

THE INFLUENCE OF FINANCIAL BEHAVIOR ON THE DECISION TO SAVING IN FORMAL FINANCIAL INSTITUTIONS (CASE STUDY OF THE SANGLAR VILLAGE COMMUNITY, RETEH DISTRICT, INDRAGIRI HILIR REGENCY)

Ahmad Baidhowi¹, Raju Maulana², Muhammad Fauzan³

^{1,2,3}Management Study Program, Faculty of Economics and Business, Indragiri Islamic University, Indonesia

*e-mail: bay88ahmad@gmail.com

Article Info

Article history:

Received 03 05, 2026

Revision 03 15, 2026

Accepted 03 31, 2026

Keywords:

Financial Behavior

Saving Decisions

Formal Financial Institutions

Financial Inclusion

Abstract

This study aims to analyze and determine the influence of financial behavior on savings decisions in formal financial institutions among the people of Sanglar Village, Reteh District, Indragiri Hilir Regency. The research method used is a quantitative approach with a survey method. The research sample consisted of 50 respondents taken from the population of Sanglar Village of 6,182 people using indicator-based observation techniques. Data were collected through a questionnaire with a Likert scale and analyzed using SmartPLS 3.2.9 software. Testing was carried out through evaluation of the outer model (validity and reliability) and the inner model (hypothesis testing). The results showed that financial behavior has a positive and significant influence on savings decisions in Sanglar Village. This is evidenced by a beta coefficient value of 4.657 and a significance value (p-value) of 0.000 (<0.05). The financial behavior variable contributed 23.8% of the influence on savings decisions, while the rest was influenced by other variables outside this study. These findings indicate that the better an individual's ability to manage income, financial planning, and spending control, the higher their tendency to save in formal financial institutions.

1. INTRODUCTION

Background Problem

Financial behavior is an important factor that determines how individuals make decisions in managing their personal finances, including the decision to save in formal financial institutions. According to Thaler (1999) in Tipa, (2024) [1] Financial behavior is an individual's tendency to make financial decisions, influenced by psychological biases, preferences, and resource management skills. In the modern context, good financial behavior is reflected in regular savings, wise income management, and minimizing future financial risks. This aligns with Garman & Forgue's (2014) opinion. Rohmah et al., (2021) [2] which emphasizes that saving is the main foundation of household financial stability and the formation of long-term prosperity.

The savings rate in Indonesia still faces challenges. Data from the Financial Services Authority (OJK, 2023) shows that although the national financial inclusion rate has reached 87.3%, the financial literacy rate is only 49.6%, indicating a persistent gap between financial literacy and financial utilization. This gap directly impacts people's financial behavior, including a tendency not to save consistently in formal financial institutions. Furthermore, a Bank Indonesia report (2023) revealed that rural communities are more vulnerable to unplanned financial behavior due to unstable incomes, low financial literacy, and high use of informal financial services.

In Indragiri Hilir Regency, particularly in Reteh District, a similar phenomenon is also observed. Based on data from the Indragiri Hilir Cooperatives and MSMEs Office (2024), utilization of formal financial institutions such as banks and rural banks (BPR) remains low in several villages, including Sanglar Village, despite their availability. People prefer to save informally, such as through social savings accounts (arisan), group savings, or keeping money at home. This low interest in saving in formal institutions is thought to be related to people's financial behavior, which is still influenced by traditional habits, a lack of financial literacy, and the perception that saving in banks requires complicated administrative requirements.

Sanglar Village, a village with agricultural and plantation-based economic activities, is characterized by fluctuating income, which influences the financial behavior of its residents. Unstable income often leads residents to focus more on short-term needs than long-term financial planning, such as saving. This phenomenon aligns with findings from the study. Lusardi & Mitchell, (2014) [3] Individuals with unstable incomes tend to have more reactive than proactive financial behavior. Furthermore, the proliferation of informal financial services in the community has also reduced interest in saving in formal institutions because they are perceived as more accessible and without administrative requirements.

Previous research by Herawati, (2019) [4] shows that financial behavior has a significant influence on saving decisions, especially regarding the habit of recording expenses, self-control, and future orientation. Meanwhile, research Dewi & Sari, (2021) [5] stated that financial behavior is a major determinant in increasing the use of formal financial services, especially in rural areas. Thus, there are strong indications that the financial behavior of the Sanglar Village community also plays a significant role in determining their decision to save at formal financial institutions.

Based on these conditions, further in-depth research is needed to determine the extent to which financial behavior influences the savings decisions of residents of Sanglar Village, Reteh District, Indragiri Hilir Regency. This research is important for providing an empirical understanding of how financial behavior influences the use of formal financial institutions, as well as providing a basis for government and financial institutions in formulating strategies to increase financial inclusion in rural areas..

Problem Formulation

Based on the background that has been described, the problem formulation in this study is, does financial behavior have a significant influence on the Decision to Save in Formal Financial Institutions?

Research purposes

The aim of this study is to determine whether financial behavior has a significant influence on the decision to save in formal financial institutions.

2. LITERATURE REVIEW

Financial Behavior

Financial behavior is an individual's actions, habits, and decision-making in managing their personal finances, which are influenced by psychological, social, and economic factors. According to Thaler (1999) Kurniawan & Simon, (2022) [6], financial behavior is the process of making financial decisions that is often

influenced by cognitive and emotional biases, so it is not always rational. Pompian (2006) in Herawati, (2019) adding that financial behavior includes how individuals make decisions regarding investment and fund management based on psychological characteristics, including tendencies such as overconfidence or loss aversion. [7] emphasizes that financial behavior reflects an individual's pattern of actions in planning, managing, and controlling the use of their financial resources to achieve financial goals. Furthermore, Lusardi and Mitchell (2014) state that financial behavior encompasses a person's ability to plan, save, use, and manage financial risks with a long-term orientation. Nababan & Sadalia, (2012) [8] emphasizes that financial behavior is also related to an individual's ability to budget, control spending, and wisely manage debt and savings. Thus, financial behavior reflects not only how a person uses their money but also how they plan their finances to achieve future financial security and well-being.

Financial Behavior Indicators

According to Garman and Fogue (2014) in Humaira, (2017) [9] Financial behavior can be measured through several indicators that reflect how individuals plan and manage their personal finances. These are:

- a. Financial planning,
namely the individual's ability to prepare a budget, set short-term and long-term financial goals, and prepare strategies to achieve them.
- b. Saving behavior,
which includes the habit of setting aside part of one's income regularly to meet future needs or certain financial goals.
- c. Spending control,
namely the individual's ability to manage expenses, distinguish between needs and wants, and prevent waste that can disrupt financial stability.
- d. Financial record keeping,
namely the habit of recording income and expenses regularly to monitor financial conditions and evaluate the effectiveness of financial planning.
- e. Future orientation
It indicates the extent to which individuals consider the impact of current financial decisions on their future financial situation. By referring to these indicators, a person's financial behavior can be comprehensively analyzed to understand their financial decisions, including the decision to save at a formal financial institution.

Saving Decision

Saving decisions are generally defined as an individual's choice to set aside a portion of current income with the aim of meeting future needs, anticipating risks, or achieving certain financial goals. In recent literature, Batham, (2025) [10] states that saving behavior includes the act of holding back current consumption to build up resource reserves in the future, thus contributing to individual economic stability and long-term investment capacity. A systematic review conducted by Jumena, (2022) [11] strengthens this view by positioning the decision to save as the result of an interaction between internal factors (e.g., financial literacy, attitudes, financial goals, self-control) and external factors (e.g., access to financial services, macroeconomic conditions, social norms), so that the decision to save is not just a single action but a process influenced by many determinants. From a consumer psychology perspective, Matz et al., (2023) [12] emphasizes that the way goals are set and the psychological fit between an individual and those goals (psychological fit) significantly determine whether someone will persist with their savings intentions; in other words, the sustainability of a savings decision depends on how strongly the goal "speaks" to personal motivation. Furthermore, empirical reviews and field studies in the Indonesian context show that in addition to perceptual benefits (e.g., security and returns), financial literacy and trust in formal financial institutions are key determinants of interest in saving in banks/BPRs. Therefore, policies to increase financial inclusion and education have the potential to increase savings decisions in formal institutions.

Saving Decision Indicators

Based on these definitions, operational indicators that researchers often use to measure saving decisions include:

- a. intention or interest in saving (intention to set aside income);
- b. frequency and consistency of saving (how regularly you set aside part of your income);
- c. proportion of income saved (size of portion set aside);
- d. preference for type of institution (choice of saving in formal vs. informal institutions); and
- e. perception of the benefits and security of saving in formal institutions (trust in institutions and ease of access).

These indicators are recommended because they reflect cognitive aspects (intentions and perceptions), actual behavior (frequency and proportion), and institutional context (institutional preferences), so they are suitable for application in case studies of rural communities such as Sanglar Village to reveal factors that encourage or hinder the decision to save in formal financial institutions.

Research Framework

According to Sugiyono (2013) [13] A conceptual framework is a synthesis of the relationships between variables, compiled from various described theories. These described theories are then analyzed critically and systematically, resulting in a synthesis of the relationships between the variables studied. This synthesis of variable relationships is then used to formulate hypotheses. The conceptual framework in this study is as follows:

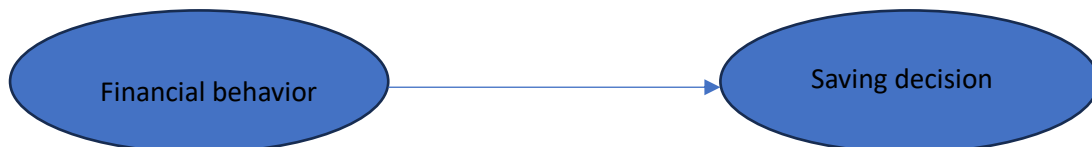


Figure 1. Research Framework

Hypothesis

From the formulation of the problem, research objectives, and theoretical basis explained above, a hypothesis can be drawn, namely that financial behavior has a positive and significant influence on the savings decisions of the Sanglar Village Community.

3. RESEARCH METHOD

Types and Approaches to Research

This study uses a quantitative approach with a survey method. Quantitative research was chosen because it aims to test hypotheses and analyze the causal relationship between the independent variable (financial behavior) and the dependent variable (saving decisions) using statistical analysis.

Location and Time of Research

The location of this research is in Sanglar Village, Reteh District, Indragiri Hilir Regency, Riau Province, with the research period starting from November to January 2026.

Population and Sample

1. Population

The population in this study was the entire community of Sanglar Village, Reteh District, Indragiri Hilir Regency with a total of 6,182 people.

2. Sample

Considering the relatively large population, the sample determination used the opinion of Joseph F. Hair et al., (2010) that a good and representative sample is between 100 and 200 respondents. To determine the minimum size, Hair uses the rule of thumb by multiplying the number of indicators (questionnaire questions) by 5 to 10 observations. And in this study, that is, 5 times 10 indicators, resulting in a sample size of 50 respondents.

Data Collection Techniques

The Technique data collection method used in this study was a questionnaire. The questions given to respondents were closed-ended. In the closed-ended type, respondents were asked to choose an answer from a series of alternatives provided by the researcher. Closed-ended questions can be measured using the Likert scale method (range 1 to 5). For the purposes of this analysis, answers on the Likert scale (range 1 to 5) can be given a numerical score, as follows:

Table 2: Likert Scale

Scale 1-5	
Strongly agree	5
Agree	4
Quite agree	3

Don't agree	2
Strongly disagree	1

Source:(Sugiyono, 2014)

Data Analysis Techniques

1. Descriptive Analysis

Descriptive analysis is a research method that involves collecting data, then organizing, processing, and analyzing it to provide an overview of the problem at hand. In descriptive analysis, data is typically presented in the form of regular tables or frequency tables, graphs, bar charts, line charts, pie charts, measures of central tendency, measures of data dispersion, and so on.(Sugiyono, 2014)

2. Data analysis using SmartPLS

a. Outer Model Analysis

According toGhozali & Latan, (2020) [14] The outer model, or measurement model, describes how each indicator block relates to its latent variables. The outer model is used to test the construct validity and reliability of an instrument. This is useful for determining the research instrument's ability to measure what it is supposed to measure, the instrument's consistency in measuring a concept, or the respondent's consistency in answering questions in a questionnaire or research instrument. According to Ghozali and Latan (2020:68), measurements conducted through the measurement model include convergent validity, discriminant validity, and composite reliability (Cronbach's alpha).

1) Convergent Validity

This validity is related to the principle that measures of a construct should be highly correlated. The convergent validity test of the reflective indicators using the SmartPLS 3.0 program can be seen from the loading factor values for each construct indicator.

2) Discriminant Validity

This validity relates to the principle that different construct measures should not be highly correlated. Discriminant validity occurs when two different instruments measuring two constructs predicted to be uncorrelated produce scores that are indeed uncorrelated.

3) Composite Reliability (Cronbach's Alpha)

In addition to validity testing, model measurement also tests the reliability of a construct to demonstrate the instrument's accuracy, consistency, and precision in measuring the construct. Construct reliability can be measured in two ways: Cronbach's Alpha and Composite Reliability. However, Cronbach's Alpha yields lower values, so Composite Reliability is recommended for construct reliability testing.

b. Inner Model Analysis

Inner Model Analysis, also known as Structural Modeling, is used to predict causal relationships between the variables tested in the model. This study will explain:

1) Path Coefficient Test

Chin stated that an R2 of 0.67 or higher for an endogenous latent variable in a structural model indicates a good influence of the exogenous (influencing) variable on the endogenous (influenced) variable. A result of 0.33–0.67 is considered moderate, and a result of 0.19–0.33 is considered weak.

2) Goodness of Fit Test

The goodness of fit is assessed from the Q-square value. The Q-square value has the same meaning as the coefficient of determination (R-square), where the higher the Q-square, the better the model can be said to fit the data. The results of the Q-square calculation are as follows:

$$Q\text{-Square} = 1 - [(1 - R^2_1) \times (1 - R^2_2)]$$

3) Hypothesis Testing

Hypothesis testing is conducted based on the results of the Inner Model (structural model) testing, which includes r-square output, parameter coefficients, and t-statistics. To determine whether a hypothesis can be accepted or rejected, one must consider the significance values between constructs, t-statistics, and p-values.

4. RESEARCH RESULTS AND DISCUSSION

Research Result

In this study, hypothesis testing used the Partial Least Square (PLS) analysis technique with the SmartPLS 3.2.9 program.

Outer Model Analysis

The first step in analyzing the results of this study is to evaluate the measurement model to determine the relationship between the latent variables and their indicators. The following are the steps the researcher will explain:

a. Convergent Validity

Table 3. Loading Factor Values of Research Variables

Variables	Indicator	X	Y	Information
<i>Financial behavior</i>	X.1	0.865		<i>Valid</i>
	X.2	0.920		<i>Valid</i>
	X.3	0.951		<i>Valid</i>
	X.4	0.953		<i>Valid</i>
	X.5	0.936		<i>Valid</i>
<i>Saving decision</i>	Y.1		0.858	<i>Valid</i>
	Y.2		0.938	<i>Valid</i>
	Y.3		0.943	<i>Valid</i>
	Y.4		0.925	<i>Valid</i>
	Y.5		0.907	<i>Valid</i>

Source: Smartpls Processed Data, 2026

Based on the data processing results in Table 3 above, it can be seen that each variable indicator shows an outer loading value > 0.7 , and is considered sufficient to meet the requirements for convergent validity. The data above shows that no variable indicator has an outer loading value below 0.7, so all indicators are declared suitable or valid for research use and can be used for further analysis.

b. Discriminant Validity

Table 4. Values Cross Loading Research Variables

Variables	Indicator	X	Y	Information
<i>Financial behavior</i>	X.1	0.865	0.284	<i>Valid</i>
	X.2	0.920	0.443	<i>Valid</i>
	X.3	0.951	0.466	<i>Valid</i>
	X.4	0.953	0.536	<i>Valid</i>
	X.5	0.936	0.462	<i>Valid</i>
<i>Saving decision</i>	Y.1	0.401	0.858	<i>Valid</i>
	Y.2	0.516	0.938	<i>Valid</i>
	Y.3	0.472	0.943	<i>Valid</i>
	Y.4	0.384	0.925	<i>Valid</i>
	Y.5	0.436	0.907	<i>Valid</i>

Source: Processed Data, smartpls, 2026

Based on the data displayed in Table 4 above, it can be seen that each indicator in the research variable has the largest cross-loading value on the variable it forms compared to the cross-loading value on other variables. Based on these results, it can be stated that the indicators used in this study have good discriminant validity in compiling their respective variables. In addition to observing the cross-loading value, discriminant validity can also be determined through another method, namely by looking at the average variance extracted (AVE) value for each indicator. The required value must be > 0.5 for a good model.

Table 5. AVE Values of Squares of Research Variables

Variables	Average Variance Extracted	Information
<i>Financial behavior</i>	0.857	<i>Valid</i>
<i>Saving decision</i>	0.837	<i>Valid</i>

Source: Smartpls Processed Data, 2026

Table 5 above shows that the AVE (Average Variance Extracted) value for all constructs is >0.50. Therefore, there are no discriminant validity issues in the tested model.

c. Composite Reliability and Cronbach Alpha

Table 6. Values Composite Reliability and Cronbach Alpha

Variables	Composite Reliability	Cronbach Alpha	Information
Financial behavior	0.968	0.959	Reliable
Saving decision	0.962	0.951	Reliable

Source: Smartpls Processed Data, 2026

Based on the data presented in Table 6 above, it can be seen that the composite reliability and Cronbach's Alpha values for all research variables are > 0.7. These results indicate that each variable has met the composite reliability and Cronbach's Alpha requirements, thus concluding that all variables have a high level of reliability.

Inner Model Analysis

a. Path Coefficient Test

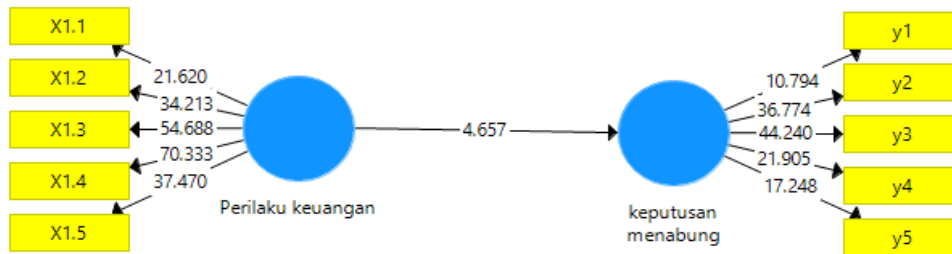


Figure 2. Research Model Results

Source: Smartpls Processed Data, 2026

Table 7. R-Square Value

Variables	R-Square Value
Saving decision	0.238

Source: Smartpls Processed Data, 2026

Based on the data presented in table 7 above, it shows that financial behavior influences the decision to save by 0.238 or 23.8%, the remainder is influenced by other variables.

b. Hypothesis Testing

Hypothesis testing is conducted based on the results of the Inner Model (structural model) testing, which includes r-square output, parameter coefficients, and t-statistics. To determine whether a hypothesis can be accepted or rejected, among other things, we pay attention to the significance values between constructs, t-statistics, and p-values. This research hypothesis testing was conducted using SmartPLS 3.2.9 software. These values can be seen from the bootstrapping results. The rules of thumb used in this study are t-statistics >1.96 with a significance level of p-value <0.05 (5%) and a positive beta coefficient.[15]. The value of testing the research hypothesis can be shown in Table 4.6.

Table 8. Direct Effect Path Coefficients & P Values

Hypothesis	Original Sample (O)	Sample Mean (M)	T Statistics (O/STDEV)	P Values	Information
Financial behavior > Saving decisions	0.488	0.514	4,657	0,000	Accepted

Source: Smartpls Processed Data, 2026

Based on the results of this assessment, the hypothesis testing whether financial behavior has a positive and significant influence on savings decisions is confirmed. These results indicate a beta coefficient of 4,657 and p-value < 0.05. This indicates that financial behavior has a positive and significant effect on saving decisions (hypothesis accepted).

DISCUSSION

Financial behavior is an individual's ability to manage their finances wisely, such as creating financial plans, managing expenses, setting aside income, and controlling their spending. In this study, people with good financial behavior tend to be more aware of the importance of saving for future needs and emergencies. This awareness encourages people to choose to save in formal financial institutions because they are considered safer, more reliable, and able to provide long-term benefits.

The results of this study also show that financial behavior is an important factor influencing people's savings decisions. Sanglar Village residents who are able to manage their income well will find it easier to set aside some of their money for savings. Conversely, people with poor financial behavior tend to have more difficulty controlling their expenses, resulting in lower savings decisions. Theoretically, the results of this study are in line with financial behavior theory, which explains that individual behavior in managing finances will influence financial decision-making, including savings decisions. The better a person's financial behavior, the more rational and planned the financial decisions they make. This study also supports the results of previous research that stated that financial behavior has a positive influence on savings decisions.

5. CONCLUSION

Based on the results of research conducted in Sanglar Village, it can be concluded that financial behavior has a positive and significant influence on people's savings decisions. This is proven by the results of hypothesis testing, which showed a beta coefficient value of 4.657 with a significance value (p-value) of less than 0.05, thus the research hypothesis is accepted. This finding indicates that the better an individual's financial behavior—such as the ability to manage income, control expenses, and financial planning—the higher the community's tendency to make savings decisions. Thus, financial behavior is an important factor in encouraging savings habits in the Sanglar Village community.

6. SUGGESTION

Based on these conclusions, it is recommended that the village government and related parties increase financial education and literacy efforts for the Sanglar Village community, particularly regarding household financial management and long-term financial planning. Furthermore, financial institutions are expected to provide savings products and services that are easily accessible and tailored to the needs of the village community, thereby encouraging better savings behavior. For future researchers, it is recommended to add other relevant variables, such as income level, financial literacy, or social influence, to obtain a more comprehensive understanding of the factors influencing people's savings decisions.

BIBLIOGRAPHY

- [1] H. Tipa, "The Influence of Financial Knowledge, Financial Behavior, and Income on Investment Decisions of Batam City Students," vol. 8, no. 2022, pp. 2591–2606, 2024.
- [2] N. Rohmah, A. Susbiyani, RM Aspirandy, and D. Cahyono, "The Influence of Financial Knowledge, Financial Attitude and Internal Locus of Control on Financial Management Behavior," *Business Management.*, vol. 11, 2021.
- [3] A. Lusardi and OS Mitchell, "The economic importance of financial literacy: Theory and Evidence," *J. Econ. Lit.*, vol. 52, no. 1, pp. 5–44, 2014.
- [4] NT Herawati, "The influence of financial behavior on saving decisions," *J. Nas. Manaj. and Business*, 2019.
- [5] M. Dewi and P. Sari, "Financial behavior and saving decisions," *J. Ilm. Manaj. Keuang.*, 2021.
- [6] MZ Kurniawan and MC Simon, "The Influence of Financial Literacy, Financial Knowledge, and Self-Control on Financial Management Behavior in MSMEs on Madura Island." *ACCOUNTABILITY J. Ilm. Ekon. Sciences.*, vol. 15, no. 2, pp. 31–40, 2022.
- [7] ET Garman and RE Fogue, *Personal finance*, 12th ed. Cengage Learning, 2014.
- [8] D. Nababan and I. Sadalia, *Personal financial management analysis*. University of North Sumatra, 2012.
- [9] Humaira, "The Influence of Financial Knowledge, Financial Attitude, and Personality on Financial Management Behavior of MSME Actors in the Batik Craft Center of Bantul Regency." *Yogyakarta State University*, 2017.
- [10] S. Batham, "Investigation of the antecedents of personal saving behavior," *MDPI*, 2025.
- [11] BB Jumena, "Factors that affect savings decisions: A systematic literature review," *SSRN Electron. J.*, 2022.

- [12] SC Matz, JJ Gladstone, and D. Stillwell, "Leveraging psychological fit to encourage saving behavior," *Am. Psychol.*, vol. 78, no. 4, pp. 475-489, 2023.
- [13] I. Ghozali and H. Latan, *Partial Least Squares: Concepts, techniques and applications using SmartPLS 3.0 program*. Semarang: Diponegoro University Publishing Agency, 2020.
- [14] I. Ghozali, *Structural Equation Modeling, Alternative Method with Partial Least Square (PLS)*, 4th ed. Semarang: Diponegoro University Publishing Agency, 2014.
- [15] Nababan, D., & Sadalia, I. (2012). Analysis of personal financial management. University of North Sumatra.
- [16] Financial Services Authority. (2023). National survey of financial literacy and inclusion. OJK.
- [17] Phimnoi, K., et al. (2024). Savings behavior: A case study of Indonesia Banking School students. *Asian Journal of Economics, Business and Accounting*.
- [18] Pompian, M. (2006). Behavioral finance and wealth management. Wiley.
- [19] Putri, NE (2025). The influence of lifestyle and financial behavior on savings decisions at Bank Syariah Indonesia. (Study on the Rimbo Bujang community).
- [20] Rahmawati, D., & Riofita, H. (2024). BUSINESS ETHICS AND RESPONSIBILITY IN PRACTICE. 8(5), 112-119.
- [21] Rohmah, N., Susbiyani, A., Aspirandy, RM, & Cahyono, D. (2021). The Influence of Financial Knowledge, Financial Attitude, and Internal Locus of Control on Financial Management Behavior. *Business & Management*, 11.
- [22] Samuelson, P. A., & Nordhaus, W. D. (2001). *Economics* (17th ed.). McGraw-Hill.
- [23] Sugiyono. (2014). *Quantitative, qualitative, and R&D research methods*. Alfabeta.
- [24] Sukirno, S. (2011). *Development economics: Theory and problems*. Rajawali Pers.