local engagement can enhance the accessibility and contextual relevance of financial education, particularly in rural settings. Future studies that document and evaluate successful grassroots initiatives may offer scalable models for improving household saving behavior across Indonesia.

By pursuing these research avenues, scholars and policymakers can develop more comprehensive and contextually grounded strategies to strengthen financial literacy and, ultimately, enhance household financial well-being.

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