

Individual Financial Management Behaviour of Productive Age in Padang

Erni Masdupi¹, Rosyeni Rasyid², Rahmiati³

¹Universitas Negeri Padang, Padang, Indonesia, ✉ emasdupi@gmail.com

²Universitas Negeri Padang, Padang, Indonesia, ✉ rosyenirasyid@gmail.com

³Universitas Negeri Padang, Padang, Indonesia, ✉ rahmifeunp@gmail.com

Abstract

The purposes of this research are: 1) to analyze the profile of financial management behavioral of productive age in Padang, West Sumatra; 2) to compare and analyze the profile of financial management behavior that includes groups of active college students; graduated from college but not working yet; already working and not married; already working and married. To achieve the purposes, this research used a qualitative descriptive approach. The population of this study were individuals of productive age groups (18-55 years) in Padang. The sample is 200 respondents which is obtained by snowball technique.

Keywords: individual financial management behaviour; productive age; padang

Introduction

One indicator to see the success of a country's government is that it can be seen from how prosperous its people are. Prosperity is a condition where a person feels comfortable, peaceful, happy, and can fulfill their needs. In order for this life need to be fulfilled properly, intelligence is needed in the management of personal finance. With the income it receives, it is expected that the community can behave well and be responsible for using it. Ideally the income received should also be allocated not only for consumption but also for savings and investment. But in reality sometimes the behavior of individual financial management has not gone well.

The community referred to in this study are individuals in the productive age group, namely in the age range of 18-55 years. In this age range, people are assumed to have sufficient knowledge gained through formal education or lecture bench. Behavior in the management of personal finance will affect the level of welfare and in turn will affect the level of welfare of a nation as a whole.

Today, the financial management of the productive age community is the focus of the government or financial institutions (Mian and Thao, 2015). Lately, consumer consumptive behavior has tended to be higher accompanied by a debt culture through the use of credit cards so that funds allocation for saving and investment tends to be small and even nonexistent. For this reason, individual financial management since young is very important to achieve financial independence or known as *personal financial management behavior*.

Regarding the matter, the Financial Services Authority (OJK) has conducted a survey on financial management; OJK always educates the productive age community and the younger generation. With an increase in one's financial knowledge, it is hoped that this can improve their welfare. OJK has also done the following things such as providing financial education content on the page <http://sikapiuangmu.ojk.go.id>; published a college-level financial education book in August 2016. In addition to the OJK, the Indonesia Stock Exchange (IDX) actively encouraged people to invest in the capital market since 2015. Thus the public was encouraged to be smart in managing their personal finances. How people behave in their personal financial management is also called personal financial management behavior. In other words, personal financial management behavior is the ability of individuals to manage both planning, budgeting, checking, controlling, searching and storing daily financial funds (Kholilah and Iramani, 2013). Personal financial management behavior is very important to train individuals who are responsible for managing their own finances productively and effectively,

starting from the process of managing money and other assets. For that, research on the financial management behavior of individual productive age people needs to be done.

Financial Management behavior is related to one's ability to manage their daily financial funds. The emergence of this behavior is the impact of the amount of one's desire to fulfill their life needs in accordance with the level of income earned. Shefrin (2000) defines behavioral finance (financial behavior) is a study that studies how psychological phenomena affect their financial behavior or behavior of stock players. While Nofsinger (2002) defines financial behavior that is studying how humans actually behave in a financial decision determination, in particular, studying how psychology influences financial decisions, companies and financial markets. The two concepts outlined clearly state that financial behavior is an approach that explains how humans invest or are related to finance influenced by psychological factors. Furthermore, Lintner (1998) and Ricciardi (2000) stated "Behavioral finance is the study of how humans interpret and act on information to make informed investment decisions". Referring to this definition, behavioral finance is a science that studies how humans respond to and react to information in an effort to make decisions that can optimize the rate of return by taking into account the risks inherent in it (elements of human attitudes and actions are determining factors in investing).

Methods

This study aimed to reveal the profile of the financial management behavior of individual productive age people in the city of Padang, West Sumatra, which includes active college students; graduated from college not working yet; already working unmarried; and have worked and are married using the survey method. This research was conducted in the city / Padang because in this city there are relatively more colleges. The population of this study is the productive age community (18-55 years) in the city of Padang, West Sumatra. The sampling technique is snowball, which is the selection of samples by finding a respondent, then based on the first respondent, the next respondent's information will be obtained, and so on until a sample is obtained that adequately represents the four productive age groups. The sample size of this study was 200 people. The profile of individual financial behavior is identified using Financial Management variables measured by using indicators such as consumption, cash flow management, saving and investment and credit management.

Data analysis was performed using qualitative descriptive analysis so that later the profile of individual financial management of productive age people can be known in the age range of 18-55 years. By doing this analysis, it will be able to know how the individual behavior of productive age groups in managing their personal finances.

Result and Discussion

Respondent Description

Respondent characteristic classified by gender

Table 1 Respondent Profile Classified by Gender

No	Gender	Frequency (orang)	Percentage(%)
1	Male	121	60,5%
2	Female	79	39,5%
	Total	200	100

Source: Primary Data, 2018

Table 1 showed that 121 people (60,5%) from 200 respondents were male and 79 respondents (39,5%) were female. Based on Table 1 it can be said that more than half of the respondents were male. Community financial behavior in the productive age group is still not optimal with the level of achievement of respondents ranging from 71,09% with an average community answer of 3,56. This

indicates that the behavior of individual financial management in the productive age group is still relatively good in terms of consumption, cash flow management, saving and investment; and credit management. The relatively low individual financial management of the people in the city of Padang which contributes a lot is the male productive age group.

Respondent characteristic classified by age

Table 2 Respondent Characteristic Classified by Age

No	Age Groups	Frequency (orang)	Percentage (%)
1	18-23 years	98	49,0
2	24-29 years	49	24,5
3	30-35 years	13	6,5
4	36-41 years	17	8,5
5	>41 years	23	11,5
Total		200	100

Source: Primary Data, 2018

Table 2 shows the characteristics of respondents based on age. The highest number of respondents is in the age range of 18-23 years, as many as 98 people (49%). Then respondents at the age of 24-29 years were 49 people (24,5%), followed by respondents in the range above 41 years as many as 23 people (11,5%), respondents in the age range of 36-41 years were 17 people (8,5%) and in the last sequence of respondents in the 30-35 years' age range was 13 people (6,5%). Because almost half of the respondents are young people in the range of 18-23 years, this might contribute to the low behavior of community financial management. This may be due to their relatively young age.

Respondent characteristic classified by status

In this study respondents were divided into 4 status groups namely active college, graduating from college and not working, working and not married, and working and married. To find out respondents based on their status can be seen in Table 3.

Table 3 Respondent Characteristic Classified by Status

No	Status	Frequency (people)	Percentage (%)
1	Registered Student	50	25
2	Graduated and unemployment	50	25
3	Employed and not married	50	25
4	Employed and married	50	25
Total		200	100

Source: Primary Data, 2018

Table 3 shows that the number of respondents for each status group had the same number of 100 people (25%).

Respondent characteristic classified by income

In this study the income of respondents was divided into 5 income groups, namely under 2,5 million, in the range of 2,5-5 million, 5-7 million, 7-10 million and the last was above 10 million. To find out the number of respondents based on their income can be seen in Table 4.

Table 4 Respondent Characteristic Classified by Income

No	Income (in month- Million)	Frequency (orang)	Percentage (%)
1	<2,5	136	68,00
2	2,5jt-5	51	25,50
3	5jt-7	10	5,00
4	7jt-10j	2	1,00
5	>10jt	1	0,50
Total		200	100

Source: Primary Data, 2018

Table 4 shows the characteristics of respondents based on their income which is known that out of 200 respondents as many as 136 people have monthly income in a small group of 2,5 million with the highest percentage of 68%. Then as many as 51 people (25,5%) have income in the range of 2,5-5 million rupiah, as many as 10 people (5%) have income in the range of 5-7 million, as many as 2 people (1%) have income in the range of 7-10 million, and the least is 1 person (0,5%) has income above 10 million. The most income is at <2,5 million because as many as 50 respondents are students and 50 more respondents have not worked and only earn income from their parents. The results showed that more than half of respondents earn less than Rp 2.500.000 per month. The income is still categorized as low so they can only fulfill their basic needs at a minimum standard level. Therefore, the ability of the productive age group to manage finances is still relatively low.

Based on Table 4, it can be seen that more than half of the respondents have an income of <2,5 million. This happened because the group of respondents who were active in college and had not yet worked college, which amounted to 100 respondents were groups that still fully earned their income from parents.

Respondent characteristic classified by occupation

Table 5 Respondent Characteristic Classified by Occupation

No	Occupation	Frequency (orang)	Percentase (%)
1	Student	50	25,0
2	Entrepreneurs	42	21,0
3	TNI/Polri	2	1,0
4	Government and private employees	31	15,5
5	Civil servants / lecturers / teachers	17	8,5
6	Not Worked	50	25,0
7	Others	8	4,0
Total		200	100

Source: Primary Data, 2018

Table 5 shows the characteristics of respondents based on the work that is known to be dominated by 50 people who are still students (25%) and 50 people who have not worked (25%). Then the second position was followed by 42 people who worked as entrepreneurs or entrepreneurs. The positions of the three most respondents were those who worked as employees both working in government and as private employees as many as 31 people (15,5%). Furthermore, respondents who worked as civil servants / lecturers / teachers were 17 people (8,5%), respondents with other professions- others such as online drivers, laborers, security guards and honorariums as many as 8 people (4%), and the least working TNI / Polri respondents were 2 people (1%).

Variable Description

Table 6 Variable Description of Personal Financial Management Behaviour

No	Variable	Score Total	Average Skor	% TCR	Description
1	Consumption	728	3,64	72,79	Enough
2	Cash Flow Management	708	3,54	70,78	Enough
3	Saving and Investment	702	3,51	70,20	Enough
4	Credit Management	706	3,53	70,59	Enough
Average			3,56	71,09	Enough

Source: Primary Data, 2018

Based on the results of the frequency distribution of the Consumption variable in Table 6, the average score of Consumption in the City of Padang was 3,64 with the TCR of 72,79% which was in the sufficient category. This finding explains that the people of Padang City have not been able to meet their needs properly. The income of the productive age group every month in the city of Padang can only meet the needs with minimum standards. In shopping they also tend to compare prices before they buy the item. This may be due to their limited income which can only fulfill the basic needs they really need. In buying their needs, the people of Padang City tend to weigh carefully. But they did not record and save their monthly expenses. Thus it can be concluded that the average community in the city of Padang has a relatively low income to meet their basic needs

The average score for variable cash flow management is 3,54 with a TCR of 70,89% which is in the sufficient category. This finding indicates that the people of Padang City have not been able to properly manage their income and expenditure. The people of Padang City do not always record their income and expenditure every month. Ideally, in the management of personal finance we should always make income estimates and estimate revenues every month so that expenditure does not exceed revenue. But this has not been done well. Instead their concern for the importance of providing funds for unexpected needs is high. Thus it can be concluded that the average community in Padang City has not optimally managed its cash flow.

The average score for saving and investment variables is 3,51 with a TCR of 70,20%. The productive age group community in the city of Padang has allocated funds for savings. The savings they make are not in the form of "arisan" and not by setting aside regular funds for deposits in banks. This is indicated from their savings funds at banks not increasing and they do not set the amount of deposits every month. If they would invest, they would prioritize the security of the investment. This shows that Saving and Investment activities are categorized as good enough. The conclusion that can be drawn is that the people of Padang City have begun to have savings and investment.

Based on the results of the variable frequency distribution of Credit Management, an average Credit Management score in the City of Padang was 3,53, the TCR of 70,59% was in the sufficient category. This finding explains that the people of Padang City are relatively still lacking in managing their credit / loans. If they need funds, most of them have dared to use loans from banks and the loans are paid periodically and they rarely pay in credit. But productive age groups in the city of Padang are still relatively reluctant to use credit cards in meeting their funding needs. Thus it can be concluded that the average community in Padang City manages loans relatively well.

Conclusion

Based on the results of quantitative descriptive analysis it can be concluded that the personal financial management behavior of the productive age group is still relatively low in the city of Padang. This is indicated by their ability to meet their low consumption, the cash flow management is still not optimal, the fund allocation for saving and investment is still relatively limited. The funds also have their credit

management in sufficient condition. For this reason, in the future research, we identify the variables that affect personal financial management behavior in productive age groups in the city of Padang.

References

- Andrew, V., & Linawati, N. (2014). Hubungan Faktor Demografi dan Pengetahuan Keuangan Karyawan Swasta di Surabaya. *FINESTA*, 02(02) .
- Dew, J., & Xiao, J. J. (2011). The financial management behavior scale: Development and validation. *Journal of Financial Counseling and Planning* 22(1) , 49-53.
- Grable, J. E., & Nitzch, R. V. (2009). Explaining Financial Management Behavior for Korean Living in The United State. *The Journal of Consumer Affair* , 43 (1).
- Ida, & Dwinta, C. Y. (2010). Pengaruh Locus of Control, Financial Knowledge dan Income Terhadap Personal Financial Management Behavior. *Jurnal Bisnis dan Akuntansi* ,12 (3), 131 - 144.
<http://sikapiuangmu.ojk.go.id>
- Kholilah, N A & Iramani, RR (2013). Studi Financial Management Behavior Pada Masyarakat Surabaya. *Journal of Business and Banking*, 3 (1), 69-80.
- Lintner, G. (1998). Behavioral Finance: Why Investors Make Bad Decisions. *The Planner* 13 (1): 7 – 8 .
- Mien, N. T., & Thao, T. P. (2015). Factors Affecting Personal Financial Management Behaviors : Evidence from Vietnam. *Proceeding of the Second Asia-Pacific Conference on Glboal Business, Economic, Finance and Social Sciences (AP15 Vietnam Conference)*.
- Nofsinger, , J. (2002). *Investment Blunders of the Rich and Famous*. Prentice Hall.
- Perry, V. G., & Morris, M. D. (2005). Who Is in Control ? The Role of Self-Perception, Knowledge and Income in Explaining Consumer Financial Behavior. *The Journal of Consumer Affair*, 39 (2.299) , 133.
- Ricciardi, V., & Simon, H. K. (2000). What is Behavior in finance ? *Business. Education, and thechnology journal, fall : 1-9* , 72.
- Rotter, J. B. (1996). Generalized Expectancies for Internal Versus External Control of Reinforcement. *Pshycological Monographs*, 80, 1-28.
- Ricciardi, V. A. (2000). What is Behavior in Finance. *Business, Education, and Technology Journal*, Fall: 1 – 9.
- Shefrin, , H. (2000). Beyond Greed and Fear: Understanding Behavioral Finance and. *Harvard Business School Press* .
- Shefrin, H. (2007). Behavioral Corporate Finance : Decision That Create Value. *McGraw-Hill/Irwin Series in Finance, Insurance, and Real Estate* .
- tribunnews.com