The Influence of Financial Management on Family Economy

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Abstract

In households, women act not only as wives and mothers but as managers of the economy. Awareness of the importance of women's role as managers of the household economy is the key to improving the community's economy. In households, a balance of governance, order, and concept of a good household is needed. Management is crucial in achieving desired goals in households. Women make expenditure plans based on their needs. Planning and organizing household expenditure is most effective when accompanied by proper implementation. Financial control is crucial to improving family economy. This study applied quantitative research methods, and data collection was done through interviews, questionnaires, and literature reviews. The data analysis was performed using the SmartPLS version 3.0. The results indicated that the variable of financial planning and control had positive and significant effects on improving family economy. The variable of financial organizing and actuating had no effect on improving family economy.

Keywords: economy, planning, organizing, actuating, controlling

1. Introduction

Women play an important role in households. Changes in community life, especially in economic development, have led to changes in the role played by women in improving family economy. Women, in households, not only act as wives and mothers, but also act as managers of family economy as well as breadwinners. The multiple roles played by women not only have an impact on themselves and their families, but also affect their social lives.

Managing household finances is not easy for women. Proper financial management affects household welfare. Doing it wrong can worsen family economy. Family financial
problems are not only caused by insufficient income, but also due to improper financial management.

Management can be applied within households. A household is the smallest organization in society. Household financial management is carried out by making or planning household budgets, sorting household needs, spending to meet household needs, and supervising household economy. This is in accordance with the function of management function, which are planning, organizing, actuating, and controlling for the organization.

The role of financial management is crucial. Women possessing good financial management will be able to improve family economy. Financial management needs to be done by individuals and families as it is important for better life. Without good management, most members of society will struggle and suffer unavoidable economy problems, including personal bankruptcy, due to not being able to manage their own finances.

Various previous studies have focused on the role of the household as decision maker, political participation and participation in the economy. However, research on the role of household women in terms of financial management is still not widely carried out. Women have an important role in the family economy. Various studies on the role of the wife that have been conducted by previous researchers have not examined the role of women in management, especially as a function of planning, organizing, actuating and controlling to the family economy.

2. Theoretical Review

2.1. Definition of Management

Management, as a science, is universal to which it applies a systematic scientific framework. A manager has basic knowledge of management and knows how to apply the knowledge in existing situations, so he has performed functions efficiently and effectively [1].

The definition of management, according to James AF Stoner, is a process of planning, managing, directing, and supervising the efforts of organizational members and the use of its resources in order to achieve predetermined organizational goals [1]. Management can also be defined as a science and art that regulates the process of utilizing other human resources effectively and efficiently to achieve certain goals [2].

Therefore, it can be concluded that management is a business process of an organization or group using its resources to achieve its goals. In general, there are four
management functions that are widely recognized by the public, including the planning function, the organizing function, the directing function, and the controlling function.

Management is needed by all kinds of organizations for three main reasons. The first is to achieve goals, whether organizational or personal goals. The second is to maintain a balance between conflicting goals. The third is to achieve efficiency and effectiveness of an organization’s work.

Efficiency is the ability to get a job done right. Meanwhile, effectiveness is the ability to choose the right methods to achieve the goals that have been set. Efficiency can also be interpreted as doing the right activities, while effectiveness is defined as doing activities correctly. Both of these things support the achievement of organizational goals.

### 2.2. Functional Element of Management

Management consists of planning, managing, directing, and monitoring activities. The management function elements can be described as follows:

1. Planning is an initial step in carrying out activities in a systematic and orderly arrangement of steps, in order to achieve pre-determined goals in an organization. Planning can also be defined as the activity of selecting or setting organizational goals and determining the strategies, policies, projects, programs, procedures, methods, systems, budgets, and standards needed to achieve those goals.

   In carrying out planning, there are activities that must be carried out. They include activities planning and their budgeting. Planning is the first activity of a leader in carrying out management functions in order to make regular and logical decisions. In addition, the decisions made can be used as instructions for the next steps.

2. Organizing is a process of working together so that each member can carry out his job properly. In principle, a management can be useful for determining ways or methods of empowering human resources so that they can work together in a cooperative system in the hope of achieving expected goals. There are three steps in a management process: (a) a breakdown of all work that must be carried out to achieve organizational goals; (b) division of total workload into activities that are logically performable by each member; and (c) establishment and development of a mechanism to coordinate the work of members into an integrated and harmonious whole.

3. Actuating is an important activity in management. Planning and organizing functions are more concerned with abstract aspects of the management process, while
the actuating function focuses more on activities that are directly related to people in the organization. Actuating or the implementation stage is the application or implementation of a predetermined and organized plan.

4. Controlling means ensuring that the organization is moving towards its goals. In other words, controlling is a systematic effort to establish implementation standards in planning objectives, planning feedback information, comparing actual activities with pre-determined standards, determining and measuring monitoring process. The supervisory process has five stages: (a) determining implementation standards (b) determining measurement of activity (c) measuring implementation of actual activities (d) comparing activity implementation with standards and analyzing deviations (e) taking corrective action, if necessary.

3. Research Method

This research implemented quantitative research method. Quantitative research is a process of finding knowledge using data in the form of numbers as a tool to analyze information about what you want to know. This research seeks to analyze family economy in terms of household financial management. This research was a correlational research that examined the relationship between variables. The type of data was quantitative, collected through questionnaires and interviews.

The independent variable was the role of women in financial management consisting of household financial planning, household financial management, household financial implementation, and household financial supervision. The dependent variable was the increase in family economy.

3.1. Population and Sample

Population is the whole object of research as a source of data that represents certain characteristics set by researchers to study and then draw conclusions [3]. So the population is not only people, but also objects and other natural objects. Population is also not just the number that is in the object or subject being studied, but all the characteristics or properties possessed by that subject or object. The population in this study were household women in the north coastal community of Semarang.

The research sample is a portion of the population taken as a data source and can represent the entire population. According to [3] the sample is the part or number and characteristics of the population. To determine the number or sample size of a
population in this study using the Gay & Diehl theory, where in this theory it is said that the larger the sample, the more representative the tendency and the more generalized the results [3].

Based on the theory of Gay & Diehl, the number of female samples used in this study was 67 respondents. Respondents who were the sample in this study were those who had the following criteria:

1. Women who are married or have been married
2. Women who live with husband / children
3. Perform household financial management

3.2. Data Analysis

Data analysis was performed using SmartPLS version 3.0 software. PLS (Partial Least Square) is a variant-based structural equation analysis (SEM) that can simultaneously test the measurement model as well as test the structural model. The measurement model was used to test the validity and reliability, while the structural model was used to test the causality (hypothesis testing with predictive models). Furthermore, [4] explained that PLS is a soft modeling method of analysis because it does not assume that the data must be measured at a certain scale, which means that the number of samples can be small (under 100 samples).

4. Result and Discussion

In this research, data analysis included testing data quality or testing the outer model and testing the hypothesis or inner model. Tests conducted in this research were performed using the Partial Least Square (PLS) analysis technique using the SmartPLS 3.0 program.

4.1. Outer Model Evaluation

The outer model evaluation is carried out to measure the validity and reliability of the model used in the study. Evaluation of the outer model in this study was carried out by looking at the value of convergent and discriminatory validity of the latent construct forming indicators. Data reliability is measured by looking at the Cronbach's alpha value and the composite reliability value.
4.1.1. Convergent Validity

Testing data validity was done by looking at the convergent validity value. The convergent validity parameter used was the outer loadings value. If the value of outer loadings > 0.70, it could be said that the indicators are valid. The results of data processing for the variables of planning, organizing, actuating, controlling, and family economy all had indicator values above > 0.70. This means that all indicators of the planning, organizing, actuating, controlling, and family economy variables were appropriate for use in further analysis.

4.1.2. Discriminant Validity

An indicator is declared to meet discriminant validity if the cross loading value of the indicator on the variable is the largest compared to other variables. Based on the results of processing, it can be stated that the indicators used in this research had good discriminant validity in compiling their respective variables.

Discriminant validity can also be seen through other methods, namely by looking at the average variant extracted (AVE) value for each indicator, it requires the value to be > 0.5 for a good model. AVE value for each variable had a value > 0.5. Thus, it can be concluded that the data had good discriminant validity.

4.1.3. Composite Reliability

Composite Reliability is the part used to test the reliability of certain variable. A variable can be declared to meet composite reliability if it has a composite reliability value > 0.7. The following is the composite reliability value of each variable used in this study:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Planning</td>
<td>0.894</td>
</tr>
<tr>
<td>Financial Organizing</td>
<td>0.901</td>
</tr>
<tr>
<td>Financial Actuating</td>
<td>0.860</td>
</tr>
<tr>
<td>Financial Controlling</td>
<td>0.830</td>
</tr>
<tr>
<td>Family Economy</td>
<td>0.855</td>
</tr>
</tbody>
</table>

Based on the data in the table above, it can be seen that the composite reliability values of all research variables were >0.7. These results indicated that each variable
has met the composite reliability so it can be concluded that all variables had high level of reliability.

### 4.1.4. Cronbach Alpha

Reliability testing with composite reliability that had been done can be strengthened by using the Cronbach alpha. A variable can be declared reliable based on Cronbach alpha if it has a value > 0.7. Based on the results of data processing, it was known that the Cronbach alpha value of all research variables was > 0.7. This shows that all variables had a high level of reliability.

### 4.2. Inner Model Evaluation

Inner model evaluation is conducted to determine the results of the path coefficient test and goodness of fit test.

#### 4.2.1. Goodness of Fit Test

Testing the goodness of the model or goodness of fit is done by looking at the coefficient determination (R-Square) value generated from the data bootstrapping using SmartPLS 3.0. The value of R square is used to measure how much exogenous variables affect endogenous variables.

<table>
<thead>
<tr>
<th>Family Economy</th>
<th>R Square</th>
<th>R Square Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.618</td>
<td>0.593</td>
</tr>
</tbody>
</table>

The inner model test results showed that the R square adjustment value was 0.593. The variables of financial planning, financial organizing, financial actuating and financial controlling had an effect of 0.593 or 59.3% on the variable of family economy. Meanwhile, 40.7% was explained by other variables that were not in this research model. Thus this research model had a moderate goodness fit.

#### 4.2.2. Hypothesis Testing

Hypothesis testing is seen from the part coefficient value. The part coefficient is used to see how strong the influence of the independent variable on the dependent variable
is. Hypothesis testing in this research was carried out by looking at the t-statistics value and the P-value.

The bootstrapping test results showed that the financial planning variable had a positive original sample value and a t-statistic of 3.591, and P value of 0.00. The t-statistical value was greater than 1.96 and the P value was smaller than 0.05. The financial organizing variable had a positive original sample value, with a t-statistic value of 1.736 and P value of 0.083. The t-statistical value was less than 1.96 and the P value was greater than 0.05.

The financial actuating variable had a negative original sample value, with a t-statistic value of 0.088 and P value of 0.930. The t-statistical value was less than 1.96 and the P value was greater than 0.05. The results of the financial control variable had a positive original sample value and a t-statistic of 4.693, and P value of 0.00. The t-statistical value was greater than 1.96 and the P value was smaller than 0.05.

The results of the hypothesis test state that the variables of financial planning and financial controlling had P value below 0.05, meaning that the variables of financial planning and financial controlling had an effect on family economy.

4.3. Discussion

4.3.1. Financial Planning and Family Economy

Financial planning had an effect on improving the family economy. Respondents stated that they made plans for household expenditure. This means that women in households always make expenditure plans for proper controlling.

Household expenditure that deviates from planning would result in uncontrolled expenditure, thus damaging the family economy. If women find it difficult to separate their needs and wants, then the expenditures that are non-mandatory will be quite a lot. However, with good financial planning, expenditures that are non-mandatory can be more controlled. With the discipline of implementing household financial planning, it is possible that financial conditions will be managed better.

In management theory, planning is the initial key in carrying out activities. Planning is the activity of setting goals, strategies, programs, and budget systems that can be used to achieve the desired goals. If women in the household make good planning, then the goals in the household will also be achieved, including improving the family economy.

This particular result supports management theory which suggests that planning is the first activity in carrying out management functions in order to make regular and
logical decisions, where the decisions made can be used as a guide for the next steps. This result is also similar to that of conducted by [5] which stated that in order to meet the limited needs and limited household resources, economic management is needed by making financial planning in order to discipline steps in self-control and prepare for financial conditions in future. Furthermore, a research by [6] explained that financial management as measured by planning management has a real positive effect on subjective family welfare.

The results of [7] stated that financial management in the household will look better if controlled by the wife because she is more capable of controlling household needs and make budget plans that are needed simply to achieve a separate satisfaction, as well as to prevent disputes in the household.

4.3.2. Financial Organizing and Family Economy

Financial organizing is defined as a pattern of family financial expenses. A bad pattern of financial spending will cause the family’s economic condition to deteriorate. If financial spending is greater than income, the economy will go bankrupt. Thus, various problems will arise in the household. However, if financial spending is carried out properly, the family economy will be good.

This result explained that financial organizing had no significant effect on the family economy. This could be because the respondents in this research were in almost the same environmental conditions. So it is possible that respondents did not have a variety of answers about financial management in the household. If you look at the educational background of the respondents, the majority of respondents had primary to secondary education. Poor education could also lead to a lack of knowledge about financial organizing in the household.

Financial organizing in a household that is greater than income will result in a poor family economy. However, this research shows that financial organizing could not affect the family economy. This is not in accordance with previous research that has been conducted by several researchers. [8] stated that the management of household expenditures affects the economy of the community. The results of [9] also stated that a financial organizing strategy needs to be done. The use of a priority scale for each need, such as which one is more important, must take precedence.
4.3.3. Financial Actuating and Family Economy

This particular result stated that the variable of financial actuating had no effect on the family economy. Good financial actuating will improve the family economy, on the other hand, if financial actuating or implementation is not good, it will also worsen the family economy.

This result is not in accordance with the research conducted by [10] which stated that implementation with a preference for spending space patterns affects the economy of the community. The decision in the implementation of family expenditure rests within women. In short, the implementation of spending affects the economic conditions of the family.

However, this result did not prove that the variable of financial actuating had an effect on the family economy. This was because the respondents in this research were located in the same environment and geographically, the northern region of Semarang is far from shopping centers such as mall and supermarkets. So, the implementation of financial spending was limited to surrounding traditional markets.

4.3.4. Financial Controlling and Family Economy

Financial control is carried out by making lists and making financial records even though they can be considered as simple. Supervision is manifested by financial control. This result indicated that the financial controlling variable had a positive and significant effect on the family economy.

With good financial control, the family economy will be good. Women have a very important role in controlling finances so that household financial expenditures are well controlled. In addition, women also state make financial reports in the form of expenditure notes as a form of control.

Good family management in the use of finances must be adjusted to the source of funds that are balanced in accordance with the planning carried out and periodically evaluate expenditures. In the end, good financial supervision will improve the family economy.

Women must be able to control and supervise the pressure of debt in the household, so that they are not pushed into perpetual debt that causes difficulties that result in the destruction of the household. This particular result supports the research conducted by [7] which stated that a household needs a form of recording in every transaction, both income and expenditure in the household.
5. Conclusion

This research seeks to prove empirically the effect of management functions, namely planning, organizing, actuating, and controlling in relation to improvement of family economy. Based on the results of the research that has been done, the following conclusions can be drawn:

1. Financial planning variable has a positive and significant effect on improving the family economy.
2. Financial organizing variable has no effect on improving the family economy.
3. Financial actuating variable has no effect on improving the family economy.
4. Financial controlling variable has a positive and significant effect on improving the family economy.
5. The R-square result showed a value of 0.593. The variables of financial planning, financial organizing, financial actuating and financial controlling had an effect of 0.593 or 59.3% on the family economy.

References


