Original Research Article

Linking Family Income with Family Financial Management Competenceand Community Lifestyle

ABSTRACT

One of the problems in the family is financial problems, which are often related to debts and receivables, small purchasing power, and an imbalance between expenses and income. This research aims to obtain facts about family income, financial management competence, and people's lifestyles during the pandemic. Sampling using an accidental sampling technique was 160 wives in Malang. The correlation test results show that education level and employment status positively correlate with family income. Moreover, management competency is positively correlated with lifestyle. The multivariate test shows that family income and education level influence financial management competence and lifestyle. A wife is expected to have high financial management insight to manage family finances well to improve family welfare.

*Keywords***:***Household, Family Income, Financial Management Competence, Lifestyle, Indonesia*

INTRODUCTION

One of the problems in the family is financial problems, which are often related to debts and receivables, small purchasing power, and an imbalance between expenses and income. This problem is very common in families or households from all walks of life, both upper class and especially lower middle class. Humans generally have unlimited desires; this can impact the desire to fulfil desires by forgetting about their financial conditions. If all operational costs in the household are not managed properly according to the family's income sources, this can cause lasting problems. Financial management needs planning to achieve short-term and long-term goals [1]. This goal is achieved through a good allocation of funds. So you do not get trapped in unlimited desire behaviour[2] ;[3]. One of the factors that causes family finances not to be managed well is a need for insight into financial management[4]. This lack of insight can lead to not achieving prosperity [5].

Under normal conditions, incorrect financial management can cause many problems for families, especially in the Covid-19 pandemic. The Covid-19 pandemic has brought many life changes in Indonesia, especially in the economic sector. The official statistical news on August 5 2020, released by the Central Statistics Agency [6], stated that the COVID-19 pandemic caused an economic shock that led to a global recession. Many people have lost their jobs, which has reduced the family's financial income sources. The government implemented Various policies to reduce the spread of COVID-19 in various ways, such as closing schools and several business sectors and large-scale social restrictions, which decreased consumption and investment levels. People prefer to cook and eat at home because there are orders to stay at home, social distancing, PPKM, and PSBB, so e-commerce has emerged. These changes to purchase transactions provide fast and comfortable service that can be accessed from anywhere. This ease of transactions can cause household consumption to increase, but people's incomes decrease, so this can disrupt the family's financial condition. Therefore, every family financial manager needs to be able to manage finances and adjust their lifestyle according to their financial conditions. Lifestyle influences a person's behaviour, which ultimately determines a person's consumption patterns. Based on the above phenomena, this research aims to obtain facts about the competence of family financial management and the lifestyle of Malang City after the COVID-19 pandemic.

Financial Management

Financial management is a technique for balancing human lifestyles, such as consumptive lifestyles, with productive lifestyles, such as investment, saving and business[7]. Financial management as an action to achieve financial goals in the future. Financial management is an important part of overcoming economic problems, both individual, family and company economic problems[8]. The households make consumption expenditures for food and non-food items. It is important to manage household finances because it aims to avoid having more debt than family income[9]. Therefore, the level of knowledge is important because it allows individuals to understand how to manage family finances and savings behaviour[10]. Knowledge of financial management is very important for individuals so that they do not make mistakes in making financial decisions[11]; [12].

Personal financial management into four domains, namely: 1) use of funds; Wherever the source of funds comes from, the problem is how to allocate them to meet needs appropriately based on a priority scale, such as allocating 70% of funds to fulfil daily consumption, 20% for savings and 10% for investment. 2) determining the source of funds: A person must know and determine where their funds come from to look for other alternative sources of funds as a source of financial income to manage. 3) risk management: A person must have good protection to anticipate unexpected events. 4) future planning: By planning for the future, you can analyze future needs to prepare investments now[13].

Lifestyle

Lifestyle does not only include something more than just a person's social class or personality but rather a way of life that is identified by how other people spend their time (activities) seen from work, hobbies, shopping, sports and activities. Social interests consist of food, fashion, family, recreation and opinions of themselves, social issues, business and products. So, from these various definitions, lifestyle can influence a person's behaviour, which ultimately determines a person's consumption patterns[14]. People's interest in various commodities is influenced by their lifestyle, and the goods they buy reflect their lifestyle. A person's lifestyle is a lifestyle that manifests itself in his activities, interests and opinions. Lifestyle is a person's management model of time and money, meaning how people live, spend their money, and allocate their time[15].

METHODS

This research includes descriptive research[16], which is intended to collect information regarding the status of an existing symptom and the state of the symptom according to what it was at the time the research was conducted. The main object of this research is the people of Malang City.The data collection techniques used were observation, questionnaires and literature study. Observations were carried out using limited interviews. The questionnaire was completed online via a Google Form link and distributed to the public.The sampling technique for this research uses accidental sampling, a technique for determining samples based on chance; respondents who coincidentally or incidentally meet the researcher can be used as a sample if it is deemed that the person they met by chance is suitable as a data source. The number of samples obtained was 160 respondents. The respondent profiles can be seen in Table 1.The respondents of this research are mostly ethnic Javanese with an age range of 30 - 35 years oldand have an education level at Strata 1 level with employment status as working mothers. Regarding family structure, most respondents are complete (have a husband) with two children and a family income in the range of Rp. 3,000,000 - Rp. 4,999,000.

Comment [PA1]: The researcher should justify the reason why he used 160. And this should be backed by a reference

The measurement of the family management competency variable has three indicators, namely financial management, savings and investment, with 20 question items. The lifestyle variable has three indicators, namely consumption patterns, clothing styles, and recreation patterns, with 11 question items (Table 2). The measurement scale uses a 1-5 Likert scale (ranging from never to always). The data collection technique uses Google Form media, distributed to groups in the WhatsApp application.

The data analysis techniques used to answer the research objectives are descriptive frequency analysis, correlation, and multivariate tests. Descriptive frequency analysis describes the characteristics of respondents and research variables. Then, the correlation test is used to analyze the relationship between research variables. Finally, the multivariate test is used to determine which variables from the respondent's characteristics influence financial management competence and lifestyle.

Table 1. Sample Description

Sample Characteristics		**Frequency**	**Percentage**
Ethnic	Java	132	82.5%
	Madurese	23	14.4%
	Non Javanese and Madurese	5	3.1%
Total		160	100%
Age	<30 yearsold	39	24.4%
	30 - 35 yearsold	81	50.6%
	36 - 40 yearsold	17	10.6%
	41 – 45 yearsold	11	6.9%
	> 46 yearsold	12	7.5%
Total		160	100%
Education Level	Middle School-High School	13	8.1%
	Undergraduate	89	55.6%
	Postgraduate	58	36.3%
Total		160	100%
Employment Status	Housewife	35	21.9%
	Entrepreneur	27	16.9%
	Private employees	36	22.5%
	Government employees	62	38.8%
Total		160	
Family Structure	Single Parent	5	3.1%
	Complete	155	96.9%
Total		160	
Number of Children	Have no children yet	17	10.6%
	1 Child	45	28.1%
	2 Children	67	41.9%
	3 Children	25	15.6%
	> 3 Children	6	3.8%
Total		160	100%
Family Income	< Rp. 1.500.000	11	6.9%
	Rp. 1.500.000 – Rp. 2.999.000	30	18.8%
	Rp. 3.000.000 – Rp. 4.999.000	53	33.1%
	Rp. 5.000.000 – Rp. 6.999.000	27	16.9%
	> Rp. 7.000.000	39	24.4%
Total		160	100%

Table2. Variable Measurement

Variable	**Indicators**	**Items**
Financial Management Competency	Financial management	Make a monthly plan Make long term plans Make details of monthly needs

		Create routine expense posts Use special envelopes to separate routine expenses Create a debt installment expense post Create expense posts for lifestyle (recreation, watching movies, etc.) Reduce lifestyle expenses to buy branded goods Create investment expenditure posts Create insurance expense items Create an emergency fund expenditure post Create social spending posts Record income for one month Make a financial plan for annual expenses (PBB, STNK, and Eid) Using annual income (bonus / THR) to pay annual expenses Debt to meet household needs
	Saving	Allocate a minimum of 10% of your income to save every month Save before carrying out consumption activities for one month Save the rest of your routine expenses in a certain wallet
	Investment	Determine the right investment by considering goals, time period and investment products
Lifestyle	Comsumption pattern	Consuming international branded foods and drinks (pizza hut, Mc Donald, Starbucks, etc.) Consuming food and drinks at restaurants at expensive rates Consume food and drinks by following advertisements on television, magazines and other social media Shop for food and drinks at shopping centres such as Hypermart, Superindo and Carrefour
	Fashion style	Follow the latest clothing fashions Take quality considerations before buying clothes Consider brands before buying clothes Consider the price before buying clothes
	Recreation pattern	Fill your free time with your family with recreation Carrying out recreational activities to places with expensive rates With family on vacation out of town during a long holiday

RESULTS AND DISCUSSION

Validity and Reliability Test

The initial stage of this research analysis is to test the validity and reliability of the instrument, which consists of the family Financial Management Competency (FMC) variable, which has 20 question items, and Lifestyle (LS), which has 11 question items. The results of the validity and reliability test of the research instruments are shown in Table 3below:

Table3. Recapitulation of Validity and Reliability Test Results

Variable	Items	r	Sig	Description	Cronbach's Alfa	Description
FMC	FMC1	0,668	0,000	Valid	0,907	Reliable
	FMC2	0,652	0,000	Valid		
	FMC3	0,691	0,000	Valid		
	FMC4	0,653	0,000	Valid		
	FMC5	0,602	0,000	Valid		
	FMC5	0,477	0,000	Valid		
	FMC7	0,556	0,000	Valid		
	FMC8	0,484	0,000	Valid		
	FMC9	0,676	0,000	Valid		
	FMC10	0,655	0,000	Valid		
	FMC11	0,692	0,000	Valid		
	FMC12	0,608	0,000	Valid		
	FMC13	0,647	0,000	Valid		
	FMC14	0,678	0,000	Valid		
	FMCK15	0,393	0,000	Valid		
	FMC16	0,010	0,903	Invalid		
	FMC17	0,704	0,000	Valid		

	FMC18	0,736	0,000	Valid		
	FMC19	0,616	0,000	Valid		
	FMC20	0,670	0,000	Valid		
LS	LS1	0,554	0,000	Valid	0,769	Reliable
	LS2	0,483	0,000	Valid		
	LS3	0,518	0,000	Valid		
	LS4	0,564	0,000	Valid		
	LS5	0,600	0,000	Valid		
	LS5	0,600	0,000	Valid		
	LS7	0,665	0,000	Valid		
	LS8	0,455	0,000	Valid		
	LS9	0,559	0,000	Valid		
	LS10	0,616	0,000	Valid		
	LS11	0,525	0,000	Valid		

Based on Table 3 above, only one indicator, namely FMC, from the Financial Management Competency (FMC) variable is invalid. So, these indicators were removed from the FMC variable items, and the next analysis used the FMC variable with only 19 question items.

Descriptive Analysis

To find out the categorization of the family financial management competency and lifestyle variables using the following interval formula:

$$Interval = \frac{Highest\ Score - Lowest\ Score}{Category}$$

The Family Financial Management Competency variable has 20 question items with a scale of 5 choices, so the following highest and lowest values can be obtained:
Highest score = 19 items x 5 = 95
Lowest score = 19 items x 1 = 19

$$Interval = \frac{95 - 19}{3} = 25$$

The Lifestyle variable has 11 question items with a scale of 5 choices, so the highest and lowest values can be obtained as follows:
Highest score = 11 items x 5 = 55
Lowest score = 11 items x 1 = 11

$$Interval = \frac{55 - 11}{2} = 22$$

Table4. Interval Value of Family Financial Management Competency and Lifestyle Variables

Variables	Interval	Criteria	Frequency	Percentage
Financial Management Competency	19 - 43	Low	43	26.9%
	44 - 68	Medium	73	45.6%
	69 - 95	High	44	27.5%
Lifestyle	11 - 32	Simple	135	84.4%
	33 - 55	Luxurious	25	15.6%

Based on the results of the interval test, the research results show that most respondents have a moderate level of financial management competency and a simple lifestyle.

Correlation Test

Thecorrelation test was carried out to determine the relationship between the variables in this study, namely the characteristics of the respondents, financial management competence and lifestyle. The variables that have a relationship based on the results of the correlation test are shown in Table 6 below:

Table 5. Correlation Test Results

Variable	r
Etnic→Family Structure	0,224**
Age→Number of Children	0,417**
Education Level →Employment Status	0,544**
Education Level →Family Income	0,466**
Employment Status→ Family Income	0,189*
Education Level →Financial Management Competency	**0,291****
Family Income→ Financial Management Competency	**0,170***
Education Level → Lifestyle	
Family Income→ Lifestyle	**0,249****
Financial Management Competency→ Lifestyle	0,300**

* 1-tailed **2-tailed

Multivariate Test

Based on Table 5 of the correlation test results, the respondents' characteristics related to the financial management competency and lifestyle variables are education level and family income. So, the next stage is to analyze the level of influence of these two characteristics on management competence and lifestyle using multivariate analysis. The multivariate test results are shown in Table 6 below:

Table6. Multivariate Test

Variable	F	Sig	Description
Education Level	6,516	0,000	Influence
Family Income	6,225	0,000	Influence
Education Level * Family Income	6,579	0,000	Influence

Based on the results of the multivariate test in Table 5, it shows that only family income influences management competence and lifestyle. Moreover, next, to test the influence between subjects, you can see in Table 7 the test results of between-subjects effects, which show differences in competence and lifestyle due to family income factors.

Table 7. Tests of Between-Subjects Effects

Source	Dependent Variable	F	Sig.
Corrected Model	FMK	3,475	0,000
	LS	2,592	0,004
Intercept	FMK	29,265	0,000
	LS	35,303	0,000
Education Level	FMK	4,440	0,002
	LS	4,044	0,001
Family Income	FMK	4,196	0,003
	LS	4,007	0,004
Education Level * Family Income	FMK	4,336	0,002
	LS	4,528	0,000

Family financial management is the art of managing finances carried out by individuals or families to achieve family prosperity and happiness. A prosperous family, regardless of economic difficulties, is where the family can fulfil their daily needs, starting from stomach matters, clothing and shelter. Good family financial management is a necessity and non-negotiable because managing family finances has broader implications. The reason is that those involved are not only yourself but your wife/husband, children and even parents and in-laws.Competence in managing family finances is not generally applicable but is specific and is influenced by factors including age, occupation, level of education, and assets owned. This research proves that family income influences family management competence. Planning family finances appropriately requires knowledge of household accounting [17]; [18].

Even though it is specific, it is necessary to carry out the following five financial planning steps [19]: 1) You need to know your net worth (for example, the amount of assets, debts and funds that can be set aside each month). 2) Determine financial goals (short, medium and long-term). 3) Make an action plan (allocate income in four ways: consumption, saving, investment and protection). 4) Implement the plan in a disciplined manner. 5) Periodically, plans that have been created and implemented are evaluated for their level of suitability, and changes can be made as long as there are clear arguments.

Utilizing or allocating funds means implementing the plans that have been made. The monthly allocation of funds (in terms of income) is divided into three main things, namely [19]: 1) Consumption, this allocation includes fixed costs that cannot be postponed any longer, namely house instalments, vehicle instalments, telephone, electricity and water costs, then food, drink and recreation costs. These consumption costs vary but need to be benchmarked or determined. Usually, these costs range between 40% - 50%. 2) Savings or savings, allocations to savings can be intended as fixed savings/savings and as precautionary savings, for example, going to the doctor and making donations. These savings also need to be determined, and the usual ones are usually around 25%; of the 25% used as precautions, it is around 10% - 15%, while the rest is used as fixed savings. 3) Investment: The investment allocation here is intended to increase money but in a planned and disciplined manner. Several alternatives can be chosen, namely buying gold coins, mutual funds or pension fund contributions, so an action plan regarding protection can be included in allocating investment opinions.

Family financial management has a significant role in household harmony. Many things must be considered so that household finances can run well after the COVID-19 pandemic, regardless of lifestyle. Before the pandemic hit, the lifestyle of people in Malang generally followed the latest patterns/trends (up to date) or those that were currently viral. In the current pandemic conditions, the lifestyle of people in the city of Malang is used to living in luxury, so they are required to be able to manage family finances. It is done so that the family's daily needs can be met as their financial condition continues to decline after the Covid-19 pandemic. This research proves that family income influences lifestyle.

There are steps in managing family finances that can be carried out in the following ways: 1) Recording of assets/possessions owned. Everyone must have assets/properties recorded as productive or consumptive assets. *Productive assets* provide regular income or profits when the assets are resold. 2) Recording of all input and expenditure. After recording all assets/possessions, you will get information about your current financial position. It is useful in recording all income and expenses in the next step. Recording all income and expenses will inform how much money has been entered and spent. It can be a consideration for someone to control unnecessary expenses. Recording income and expenditure also helps determine the frequency of income and expenditure for a particular item so you can distinguish which expenditure is a need and which is a desire. 3) Identify routine, monthly and annual expenses. Each person or family usually has the same spending pattern from month to month, including from year to year. After you have a record of your expenses, try to identify your routine expenses and their frequency. 4) Develop a spending plan (budgeting). At this stage, financial managers are asked to plan the financial expenditure that will be made. It also includes setting priorities. 5) Save periodically. Every person or family should save regularly[8].

The solution offered in the form of increasing public knowledge in Malang regarding family financial management is expected to reduce consumerism or people's lifestyles by getting people used to saving. If this solution is implemented well by each person or family, then in the end, it can improve the welfare of society. The level of education affects management competence and lifestyle. The level of education influences the management competence and lifestyle of the people of Malang City, so it can be concluded that the level of education is a determining factor in management competence and lifestyle. It is in line with theory, which states that the higher the education a person has, the higher their interest in making family financial plans (Agarwal et al., 2015). The level of education will also differentiate a person's knowledge about family finances [20].

CONCLUSION AND SUGGESTION

The correlation test results show that education level and employment status positively correlate with family income. Moreover, management competency is positively correlated with lifestyle. Multivariate test results show that family income influences management competence and lifestyle. It shows that family income in Malang after the Covid-19 pandemic can be managed well. People's ability to plan family finances appropriately requires knowledge of accounting in the household. Moreover, the level of education also influences management competence and lifestyle. It means that the level of education influences the management competence and lifestyle of the people of Malang City, so it can be concluded that the level of education is a determining factor in management competence and lifestyle.

This research recommends the need for socialization of family financial management training held by institutions or communities to improve wives' skills in managing family finances. In addition, under economic pressure, governments, institutions and communities can empower families to increase family income by optimizing family roles and functions.Further research is important to review the importance of special treatment in the education sector regarding the effects of the pandemic for business actors who have a significant chance of receiving assistance. It is also highly recommended to conduct research by including the religiosity variable as an independent or moderating variable using a Structural equation modelling (SEM) approach.

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