Madani: Jurnal Ilmiah Multidisiplin
Volume 2, Nomor 1, 2024

E-ISSN: 2986-6340
DOI: https://doi.org/10.5281/zenodo.10638028

Financial Literacy in Rich Dad Poor Dad book by Robert Kiyosaki

Juliandi Sahputra[1]
[1]STMB Multi Smart Medan, Jalan Pajak Rambe Martubung,
Kec. Medan Labuhan, Medan, Sumatera utara 20252
Email: sahputra.juliandi@gmail.com

Abstract

Rich dad poor dad is one of Robert Kiyosaki's best seller book that has been translatd in many languages. This study aims to find out the financial literacy in Rich dad Poor dad book. The results of this study found that there are two financial literacy: First one to understand assets vs liabilties an the second one is the poor mindset vs the rich mindset. This book is This book does not only give us knowledge about how money works but also open our perpective ho to manage our income as an individual.
Keywords: *Finanial Literacy, Finance, English*

Article Info
Received date: 15 Desember 2023 Revised date: 10 Januari 2024 Accepted date: 30 Januari 2024

INTRODUCTION

In this era, many people are trying to raise their income by doing multi jobs along the days. To cover daily life cost if we just depend on one source of income it will not be enough for some people.

At school our teacher never tought us how to get money easily what was tought at school was to be a good student then got a good score and we would get a good job.

According to the data by https://economy.okezone.com/ it is said that there are about four millions active job seekers looking for job every year. The four millions is not small numbers it is big one and it happen yearly. This condition possibly happen because of the mindset of financial literacy which is if you want to get money you have to go to school and get a good score and work in a good company. There is nothing wrong about this mindset, but the thing is this is not the only successful way to it.

Quoted from Kompas.id, their Data Journalism Team found that there was a 5.3 percent increase in the number of non-performing loan borrowers who were in default for more than 30 days in the age group 17 to 34 this year.

In 2022, the average income of working residents will be IDR 2.17 million per month. Meanwhile, the average loan value per person is IDR 2.31 million or 106 percent, greater than the average income.

On the other hand, the trend of using loan funds for consumer activities continues to increase. During January to August 2023, the monthly distribution portion for consumptive matters reached an average of 62.1 percent. The total distribution value for that period was IDR 19 trillion to 18.9 million recipients.

In the same period in 2022, the portion of online loans for consumers will be around 51.2 percent per month. This means that there was an increase of up to 10.7 percent. In the same period in 2021, the average portion of loans for consumptive matters was 48.3 percent per month. This means that there was an increase of 3.1 percent.

The stories mentioned above is hapening because of they do not have financial literacy. No one teaches them how to manage the money and so on. This does not only happen in Indonesia but also in other countries like what have been reported by the OECD/INFE 2020 international survey of adult financial literacy, about half of the EU adult population does not have a good enough understanding of basic financial concepts.

Another story that the writer would like to highlight is as in the news fragment contained in Detik.com-2018: The Central Management Board of the Indonesian Young Entrepreneurs

Association (HIPMI) stated that 1% of rich citizens control 50.3% of national assets or wealth.

Global Wealth Report 2018 released by Credit Suisse: The richest 1% of people in Indonesia control 46.6% of the total wealth of the adult population in the country. Meanwhile, the richest 10% control 75.3% of the total wealth of the Indonesian population.

In the Asian region, Indonesia's wealth gap is in third place after Thailand and India. In the land of the White Elephant, the richest 1% control almost 70% of the total wealth of the adult population. Meanwhile in India, the richest 1% control half of the total wealth of the adult population. Meanwhile, the richest 1% of people in Japan only control 18% of the total wealth of the adult population. This indicates that the wealth of the population in the Land of the Rising Sun is evenly distributed. This story tells us that if we know to manage our money it will give us more opportunities to improve our wealth and prosperity.

LITERATURE REVIEW

Financial Literacy

Fernando (2023) explains that financial literacy is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. When you are financially literate, you have the essential foundation of an intelligent relationship with money, and it will serve you as a starting point to a lifelong journey of learning about financial matters that are more advanced. The earlier you start, the better off you will be financially, because education is the key to success when it comes to money.

According to Susila (2022) "*Kecerdasan finansial adalah kemampuan seseorang dalam memahami pentingnya perencanaan dan penerapan tata kelola keuangan yang baik yang pada akhirnya membawa dia mampu mewujudkan impian dan harapannya. Tolok ukurnya bisa bermacam-macam, mulai dari tingkat penghasilan, kemampuan seseorang dalam menyisihkan penghasilannya untuk diinvestasikan, sampai dengan kemampuan seseorang dalam memilih investasi yang tepat yang memberikan passive income yang besar baginya."*

Translation: Financial intelligence is a person's ability to understand the importance of planning and implementing good financial management which ultimately leads him to be able to realize his dreams and hopes. "The benchmarks can vary, starting from income level, a person's ability to set aside his income for investment, to a person's ability to choose the right investment that provides a large passive income for him."

Income

According to Nasution (2009:206) in general terms, income is the flow of money or goods that is profitable for a person, group of individuals, a company or an economy over time. Sherraden (2006:23) explains that income is all the money that comes into a household or smallest unit.

As'ad (2013: 89) states that income is a reward for employee energy which is manifested as a result of production, or a service that is considered the same as that, which is in the form of money, without a definite guarantee every week or month." So, income is an award in the form of real results obtained from the work process in the form of wages, salaries and honoraria. It is very clear that income in the form of money is a real form that every human being must have to fulfill his needs his living needs. A person's willingness and ability to work departs from the needs of himself and his family.

Ekonomi

Sukirno (1999) argues that economic growth means the development of activities in the economy which causes the goods and services produced in society to increase and the prosperity of society to increase. The problem of economic growth can be seen as a long-term macroeconomic problem from one period to another. 1 Meanwhile, according to Lincolin Arsyad, economic growth is defined as an increase in gross domestic product (GDP)/gross national product (GNP) regardless of whether the increase is greater or less than the rate of population growth, or whether changes in economic structure occur or not.

Meanwhile, according to Ali Ibrahim Hasyim in his book Makro Enomoni (2016), economic growth can be interpreted as a process of changing a country's economic conditions on an ongoing basis towards a better state during a certain period. There are three basic components needed for a nation's economic growth; (1) The continuous increase in the supply of goods; (2) advanced technology as the main factor that determines the degree of growth in providing a variety of goods to the population; (3) the widespread and efficient use of technology requires adjustments in the institutional and ideological fields, so that the innovations produced by human science and technology can be utilized appropriately.

According to Nawawi (2009), Improvement means progress, change, improvement. While the economy has the basic word "Oikos" which means household and "Nomos" which means rules so the economy implies rules that apply to meet the necessities of life in one household. From the above understanding it can be concluded that an increase in pre-community is indicated by an increase in community welfare to meet the necessities of life.

The community's economy is a group of human groups who already have a life order, norms, customs applied in their environment. This is according to Noor (1997).

According to Zulkarnain (2003), populist economy is an economic system that must be adhered to in accordance with the philosophy of our country which concerns two aspects, namely justice and economic democracy, and side with the people.

RESEARCH METHOD

The method used in this study is to use the method of literature review or literature review. Literature Review is a reference list of all types of references such as books, journal papers, articles, dissertations, theses, theses, hand outs, laboratory manuals, and other scientific works. According to Pohan (2007), the purpose of this activity (the preparation of a literature review) is to collect scientific data and information, in the form of theories, methods or approaches that have developed and have been documented in the form of books, journals, manuscripts, records, historical records, documents, and others contained in the library.

According to Sugiyono (2017), literature study is an important step where after a researcher determines a research topic, the next step is to conduct theoretical studies and references related to the research being conducted. In research on language as a communication tool, it seeks to describe matters relating to language as a communication tool in which it explains the function of language as a communication tool, and communication in daily life explains why we communicate, and the language used when communicating in daily activity.

RESULTS AND DISCUSSION

Assets VS Liabilities

> *"Rich people acquire assets. The poor and middle class acquire liabilities that they think are assets, " said rich dad (Rich Dad Poor Dad, Page 2)*

On page two, Kiyosaki srtarts to highlight that rich people have different mindset from poor people when it deals with the definition of assets. The poor one think that liabilities are the same as assets. Kiyosaki adds his statement on page 63 which says that an asset is something that we put in our pocket while a liability is something we take away. Here is the detail quotation:

> *"An asset is something that puts money in my pocket. A liability is something that takes money out of my pocket." ((Rich Dad Poor Dad, Page 63)*

Here are some definition of what assets are according to the experts: Sujaini (2023) states that An asset basically is a resource that comes with an economic value and is owned or controlled by an individual, corporation or country in hopes that it will prove some future benefit to the entity. She adds that An asset is thought of as something that in future can generate cash flow, reduce expenses or improve sales irrespective of whether it is production equipment or patent. It is an economic resource for a company, individual or firm or represents access that is not open to other individuals, companies, or firms.

The definition of an asset in the 1993 SNA in para 10.2 is as follows: The assets recorded in the balance sheets of the System are economic assets. These are defined as entities: (a) over which ownership rights are enforced by institutional units , individually or collectively: and (b) from which economic benefits may be derived by their owners by holding them, or using them, over a period of time. (Harrison : 2006)

Here are some definition of what liabilites are according to the expert: Economictimes (2024) says that Liability usually means that you are responsible for something, and it can also mean that you owe someone money or services. For example, a homeowner's tax responsibility can be how much he owes the city in property taxes or how much he owes the federal government in income tax. When a store charges a customer sales tax, the store must pay sales tax until the money is sent to the county, city, or state.

Girrardin (2023) tells us that A liability is simply a debt or obligation. Most people have liabilities in their day-to-day lives: car payments, rent, and credit card bills. In corporate finance, the liabilities are similar, just on a much larger scale.

Liabilities for a business may be long-term loans for funding operations, money a company owes to vendors or suppliers, and leases on warehouse space. If a company has an obligation to pay someone or for something, it is a liability.

Based on the definition of assets and liabilties above the writer can take the conlusion that an asset and a liability are different. An asset will and can generate profit in future while a liabilty is a debt or obligation that need to be paid reguarly. One is generating income and another is is reducing income.

This stement is also agreed by Konsiski (2022). It is said that to understand how the two differ, you have to know the liability vs. asset meaning:

- **Liabilities:** Existing debts a business owes to another business, vendor, employee, organization, lender, or government agency. Liabilities can help owners finance their companies (e.g., loans).
- **Assets:** Items or resources of value that the business owns. Assets can generate revenue and provide long-term benefits to the owner (e.g., property).

Poor mindset VS Rich mindset

It is said that Robert Kiyosaki has two fathers. The first father is Robert Kiyosaki's biological father was a Stanford-educated PhD who followed traditional career thinking and was financially illiterate. Poor Dad first encouraged Kiyosaki to go talk to Rich Dad regarding his frustratings over being poor.

Poor Dad represents the traditional view on work and money – go to school, get a good job and climb the ladder, prize stability over independence, buy a house, and spend money without a clear long-term plan.

Our of the Rich Dad is the second fafther of Kiyosaki. Kiyosaki draws the most important lessons from Rich Dad. Rich Dad was a high school dropout and local businessman that employed thousands at his businesses while maintaining financial independence. Rich Dad represents what was then a more contrarian view – work for salary if you have to, but aim for financial independence; have your money generate more money; and take calculated risks boldly.

"People really do shape their lives through their thoughts." (Rich Dad Poor Dad, page 20)

On this page Kiyosaki tries to tell people that thought/mindset will determine someone' lives. It goes the same with how people mindset about money will determine their money journey.

"The poor and the middle class work for money. The rich have money work for them."

On the next line he emphasizes that poor people and rich people have different mindset or perpective about money. It says that poor and middle people work for money while rich people they do not work for money, they make money work for them.

The poor mindset people need to work from nine to five spending their time everyday to pay bills, rent or paycheck while rich mindset people buy asset in order to make them generate money from it.

CONCLUSION

Rich Dad Poor Dad is a good book to read for everyone. This book does not only give us knowledge about how money works but also open our perpective ho to manage our income as an individual. Not everyone can generate more money but everyone can learn to manage their money. Bigger income does not guarantee that you can manage it. It is highly recommended for everyone to start learning about finanacial literacy to make our money more productive.

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