CHAPTER I
INTRODUCTION

A. Background

In the current era of globalization, money is important for a country. Some of the functions of money are as a tool of exchange, unit of account, wealth hoarder, and support for social economic activities. It is also tool to measure the economy of a country (Karim, 2012). Money is a means to transact, either in the form of banknotes, deposit money and digital money. It cannot be denied, that many people tend to use digital money because of the ease of access. The examples of digital money are such as Dana, Ovo and Gopay. The economy in a country is the speed of the country's development and it is a matter of world consideration. The economic growth of an unstable country will be a threat to the country. The Central Statistics Agency (BPS) announced that Indonesia's economic growth in the third quarter of 2015 was 4.73 percent. The realization of economic growth was below the expectations of Bank Indonesia (BI) which estimated that it could reach 4.8 percent to 4.9 percent (Suhariyanto, 2015).

One thing that might bother the Indonesian economy is trade protectionism. Protectionism is a policy aimed to tighten the trade between countries through systems such as tariffs on imported goods and quota limits. The first examples of protectionism policy are supply and demand. The second is the rupiah exchange rate, especially for imported products (Mulyani, 2017). This goal of protectionism is to protect trade or companies in the country by limiting or regulating foreign trade. Bank Indonesia (BI) sees that there were several challenges in Indonesia's

economy, in 2018 both in global and domestic area. One challenge is the challenge of increasing trade protectionism. In 2017, Bank Indonesia (BI) stated that credit growth could grow by more than 5%. One of the ways to help credit growth is through the improvement in the economy leading to an increase in trading volume.

The stability of the financial system maintained in Indonesia can lead to the improvement of economy. One of the ways to maintain stability and increase the volume of trade in Indonesia is by saving money. Saving is important for economics matters in a country. The country's economics becomes stronger if the saving is high. Saving or investment is one of the factors that affect the dimension of economic development. In relation to funding mobilization, funds can be used for more productive economic purposes. Through savings, banks are allowed to manage funds better. Among them is Bank Indonesia which applies the policy of financial inclusion. The World Bank Survey reveals that financial inclusion is the access to products and services of financial institutions. It means that an individual and business has access to financial products and services that are useful and affordable in meeting their needs.

Further, saving is one way to control one's finances in life (Triani 2017). However, saving has not become a habit in Indonesia. Many people think that saving is a difficult thing to do because there are many needs to fulfill. Although the society is generally aware about the importance of saving, many people think that it should be the remaining money and in a large amount. It is a wrong mindset in the community regarding saving behavior (Pradhaniasti, 2012). Savings are also broadly regarded as ways to increase individual wealth. Savings, as well as income

are reduced by expenditure while saving behavior is a result of choices between present or future (Triani, 2017).

One of the causes of people's reluctance in saving is related to mental accounting. It is defined as one's way in grouping, labeling and treating money differently, depending on where the money comes from (Thaler, 1999). The different application of money is similar to the management of student's pocket money based on the time of spending. Students tend to deviate from the principle of functionality. They do not consider that pocket money has the same value. In managing pocket money, students tend to consider that et end of the month', pocket money is more valuable than at the beginning of the month.

Pocket money management is an effort made by students to manage the money obtained from their family which is intended for living cost during their study. It is expected that through good pocket money management, students can meet all their needs. However, students have different ways in managing pocket money at the beginning of the month and at the end of the month. Therefore, they tend to spend more at the beginning of the month compared to at the end of the month.

Students are one of the major components of society. Many have a very consumptive behavior. It means that saving is a challenge or a difficult thing to do. Most of them are those in the millennial generation and the Z generation. Millennial generations are those born 1982-1995 (Strauss and Howe, 1991). Further, some characteristics of the millennial generation are highly educated, consumptive, easily bored with items purchased, cannot live without gadgets, enjoy shopping and

traveling, prefer noncash transactions, prefer instant ways to obtain things, prefer informal workplaces, and prefer sharing (Rifai, 2018). The millennial generation consumption pattern is 23.8% for restaurants, 21.7% for household needs, 10.8% for BBM, 4.5% for property, 18.5% for electronics, and 20.7% for others (CNN Indonesia, 2018). Thus, it can be concluded that millennial generation is a consumptive generation. They spend much time for shopping, hanging out, and enjoying informal atmosphere. In addition, millennials prefer to do their work outside of workplaces or campuses such as cafes and restaurants. It shows that saving is a challenge for the millennial generation.

Meanwhile, Z generation is those born in 1990-2000s (Strauss and Howe, 1991). This generation was born when the internet began to enter and grow rapidly. It could be said that this generation grows and develops with the help of technology. Thus, this generation has known technology from an early age. Some Z generation's characters are such as fluent in technology, up to date, able to multitask, prefer freedom, have confidence, prefer individualism, and tend to be easily bored (Strauss and Howe, 1991). Z Generation experiences the highest internet penetration, which is 75.5% compared to millennial 75.23%, 44.06%, and 15.72% (APJII 2017 Survey). In addition, it is found that 32.4% used the internet less than 2 hours, 34.1% used the internet 3-5 hours, 19.3% for 6-9 hours, 8.9% 9-11 hours, and 7.3% more than 12 hours (a research of tirto.id 2017). In short, it can be concluded that Z generation is also a consumptive generation. This generation cannot be separated from the internet. They tend to like the latest trend or up to date. They are easily

bored habit. Thus, they tend to consume more follow the trend which exists. Thus, saving isn't an easy thing for Z generation.

Some of the factors that influence a students' saving behavior include the level of self-control, financial literacy, motivation for saving, and income of students which is not yet fully good and stable (Wahana, 2014). Students have constraints in saving because in general they do not have any income meaning that students are not fully independent in financial terms. Most UMY students come from other city and live far away from home, so they have to rent a place to live. As they live far from their parents, students have to manage their own finance. If not wise, they will tend to be someone who is very consumptive. As stated earlier, the generation of Z and millennial tend to be consumptive. They tend to buy unnecessary things, go shopping, and go for vacation. On the other hand, most students do not have sufficient money.

وَالَّذِينَ إِذَا أَنْفَقُوا لَمْ يُسْرِفُوا وَلَمْ يَقْتُرُوا وَكَانَ بَيْنَ ذَٰلِكَ قَوَامًا

And (they are) those who, when they spend, do so not excessively or sparingly but are, between that, (justly) moderate.

In this Qs. Al- Furqaan (25) Verse 67, it is mentioned that those who spend their wealth to their children (they are not exaggerated and not miserly). Yaqturuu and Yuqtiruu mean that they do not narrow their spending (and) their livelihood (among such) in between exaggeration and misery which is in the middle. The verse 67 reminds us to spend money moderately. It means that one's should buy things based on their need. However, many students cannot distinguish needs and desires. They spend their money on something unbeneficial. Moreover, they do not learn to

set priorities. There should be clear indicator of primary and secondary needs. Student should not spend the budget only for secondary needs, and neglect the primary needs. The consideration on primary and secondary needs difference in each person.

This research is a replication of a previous research conducted by Wildayati (2018) entitled *"Financial Behavior dan Literasi Keuangan terhadap Saving Behavior"*. The difference from the previous research is that previous research was conducted at *Akademi Akuntansi Permata Harapan* while this research will involve the Accounting Students of *Universitas Muhammadiyah Yogyakarta (*UMY). This study also refers to a journal article written by Ardiana (2017) entitled *"Kontrol Diri, Pendidikan Keuangan Keluarga, Pengetahuan Inklusi Keuangan Siswa: Pengaruhnya terhadap Perilaku Menabung Siswa SMK Se-Kota Kediri"* and Marteniawati (2012), *"Mental Accounting dalam Pengelolaan Uang Saku"*. The researcher of this study intends to add the independent variables that are mental accounting, self-control and family financial Education in the study of Wildayati (2018). Thus, the title of this research is **"Analysis of Saving Behavior"** Case Study of Accounting Students in *Universitas Muhammadiyah Yogyakarta*.

B. Research Scope

The purpose of this study is to examine the factors that can be affecting the saving behavior. This research uses 6 independent variables, i.e. mental accounting, financial literacy, financial behavior, family financial education, peer, and self-control, as well as one dependent variable, i.e. saving behavior. This study involves the accounting students in *Universitas Muhammadiyah Yogyakarta*.

C. Research Questions

1. Does mental accounting have a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta*?

2. Does financial literacy have a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta*?

3. Does financial behavior have a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta*?

4. Does family financial education have a significant positive effect on saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta?*

5. Does peer have a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta*?

6. Does self-control have a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta*?

D. Research Objectives

1. To obtain the empirical evidence that mental accounting has a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta.*

2. To obtain the empirical evidence that financial literacy has a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta.*

3. To obtain the empirical evidence that financial behavior has a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta.*

4. To obtain the empirical evidence that family financial education has a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta.*

5. To obtain the empirical evidence that peer has a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta.*

6. To obtain the empirical evidence that self-control has a significant positive effect on the saving behavior of Accounting students in *Universitas Muhammadiyah Yogyakarta.*

E. Research Benefits

The expected benefits of this study are:

1. For the researcher

   The results of this study can broaden knowledge on the factors that can improve saving behavior.

2. For educational institution and participants

   The findings of this study can function as the material for analysis on the theory of factors that can influence saving behavior.

3. For other researchers

   The results of this study can be used as a reference or reading material for further research.