

Factors Affecting Saving Behavior Millennial Generation in Surabaya

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Abstract

The purpose of this study is to shed light on the effects of financial literacy, peer pressure, and personal maturity on the saving habits of the millennial generation in Surabaya. This study employs a quantitative methodology. The population included in this study is the 27–41 year old Surabaya millennial generation. With a total of 110 respondents, purposive sampling was the sample technique utilized in the study. While the PLS (partial least squares) method of data analysis is employed, along with validity, reliability, and hypothesis testing. According to the study's findings, the millennial generation in Surabaya's saving habits have been influenced by factors such as financial knowledge, peer influence, and personal modernism.

Keywords: Financial Literacy, Peer Influence, Individual Modernity, Saving Behavior

1. Introduction

Indonesia is famous for its huge population, spread from Sabang to Merauke. Each province has a diverse population. It can be seen from the projected population by province that there are three provinces that have the largest population, such as West Java in 2020 has a population of 49,565.2 million people, causing West Java to be the first largest province in Indonesia, then in second place is East Java Province which has a population of 39,955.9 million people, and the third position is occupied by Central Java Province with a population of 34,783.2 people (bps.go.id, 2020). Then in September 2020, the total population of East Java recorded through the SP2020 results was 40.67 million people. When viewed in previous years, such as in the population growth for the 2010-2020 period of 0.79% per year, which seems to have increased compared to the 2000-2010 period which only amounted to 0.75%. It can be seen that in comparison with previous population censuses, East Java province has always experienced a very significant increase in population. It can be seen from the population census with a 10-year period from 2010 to 2020 that the population in East Java has increased by 3.19 million people or an average of 0.32 million people each year. East Java can be said to be still in the demographic bonus period because 71.65 percent of the population is in the productive age (15-64 years) (bappeda.jatimprov.go.id, 2021).

One of the factors for development capital is the population structure, because if the number of productive age population is very large, it can accelerate the economic growth of a country or region. In

the SP2020 results, it was noted that East Java province was dominated by generation z and the millennial generation. Both generations are generations that are included in the productive age group, (bappeda.jatimprov.go.id, 2021).

Generation Langgas (millennials) or also called generation Y, Netters, and Nexters is a generation that develops and grows in eras that already have sophisticated information technology innovations. This generation can easily adapt to the diversity of technology and online communication that serves to maintain communication with their friends online. According to Choi et al (in Onibala & Manurun, 2017) this generation can easily accept new things so that this generation is usually often described as a generation that is very comfortable with change.

Millennials are among the generations who have high expectations for the work they are doing or working on, Choi et al (in Onibala & Manurun, 2017). If observed, this generation will change jobs many times during their lifetime just to find a comfortable workplace to do work, in contrast to traditionalists who will work and get a salary until retirement at the same employer. This generation can be said to be not loyal to the company, but loyal to their friends, which will be a consideration for this millennial generation to work somewhere. With an adaptable nature that will be in the future, surely the Millennial Generation has prepared or even thought about future life goals, one of which is by setting aside their income by saving. Saving is one of their ways to prepare a more organized future without thinking about their finances in old age.

With the phenomenon described above, I as the author am interested in conducting further research to examine the behavior of the Millennial Generation towards saving behavior. Factors that influence saving behavior are thought to be influenced by Peer Influence, financial Literacy, and Individual Modernity based on the background previously described, so the researcher took the title "The Effects of Financial Literacy, Peer Influence, and Individual Modernity on Saving Behavior of the Millennial Generation in Surabaya".

2. Literature Review

Theory of Planning Behavior

Ajzen (1991) introduced the concept of theory of planned conduct. It integrates attitude toward the conduct, subjective norms, and perceived behavioral control to create individual behavioral intents and the behavior itself (Ajzen, 1991). This theory is a development of the idea of reasoned action. By including perceived behavioral control, this theory can also explain the connection between behavioral intention and actual conduct.. In a study, it was stated that behavior driven by intention can be associated with saving behavior (Widjaja et al., 2020). In this theory, it can also be said that when going to do something, it certainly starts with intention and if done continuously, it will become a habit or behavior that will become a daily activity, in this context, namely saving behavior (Widjaja et al., 2020). Theory of Social Learning

Theory of social learning was first coined by (Bandura, 1971).

This theory states that an ability possessed by a person comes from an experience that has occurred, from this experience it will change their future actions. According to the theory of social learning, a shopping behavior can be transmitted by close people who are considered influential such as parents, friends, so that it can be taught through generations. This positive and negative shopping behavior depends on how a person's parenting habits in managing their finances at home (Hadzic &

Poturak, 2014).

Theory of Reasoned Behavior

Simply put, according to Azwar (1995), this theory holds that people will act if they believe that the action would be beneficial and if other people want them to perform it. According to this theory, a person's attitude can have an impact on behavior that is carried out after cautious and deliberate decision-making in three different ways. The first is that a person's behavior is determined by their specific attitudes about something rather than their general attitudes. The second is that, in addition to attitudes, subjective norms—beliefs about what other people will want us to do—also have an impact on conduct. Then, the most recent perspective on a behavior along with

Life Cycle Hypothesis Theory

In the theory developed by Modigliani & Bumberg (1954), it is assumed that a person will be ready to save at one stage of their life and use up their savings at another stage of life. This theory relates to people's lifetime shopping and saving habits. In this theory, it assumes people's basic consumption needs at a stable value of anticipated lifetime salary. Such as a person who has saved for old age or the period after disaster and layoffs while still earning a constant salary rather than having to spend it.

Saving Behavior

According to Yuniningsih (2020) financial behavior is a scientific foundation that studies how a person manages finances which will be used as a decision. Marwati (2018) states that saving behavior is one of the actions influenced by psychological factors and other factors that will encourage someone to set aside part of their income by using banking services or other financial services. Saving behavior is a form of individual behavior that can control one's self to manage finances to be more organized for the short or long term. Saving Behavior is a person's behavior in setting aside part of the income earned. There are six indicators for the Saving Behavior variable, namely referring to research conducted by Chalimah et al. (2019) (1) Saving periodically (2) Comparing prices before making purchases (3) Controlling expenses and according to Garcia-Alonso et al. (2021), (Watson, 2003) and (Furnham, 1999) (1) Rational motive (rational motive) (2) Psychological motive (psychological motive) (3) Saving habit.

Financial Literacy

Financial literacy is one of the skills needed to manage one's finances in order to live a more wealthy life in the future, according to Chen & Volpe (1998). OJK emphasizes that the main goal of the financial literacy program is to educate the Indonesian people in the financial sector so that the public can understand financial management intelligently. Financial literacy is defined by the Financial Services Authority (2013) as a person's ability to understand, so financial literacy is a person's ability to manage their funds so that they develop and are anticipated to live more prosperously in the future, wisely so that low knowledge of the financial industry can be overcome and is expected to minimize the public so that they are not easily fooled by investment offers that offer high returns in the short term without considering the risks. A decision regarding the taking of funding sources that must be considered the benefits and costs incurred. (Yuniningsih et al., 2018, Yuniningsih, 2017; Yuniningsih et al., 2017). Financial knowledge can also be interpreted as a person's ability to manage their finances with the knowledge they have by doing proper financial management, so that they can benefit from the money they have Choiriyah & Purwanto (2022). In the financial literacy variable, there are 6 indicators taken by researchers from two sources. For indicators (1) Basic knowledge of financial management (2) Savings and investment management (3) Management in Chen & Volpe (1998) research, while for indicators (1)

Financial Knowledge (2) Financial Attitudes (3) Financial Behavior refers to the opinion of Oseifuah (2010).

H₁ : Financial literacy has a positive effect on saving behavior

Peer Influence

According to Umar (2005: 181) the peer environment is an environment that has similarities such as age level, being a member of a peer environment will have both positive and negative impacts due to interactions in it. The educational impact of the peer environment, among others, is because intensive social interaction can lead to indirect imitation. When interacting someone prefers to join people who have something in common. According to Tirtarahardja (2005) peer influence indicators (1) Teaching to relate and adjust to people (2) Introducing wider community life. Meanwhile, according to (Ardiana, 2017), namely (1) Saving regularly (2) Financial management.

H₂ : Peer Influence has a positive effect on saving behavior

Individual Modernity

Gidden in Muhammad (2013) says that modernity is globalization, meaning that it covers a geographical area that is increasingly broad and worldwide. Modernity also develops more deeply, such as in the field of daily life. Modernization is seen as a process of change in the way of feeling, expressing, and judging. The study of modernization is more focused on individuals, because only individuals have a set of psychological characteristics such as beliefs, attitudes and behaviors. The modernity of one individual with another is clearly different, depending on the community environment in which the person lives. In the individual modernity variable, researchers also take from two sources, for indicators (1) are rational, think futuristically (2) Appreciate time (3) Be open referring to research conducted by Rosida (2018: 223) Whereas for indicators (1) Modern individuals must have openness to new things (2) Modern individuals must be ready to accept social change (3) Must have clear planning referring to research conducted by Inkeles and David Smith (Rihlah, 2007).

H₃ : Individual modernity has a positive effect on saving behavior

3. Research Methodology

Quantitative research is what this study falls under. The Millennial generation in Surabaya City, aged 27 to 41, serves as the study's sample. Purposive sampling was the method utilized, and there were 110 respondents in all. Data gathering for this study involved sending questionnaires to selected respondents. While the PLS (Partial Least Square) analysis approach, with outer model test, inner model test, and hypothesis testing, is the data analysis strategy used in this study.

4. Results and Discussion

Respondent Characteristics There were 110 respondents in this study. Of the 110 respondents, the influence of Financial Literacy, Peer Influence, and Individual Modernity on Saving Behavior of the Millennial Generation in Surabaya is the most: based on female gender by 70 percent, based on age 27-31 years by 80 percent, based on private sector employment by 67.3 percent, based on pocket money or income per month of more than Rp. 4,000,000 by 38.2 percent.

Validity and Reability

An indicator of how much indicator variance is there in the latent variable is the AVE Measurement Model value. Good validity sufficiency for the latent variable is indicated if the convergent AVE value is larger than 0.5. The Average variance extracted (AVE) value for each

construct (variable) shows the reflected indicator variable. If the AVE of any construct is more than 0.5, a good model is necessary.

Table 1 AVE and Composite Reliability

	Average Variance Extracted (AVE)	Composite Reliability
Financial Literacy (X1)	0.573	0,889
Peer Influence (X2)	0,591	0,852
Individual Modernity (X3)	0,552	0,881
Saving Behavior (Y)	0,583	0,893

The AVE test results for Financial Literacy (X1) were 0.573, Peer Influence (X2) was 0.591, Individual Modernity (X3) was 0.552, and Saving Behavior (Y) was 0.583. The AVE value for the four variables is more than 0.5. Overall, it can be claimed that the study's variables have good validity. The results of Composite Reliability testing for Financial Literacy (X1) are 0.889, Peer Influence (X2) is 0.852, Individual Modernity (X3) is 0.881, and Saving Behavior (Y) is 0.893. The four variables show a composite reliability value of more than 0.7 so that overall the variables in this study are said to be reliable.

Hypothesis Testing

The significance of the Bootsraping T-Statistic value results can be seen in the following figure:

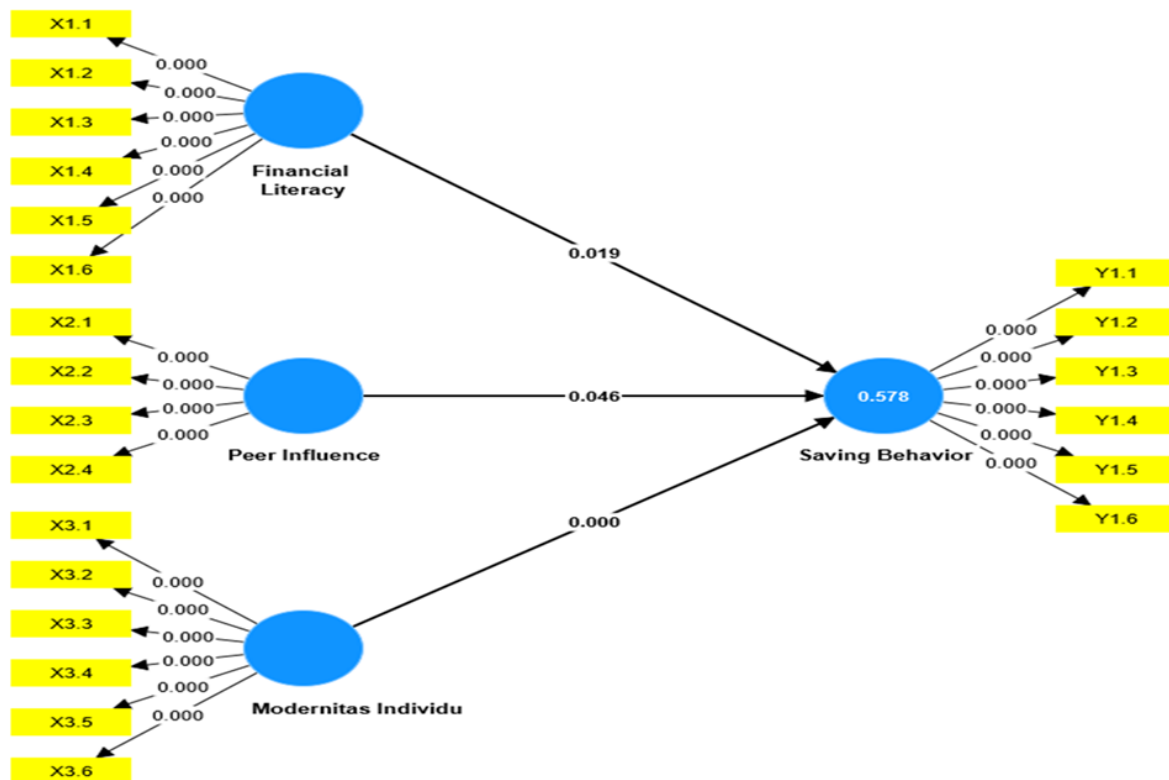


Figure 1 Outer Model with Factor Loading, Path Coefficient and R-Square

Furthermore, for hypothesis testing, the coefficient results and T-statistic values of the inner model can be seen in the following table:

Table 2 Path Coefficients

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Financial Literacy -> Saving Behavior	0,233	0,232	0,099	2,340	0,019
Peer Influence -> Saving Behavior	0,225	0,226	0,112	2,000	0,046
Individual Modernity -> Saving Behavior	0,422	0,429	0,115	3,658	0,000

5. Discussion

The Effect of Financial Literacy (X1) on Saving Behavior (Y) of Millennial Generation in Surabaya

Based on the results of the study, it shows that financial literacy has a sufficient influence on saving behavior in the millennial generation in Surabaya. So that the hypothesis related to financial literacy on saving behavior in the younger generation in Surabaya can be accepted.

The results of the descriptive analysis of the financial literacy variable show that the indicator that has the most influence on saving behavior and the majority of respondents agree with the second indicator, namely the savings and investment management indicator, the meaning of this indicator itself is a person's understanding of managing savings and understanding how to invest.

The results of this study are in line with research conducted by Christanto (2022) which states that financial literacy positively affects saving behavior. likewise research conducted by Irawan, Jessica. (2022) which states that financial literacy has a significant positive effect on Saving Behavior.

The Effect of Peer Influence (X2) on Saving Behavior (Y) of Millennial Generation in Surabaya

Based on the results of the study, it shows that Peer Influence has a sufficient influence on saving behavior in the millennial generation in Surabaya. So that the hypothesis related to Peer Influence on saving behavior in the younger generation in Surabaya can be accepted.

The results of the descriptive analysis of the financial literacy variable show that the indicator that has the most influence on saving behavior and the majority of respondents agree with the second indicator. Where the second indicator relates to the introduction of life in the wider community so that the millennial generation can sort out the events that will be accepted in the future.

The results of this study are in line with research conducted by Siboro & Rochmawati (2021) which has the result that peer influence has a positive effect on saving behavior. Likewise, research conducted by Zenna, Evi (2019) that peer influence has a positive effect on saving behavior.

The Influence of Individual Modernity (X3) on Saving Behavior (Y) of Millennial Generation in Surabaya

Based on the results of the study, it shows that Individual Modernity has a sufficient influence on saving behavior in the millennial generation in Surabaya. So that the hypothesis related to Individual Modernity on saving behavior in the younger generation in Surabaya can be accepted.

The results of the descriptive analysis of the Individual Modernity variable show that the most influential indicator on saving behavior and the majority of respondents agree with the fifth indicator, namely the modern indicator must be ready to accept social change, which means that the millennial generation must have a balanced financial capacity with modernization so that future finances will remain stable.

The results of this study are in line with research conducted by Haryono & Oktafiani (2019) which states that there is a significant positive effect of individual modernity on saving behavior as well as research conducted by HS & Lestari (2022) which states that there is a significant positive effect of individual modernity on saving behavior.

6. Conclusion

Based on the test results using PLS to test several variables on Saving Behavior of the Millennial generation in Surabaya, it can be concluded that the results of the study, it can be concluded that Financial Literacy has an effect on Saving Behavior of the Millennial generation in Surabaya. This shows that financial literacy has an effect on Saving Behavior. Then based on the research results, it can be concluded that Peer Influence affects the Saving Behavior of the Millennial generation in Surabaya. This shows that Peer Influence has an effect on Saving Behavior. And based on the research results, it can be concluded that Individual Modernity affects the Saving Behavior of the Millennial generation in Surabaya. This shows that Individual Modernity has an effect on Saving Behavior. Based on the above conclusions, there are several suggestions given by researchers as material for consideration or utilized as material in making decisions. Related to the problem discussed, namely the Effect of Financial Literacy, Peer Influence, Individual Modernity on Saving Behavior in the Millennial generation in Surabaya, of the three X variants discussed can provide knowledge for readers to know that our good and bad behavior can also be influenced by the surrounding environment. But it depends on ourselves whether we will follow a bad environment or follow a good environment. Thus, in a sophisticated era like this, it is hoped that people can process finances wisely for the future. Because it will be very useful in the future.

Furthermore, the suggestion for researchers is that it is hoped that further research can cover a wider range of respondents so that the results of the research are maximized, trying to examine other independent variables in order to create the latest results and research.

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