

SAVING BEHAVIOR OF THE MILLENNIAL GENERATION IN JAKARTA

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ABSTRACT

Indonesian people's interest in saving has decreased to only 15.4% as of May 2024. Bank Indonesia invites the public, especially the millennial generation, to get into the habit of saving. This study aims to determine the effect of peer influence, socialization of parents and self-control on saving behavior. The number of samples in this study was 240 people from the millennial generation who already have income in Jakarta. This study used Structural Equation Modelling (SEM) for data analysis. The results of this study show that peer influence, socialization of parents and self-control have a positive effect on saving behavior.

Keywords: *Peer influence, socialization of parents, self-control, saving behavior*

1. INTRODUCTION

Indonesian people's interest in saving has decreased to only 15.4% as of May 2024. In May 2023, Indonesian people's interest in saving would be at 19.8%. Bank Indonesia invites the public, especially the millennial generation, to get into the habit of saving (Mahendra, 2024).

The Fidelity Retirement Planning Study in 2024 stated that as many as 57% of the millennial generation believe that it will be more difficult to save for retirement due to the higher cost of living. In the study, respondents stated that rising prices due to inflation and consumer debt were the main obstacles to achieving retirement savings goals (Respati & Ika, 2024).

Emergency funds are not something that concerns many of the millennial generation. Around 61.7% of the millennial generation do not have an emergency fund. This is because the millennial generation does not have financial goals, cannot manage cash flow, and social media factors expose consumer lifestyles, thereby influencing the lifestyles of young people. The millennial generation also tends to be more wasteful because of advertising, discounts, and the ease of making purchases (Pratama, 2023).

Some of the financial mistakes made by the millennial generation include not planning for retirement due to lack of knowledge, not investing early because they feel they don't have enough money, not saving enough which has an impact on lack of financial security in the future, not managing debt properly which resulting in debt and financial difficulties, having bad credit habits, not having an emergency fund and not focusing on learning about personal finance (Setiawan, 2023).

Research conducted by OCBC NISP involving 1,351 respondents aged 25-35 years from 9 large cities in Indonesia (Jabodetabek, Surabaya, Medan, Bandung, and Makassar) showed that only 47% of respondents regularly saved a minimum of 20% of their income, amounting to 38% of respondents have sufficient emergency funds (6 months' income) in case of a crisis, and 12% of respondents have expenses that exceed income (OCBC NISP Financial Fitness Index, 2023).

In previous research, peer influence variables were used to explain saving behavior. The research results of Jamal, Ramlan, Karim, Mohidin, and Osman (2015), Dangol and Maharjan (2018), Zulaika and Listiadi (2020), Kadir, Shoukat, Naghavi and Jamaluddin (2021) and Tyas and Rahmawati (2021) show that peer influence has a positive effect on saving behavior. Different research results were found by Sirine and Utami (2016), Amilia, Bulan, and Rizal (2018) and Hajar and Isbanah (2023) who stated that peer influence has no effect on saving behavior.

Socialization of parents was used to explain saving behavior in previous research. The research results of Sirine and Utami (2016), Amilia, Bulan, and Rizal (2018), Kamarudin and Hashim (2018), Khatun (2018) and Kadir, Shoukat, Naghavi, and Jamaluddin (2021) show that socialization of parents has a positive effect on saving behavior.

In previous research, the self-control variable was used to explain saving behavior. The research results of Ardiana (2016), Chalimah, Martono, and Khafid (2019), Zulaika and Listiadi (2020), Hajar and Isbanah (2023) and Melvianda and Rahmi (2023) show that self-control has a positive effect on saving behavior. Different research results were found by Gerhard, Gladstone, and Hoffmann (2018) who stated that self-control has no effect on the saving behavior of households that are still struggling and are not yet established. The research results of Kadir, Shoukat, Naghavi, and Jamaluddin (2021) also show that self-control has no effect on saving behavior.

The purpose of this study is to determine the effect of peer influence, socialization of parents and self-control on saving behavior. The theory used as a basis for this research is the Theory of Planned Behavior.

Dangol and Maharjan (2018) stated that saving behavior is a combination of perceptions of future needs, savings decisions, and savings actions. Kenny (2020) explains that saving behavior is a process of placing a certain amount of excess funds owned by a person with the aim of providing available financial needs, financial planning, and security in terms of liquid savings. According to Mardiana and Rochmawati (2020), saving behavior is an activity related to the way individuals treat, manage, and use the financial resources they have to set aside or save.

Amilia, Bulan, and Rizal (2018) stated that peer influence is an individual relationship between children or teenagers of the same age level and involves relatively large levels of closeness within the group. Zulaika and Listiadi (2020) explain that peer influence is a group of people who have close friendships with people of almost the same age range who influence each other regarding several things, one of which is financial matters. According to Kadir, Shoukat, Naghavi, and Jamaluddin (2021), peer influence shapes friends' saving behavior and motivates them to spend money only according to their needs and avoid excessive spending. The research results of Ling (2021) show that peer influence has a positive effect on saving behavior. A student tends to be more easily influenced by his peers,

which will influence the student's saving behavior. The first hypothesis formulated in this research is:

H1: Peer influence has a positive effect on saving behavior

Amilia, Bulan, and Rizal (2018) stated that the socialization of parents is the role that parents have for their children in providing education about finances in the family. Kamarudin and Hashim (2018) explained that the socialization of parents is the guidance and encouragement of parents for their children to save. According to Yulianti (2023), the socialization of parents is a process of learning about values and norms, habits, attitudes, and behaviors that apply in society, which are learned through parents as a medium of socialization. Sirine and Utami (2016) stated that parents' example of managing finances has a positive impact on students' habit of saving. The second hypothesis formulated in this research is:

H2: Socialization of parents has a positive effect on saving behavior

Ardiana (2016) states that self-control is an individual's way of controlling emotions and impulses from within themselves. Individuals with low self-control tend to be more easily involved in negative things. Sirine and Utami (2016) explained that self-control is the ability to identify and regulate one's emotions and desires. Self-control is characterized by self-discipline and the ability to delay satisfaction. According to Zulaika and Listiadi (2020), self-control is a person's ability to make decisions between saving money or spending the money they have. Someone with good self-control will be careful in making decisions regarding the use of money. The research results of Petpairote (2023) show that self-control influences the saving behavior of income earners in cities in Thailand. People who have good self-control can prioritize needs over momentary desires. The third hypothesis formulated in this research is:

H3: Self-control has a positive effect on saving behavior

The following is Figure 1, which shows this research model.

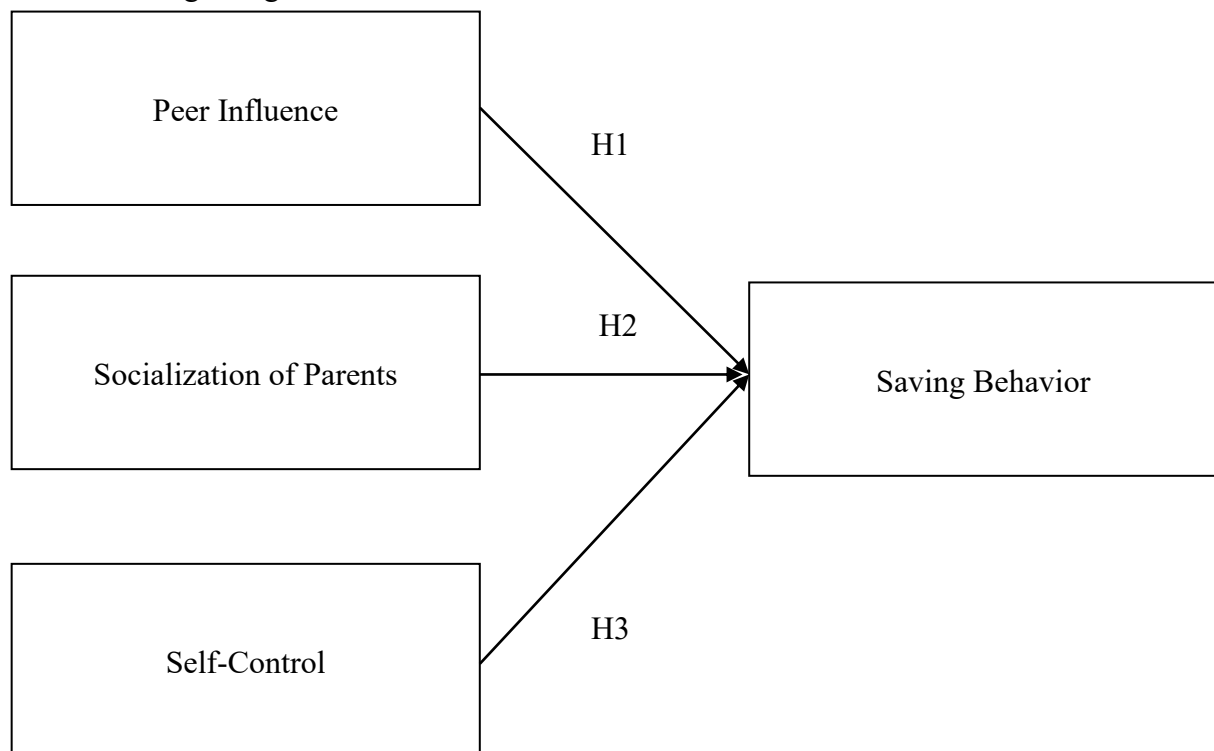


Figure 1. Research Model

2. RESEARCH METHOD

This research uses a descriptive research design. The population in this research is the entire millennial generation, which already has income in the Jakarta area. The sample selection technique used in this research was convenience sampling. The number of samples used in this research was 240 people from the millennial generation who already have income in the Jakarta area.

Peer influence was measured by using five statements adapted from Sirine and Utami (2016): (1) "I know that some of my friends save regularly in the bank", (2) "I discussed how to manage finances, especially saving, with my friends", (3) "I compare the amount I spend on shopping with my friends", (4) "I spend my free time with my friends", (5) "I involve my friends in my shopping activities".

Socialization of Parents was measured by using seven statements adapted from Khatun (2018): (1) "My parents are a good example of financial management", (2) "I talk about financial management with my parents", (3) "I feel good when my parents keep an eye on my spending", (4) "It was a good thing to ask my parents to save my money to help me save", (5) "My parents feel proud of me because I save", (6) "I respect it when my parents give me advice on how to spend money", (7) "Saving is something I do regularly because my parents want me to save".

Self-control was measured by using six statements adapted from Sirine and Utami (2016): (1) "I save because I think saving is not difficult", (2) "The statement 'I saw, I liked, and I bought something' does not describe me", (3) "I'm not easily attracted to lures", (4) "I can control myself in spending money", (5) "When I set savings goals for myself, I can achieve them", (6) "I focus on what happens to me in the long term".

Saving behavior was measured by using four statements adapted from Dangol and Maharjan (2018): (1) "By saving, I can amaze other people", (2) "I set aside money regularly for the future", (3) "I follow my monthly budget carefully", (4) "I have money available for emergencies".

The data collection method used in this research is by using a questionnaire. The questionnaire was created using Google Form. Distribution of the questionnaire was carried out online via social media. This research uses a Likert scale to determine how strongly the subjects agree or disagree with the statements used to measure the variables in this research. Before carrying out data analysis, validity and reliability tests are carried out first. The data analysis technique used in this research is Structural Equation Modeling (SEM).

3. RESULTS AND DISCUSSIONS

Table 1. Validity and Reliability Test Results

| Variable | AVE | Cronbach's Alpha | Composite Reliability |
|--------------------------|-------|------------------|-----------------------|
| Peer Influence | 0.515 | 0.843 | 0.881 |
| Socialization of Parents | 0.501 | 0.800 | 0.857 |
| Self-Control | 0.556 | 0.733 | 0.833 |
| Saving Behavior | 0.535 | 0.782 | 0.852 |

Table 1 shows that the variables peer influence, socialization of parents, self-control, and saving behavior have Average Variance Extracted (AVE) values above 0.5. Thus, it can be stated that all variables are valid.

From table 1, it can also be seen that the variables peer influence, socialization of parents, self-control, and saving behavior have Cronbach's Alpha and Composite Reliability values above 0.6. Thus, it can be stated that all variables are reliable.

In this research, the coefficient of determination (R^2) value was 0.553 or 55.3%. This means that 55.3% of the variation in saving behavior can be explained by peer influence, socialization of parents, and self-control, while the remaining 44.7% is explained by variations in other variables.

In this research, the goodness of fit value was 0.5397. This means that the suitability of the model generated in this study is large.

Table 2. The Result of Bootstrapping Test

| Variable | Path Coefficient | t-statistics | p-values |
|--|------------------|--------------|----------|
| Peer Influence → Saving Behavior | 0.225 | 3.996 | 0.000 |
| Socialization of Parents → Saving Behavior | 0.178 | 2.651 | 0.008 |
| Self-Control → Saving Behavior | 0.487 | 6.397 | 0.000 |

Table 2 shows that peer influence has a positive effect on saving behavior (path coefficient = 0.225; t-statistics = 3.996 (greater than 1.96); p-values = 0.000 (less than 0.05)). Intense relationships with peers who have the habit of frugality and saving will form individuals who have a good view of saving, and ultimately, these individuals have good saving behavior within themselves. The results of this research are in accordance with the results of research conducted by Jamal, Ramlan, Karim, Mohidin and Osman (2015), Dangol and Maharjan (2018), Zulaika and Listiadi (2020), Kadir, Shoukat, Naghavi and Jamaluddin (2021) and Tyas and Rahmawati (2021) which states that peer influence has a positive effect on saving behavior.

Table 2 shows that the socialization of parents has a positive effect on saving behavior (path coefficient = 0.178; t-statistics = 2.651 (greater than 1.96); p-values = 0.008 (less than 0.05)). The better the parents' socialization in saving, the better the children's savings behavior will be. Parents who set a good example in financial management will encourage their children to have good saving behavior. The results of this research are in accordance with the results of research conducted by Sirine and Utami (2016), Amilia, Bulan, and Rizal (2018), Kamarudin and Hashim (2018), Khatun (2018) and Kadir, Shoukat, Naghavi, and Jamaluddin (2021) which states that socialization of parents has a positive effect on saving behavior.

Table 2 shows that self-control has a positive effect on saving behavior (path coefficient = 0.487; t-statistics = 6.397 (greater than 1.96); p-values = 0.000 (less than 0.05)). The better self-control an individual has, the better their saving behavior will be. Individuals with high self-control will be more careful in spending money on goods or services and can prevent impulsive buying behavior so that the individual can allocate the money they have for saving. The results of this research are in accordance with the results of research conducted by Ardiana (2016), Chalimah, Martono, and Khafid (2019), Zulaika and Listiadi (2020), Hajar and Isbanah (2023) and Melvianda and Rahmi (2023) which states that self-control has a positive effect on saving behavior.

4. CONCLUSIONS AND SUGGESTIONS

The results of this study show that peer influence, socialization of parents, and self-control have a positive effect on saving behavior. The limitation of this research is that saving behavior can only be explained by independent variables consisting of peer influence, socialization of parents, and self-control. The results of this research can only explain the saving behavior of the millennial generation, which already has income in the Jakarta area.

In the next paper, we will discuss the use of other independent variables to explain saving behavior, such as financial inclusion, financial self-efficacy, financial skill, future perceptions, and social pressure. This research will be developed by trying to use other respondents, such as the millennial generation who come from areas other than Jakarta, and other generations, such as Generation Z, to explain saving behavior. The public, especially parents, are always advised to provide understanding and discussion regarding financial management, especially saving, to their children from an early age so that good saving behavior can be realized. If at an early age, the attitude and behavior of saving is instilled, then in the future, the child will be able to manage his personal finances well.

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