

A STUDY OF FINANCIAL PLANNING OF INDONESIAN FAMILY LIVING IN KUALA LUMPUR, MALAYSIA

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Abstract

Many related studies have been conducted in various developed countries and East Asia countries, but rarely in developing countries, including Indonesia. This study focuses on financial planning of Indonesian families living in Kuala Lumpur, Malaysia. Furthermore, gender and spirituality aspects will be studied regarding the financial decision making in the families and savings and investment pattern will be investigated. The desired objectives that want to be achieved by this research are as follow: to study the pattern of financial decision making made by Indonesian families living in Kuala Lumpur; to investigate the savings and investment planning activities of Indonesian families living in Kuala Lumpur; and to examine the impact of religiosity on their financial decisions. Primary data was obtained through interview method. The interviews were conducted to 10 Indonesian Muslim families. Each couple has their own unique financial planning behaviour. However, among this unique behaviour, there are some redline principles that can show particular pattern, but still, its possibility to generalize the pattern is not that accurate. Consequently, further study regarding the uniqueness behaviour of families living in or originally from developing countries has to be more investigated to find out what are the rationale behind the scene.

Keywords: financial planning, gender, spirituality aspects, families, savings, investment

I. Introduction

The success story of Malaysia's economic development has attracted many foreign workers to come, including those who come from Indonesia. According to the data reported by the Embassy of the Republic of Indonesia, there are about 5,000 to 8,000 Indonesian expatriates working in various sectors in Kuala Lumpur, Malaysia, with monthly income greater than RM 2,000, as of 2007. Since they live very far away from their home country and they need to survive, financial planning becomes an urgent matter.

Moreover, some of the Indonesian expatriates brought their family living in Kuala Lumpur. The financial planning, thus, become a family matter since their spouse and children also need to survive. They need to plan particular amount of money to be saved or invested in order to maintain an acceptable standard of living. Therefore, the study of savings and investment behavior is needed to assist the families in managing their assets in conjunction with their surrounding socioeconomic condition.

Many related studies have been conducted in various developed countries, such as US (Stendardi et al, 2006; Zhong and Xiao, 1995; Hopper, 1995; Morgan et al, 1965; Mueller and Osborne, 1965), European Union (Blundell and Stoker, 2005; Pahl, 1995) and East Asia countries (Kishi, 2005), but rarely in developing countries, including Indonesia. However,

there are studies about families from developing countries who are living in developed countries (Yang and Solheim, 2007; Jain and Joy, 1997). This study will focus on financial planning of Indonesian families living in Kuala Lumpur, Malaysia. Furthermore, gender and spirituality aspects will be studied regarding the financial decision making in the families and savings and investment pattern will be investigated.

Statement of Problems

There are several questions that can be raised as the research questions: 1. What is the pattern of Indonesian families' financial decision making?; 2. How is the planning of savings and investment made by Indonesian families?; 3. Does religiosity affect their financial decisions?

Objectives of Research

The desired objectives that want to be achieved by this research are as follow: 1. To study the pattern of financial decision making made by Indonesian families living in Kuala Lumpur; 2. To investigate the savings and investment planning activities of Indonesian families living in Kuala Lumpur; 3. To examine the impact of religiosity on their financial decisions.

II. Literature Review

Oxford Dictionary of Finance and Banking (2005) defines financial planning as the formulation of short-term and long-term plans in financial terms for the purposes of establishing goals for an organization to achieve, against which its actual performance can be measured. Furthermore, Financial Planning Association of Malaysia (2006) defines personal financial planning as the process of determining whether and how an individual can meet life goals through the proper management of financial resources. These life goals include buying a home, saving for children education and planning for retirement.

According to Edwards (1988), a viable family financial planning system with an aim of achieving financial well-being need to include nine components as follows: (1) acquisition of information which can be obtained by analyzing the information about family members and family's financial situation, (2) preparation of financial statements that reveal the family's current financial status, (3) identification of financial philosophy and specific goals, (4) analysis of the family's status in risk management, capital accumulation, retirement planning, tax reduction, estate transfer, investment and property management, (5) evaluation and integration of alternative solutions to resolve the problems of those subcomponents stated in component 4, (6) development of recommendation, (7) presentation of the financial plan, (8) implementation of the plan, and (9) periodic review and updating the plan. Clearly, family financial planning for meeting life goals calls for comprehensive planning activity and a proper management of financial resources is needed. Resources can be in form of income, assets, physical and human capital, and the expertise of the financial planner (Edwards, 1998). Zhong and Xiao (1995) found that families with adequate financial resources and have enough funds to meet short-term financial needs are more likely to hold bonds and stocks.

Surveying 1,500 households in the United States, Mueller and Osborne (1965) showed that as peoples' savings increase, they tend to diversify their assets. They like to own some stock in addition to their liquid assets. In term of savings, they showed that emergency (such as illness) and retirement are the reasons why people have sudden large liquidation of assets. Only a minority of savers (23%) were prepared to say that all their liquid savings are meant for long-term purposes and contingencies, so that they would be unwilling to use them for other things.

In term of proper management, the roles of both husband and wife are needed being addressed in the complex process of family financial decision making (Hopper, 1995). The Social Change and Economic Life Initiative (SCELI) typology developed by Pahl (1995) identified five behavioral patterns adopted by married couples in controlling and managing their finance. In the *female whole wage system* the husband hands over his whole wage pocket to his wife, minus his personal spending money; the wife adds her own earnings, if any, and is then responsible for managing the financial affairs of the household. In the *male whole wage system* the husband has sole responsibility for managing household finances, a system which can leave non-employed wives with no personal spending money. The *housekeeping allowance system* involves separate spheres of responsibility for household expenditure. Typically the husband gives his wife a fixed sum of money for housekeeping expenses, to which she may add her own earnings, while the rest of the money remains in the husband's control and he pays for other items. The *pooling system* involves complete or nearly complete sharing of income; both partners have access to all or nearly the money which comes into the household and both spend from the common pool. Finally, the *independent management system* is defined by both partners having their own source of income and neither having access to all the household funds.

In another study, Hopper (1995) examined the roles which husbands and wives undertake in family financial decisions, and the effect of income and education on the family's financial decision-making style. By utilizing a convenience sample of 446 married couples residing in Southern USA, she found that over 50% of married women are involved in most family financial decisions and tasks. Her result showed that joint decision making is predominant in allocation for savings, budgeting, insurance, finance of large purchases, and gifts to charities. The other findings are educational level and level of income of married women have significant effect on family financial behavior; the higher the income and educational levels of wives, the more influence they exhibit in financial savings and investment decisions and tasks. However, in term of investment, the husband dominates the decision.

After looking at the tools of financial arrangement, we need to look at how is the process behind it. As studied by Kirchler (1995), it is necessary to understand economic decisions as processes which are embedded in the everyday affairs within the household. Before, during, and after an economic decision a series of activities occur between partners, all of which may have an impact on the dynamics of economic decision making. This conceptualization of economic decisions at home calls for a specific technique that allows us to capture daily routines in full, or at least those decision processes which proceed simultaneously to a specific economic decision. He suggested the couple experiences diary is the appropriate technique. Moreover, it is hypothesized that the regulation of influence depends on the quality of the relationship and power structure. Besides the diary, a set of tests must be applied to measure relationship quality and power differences between the spouses.

Furthermore, using in-depth, semi-structured interviews of seven different families, Muske and Winter (2001) found that managers, either husband or wife or both, do develop an orderly cash-flow management process. The process was systematic, formalized, done in a regular manner and on a regular basis but not that recommended. The process adopted achieved the manager's objectives of paying the family's bills on time, and avoiding overdrafts. Their finding also suggested that educators should focus on developing easy, convenience short-term practices and tools that also would improve the family's long-term financial position.

Obviously, gender is the third most powerful determinant of investing, after age and income, as a study done by Bajtelsmit and Bernasek (1996). Women tend to invest in a more conservative fashion, more detail, and more holistic in their investment decision making

process, comparing with men (Stendardi *et al*, 2006). Women are also less risk tolerant and less confident in their financial decision making (Graham *et al*, 2002; Grable and Lytton, 1998). Zhong and Xiao (1995) found that the behavior of family in investing their money into bonds and stocks may differ for some ethnic groups, whom are non whites, because of their traditional values, religious reasons, and family habits.

Meanwhile, currently there are a lot of financial instruments which are religious based. The emergence of religious-based instruments may affect family financial decision, and whether spirituality has driven the decision maker to save and invest in this type of financial instrument. Consequently, there are a number of studies that tried to observe the relationship between spirituality and financial decision, (see Jain and Joy, 1997 and Mardhatillah *et al*, 2007).

Jain and Joy (1997) investigated the relationship between religious-based motives with financial behavior. In accordance with the Hindu worldview, Indian families in Canada view wealth acquisition as necessary for the natural progression of an individual's life and take along few of time when it comes to investment decisions. Their primary purpose is to invest money in order to provide for their children's education. This study also highlighted the importance of understanding the socio-cultural context of decisions that may appear to be purely economic decisions at first sight. In another study looking at financial behavior of Muslims, Mardhatillah *et al* (2007) found that Shari'ah consciousness is not correlated with the interest of prospective investors to invest in Islamic capital market. However, spirituality had positive and significance correlation with Shari'ah consciousness; though it is not the main reason for investors to invest in Islamic capital market. As this study was done for Muslims in Malaysia, it is not possible to generalize its findings to other Muslims societies due to the differences in socio economic background, educational attainment, and so on.

III. Methodology

Sources of Data

Primary data was obtained through interview method. The interviews were conducted to 10 Indonesian Muslim families. They are selected purposively and one of couples is recommended by another couple. The time period for the study was completed within twelve weeks, while collecting the data took two weeks period. Half of male respondents are professionals and the rest are academicians. Meanwhile, 50% of female respondents are housewives, while the rest are having their own activities besides becoming a housewife, i.e. academicians (30%), businesswoman (10%), and student (10%). Both husband and wife were interviewed. Tape recorder and field notes were utilized. However, two couples refused to use the tape recorder during the interviews. The decision was taken by the husband and the wife separately for one couple, while the other couple decided it by the husband only and the wife followed what the husband has been said.

Methods

Interviews were conducted at each couple's resident, except one couple coming to interviewer residence. Consequently, disturbances occurred during the interviews, except for one interview conducted at interviewer residence. Therefore, the conversations of other topics and the disturbances were either off recorded or noted.

Since respondents are Indonesian, the interviews were performed in Indonesian language. Thus, all documents (transcribed, field notes) were translated into English. Confirmations to the respondents were made after all documents being translated.

There are two parts of interviews. First part has been done by interviewing husband and wife separately. This part is primary for acquiring the demographic of individual and family, since there is a possibility of husbands or wives who are not disclosing or communicating each other about their financial position. Furthermore, this part is necessary for each individual to not influencing each other while the interviews are being conducted. As what have been done by Jain and Joy (1997), the wives, in their study, were more likely to pass the answer to the husbands. For the second part, the interview has been conducted to both husband and wife in the same place at the same time. The second part will be discussing about their family as a whole, including their children. Therefore, this part is needed for completing the financial discussion in the families. However, there are four husbands who accompanied by their wives when the interviews being conducted. Three of them were not comfortable being alone with the interviewer; after each wife being interviewed, one husband stated that he needed to be accompanied throughout the interview, while the other two showed the attitude from the husband and the wife, whom the wife sit near the husband right away after her interview. Another one stated that there is no secret between him and his wife, so that the interview proceeded to the second part right away after both the husband and wife filling the field note regarding the demographic term.

Questions

The husbands and wives were asked about demographic term, and about the resources they individually have. After that, couples were asked eight main questions regarding the use of their resources. The questions were not asked orderly though the field notes have been prepared in order manner. The main questions are provided in Appendix 1 and the respondents' demographic information is summarized in Appendix 2.

Validation

The field notes were signed by the husbands and wives immediately after conducting the interview. "Wife" field notes were signed by wives after checking the content. Similar to that, husbands also signed the "Husband" field notes after checking it. While "Couple" field notes were signed by both husbands and wives. Documents were confirmed after translation.

Coding

Data were placed into eight main categories based on the questions asked. After placing into table, the data were clustered based on their answers. Then, the answers are compared whether they have similar or different answer. The similarities are grouped. MS Excel 2003 is used to make the tabulation.

After comparing, we can obtain the findings to answer the problems stated. First statement can be answered through the questions regarding financial communication, financial advisor, income belonging, and income allocation. Second statement can be answered through questions regarding savings, investments, retirement planning, and children' education planning. The third question can be answered though questions regarding income allocation and savings.

IV. Findings and Discussions

Financial Communication

All couples stated that they have a discussion at most of the expenses made though the ideas may come from one of them.

[proportioned by both of you?]

=the idea may come from one of us, from me or her (.) but for sure () yeah we know each other, agree and know it (male, 32)

it has never been (.) "Where the money's gone", one of us might not know it. It's never happened. It's always clear. (laugher) (female, 31)

One husband stated that it is a must for his wife to know the utilities of the money. He stated that he learnt from the experience of his parents.

O, it's a must, a must. She must know. I learn from my parents' experience. (male, 29)

Two of the wives stated when the expenses involved a big amount of money, the decisions usually made by their husbands. They gave examples of vehicles and electronic equipments.

I would say I depend on him. (female, 42)

However, there is one wife stated that her husband does not know about her investment. She argued that she does not comfort to tell her husband about her investment to respect his feeling. This occurred only for one matter of investment, the rest of financial matter were discussed each other.

a::, I would be ashamed. This thing (.2) my husband didn't know it either. a:::, you, so, how's it? (female, 29)

Even so, six husbands are more aware regarding the reporting of cash flows compare with the wife. Two of them are common with the financial reporting since they were single. The rest are giving the picture of financial reporting to their wife to be implemented.

I made the General Ledger. You've learnt it, right? General Ledger is 'buku besar'. So it is appeared in the report. So I know my financial position right now. I know my individual, how many assets I have, how much cash I have, how much my debt, what the ratio are, I know my quick acid ratio, doesn't it? My total asset ratio, doesn't it? My loan ratio, doesn't it? So, I know my quick ratio. O, now my ratio is this much. Because, we are finance people, right? The minimum figure is 2, isn't it? Two assets for one liabilities, then we can call it good. If there's something (male, 39)

Mostly, the couples have discussions with their spouse for financial matter. Only one of them rarely discuss about it. Nevertheless, the decision may come from together, the husband, or the wife itself.

Financial Advisor

Most of the couples argued that the communication regarding the financial matter is only between them: that matter is their own business. Therefore, they have never asked financial matter to other parties. One of the husbands, actually, is a financial professional, so he argued that they implement the knowledge from the husband.

We both settle it, right? (male, 32)

O, together (female, 30)

Do you have plan to consult, what you call it, plan to ask advices from other people who common in financial planning? Or only both of you?

I think, only both of us (female, 30)

Only both of us. (male, 32)

Nonetheless, one of couples has asked insurance matter to their friend, but only that particular matter. Two of them have asked their parents about financial matter, one is always asking their parents, the other one is not that often. The later argued that they have already had a directed set of questions, especially regarding the investment.

We have financial advisor, actually. Parents. They always give us advices. For example, about the expenditures. My father, when he was alive, he liked to give us the input. From his side, the one who likes to give us the input is his mother. (female,32)

Parents?

So, I can call them as financial advisors, can I? from my side, my father liked to give us the input, you, as a wife, has to be aware in managing money. He did it, previously. Now, he has just passed away, my mother does not that concern about household matters. It depends on her children. Alhamdulillah, my husband's mother likes to give us the input about those matters.

Mostly, the decisions were made by the couples though the ways to final decision need involvement of other parties for some couples.

Income Belonging

According to literatures, the way they made the decision may have relation with who earns the money and how they manage their income or in term of gender, which one is more actively involved, or who takes the control of their financial matter. Regarding the income management and control, according to patterns developed by Pahl (1995), there are five couples implement housing allowance system; three couples implement female whole wage system, one couple implements male whole wage system, and the rest implements pooling system.

Most of couples implementing housing allowance system are having the husband sole income earner. While only one couple is having both husband and wife as the income earners. All of these husbands give certain amount of money to their wives to be managed for the use of household matters. However, four of them are taking care for monthly bills. While the unique one stated that the husband sometimes takes care of the expenses that need a big amount of money.

for example, when there's money needs to be transferred, my husband will take care of it. Principally, the things, which are take cared by my husband, are transfer of money, paying the bills, electricity bill, water bill, car, petrol, all that things, the ATM will be held by my husband. But, when my turn, such as shopping, monthly expenses, cooking, children' matter, maid salary, and for my personal expenses, the ATM will be hold by me. Interchangeably. Interchanged according to each tasks. (female, 30)

Meanwhile, among couples implementing female whole wage system, two of them are having the husband sole income earner, while the rest is having both husband and wife as

income earner. All of the husbands stated that they give all of their income to their wives to be managed. However, they contribute to picturing the general stream of financial planning.

so, all of my income, including my travel allowance when I traveled to wherever it is, is transferred to bank account. That bank account is handled by my wife. (male, 46)

Your wife handle it?

For this payment, that payment, a::: she is the minister, finance minister.

Among the husbands being interviewed, only three of them are offering the answer to the wives while the question about income allocation being flooded. Unlike the rest of husbands, those three husbands became a bit quite when the questions being flooded and every time they try to answer, they need confirmation from the wives. The rest of husbands are acquainted with the allocation of income and give the information changeably with the wives.

The one who implements male whole wage system stated that the money is hold by the husband and both husband and wife rarely discuss about financial matter. During the interview, the conversations were not recorded and the husbands dominate the answer.

Another one who implements pooling system stated that their income were pooled together and whose ever money available would be used for family matter.

His money and my money (.) like that (.) whose ever money available, we use together for family (female, 48)

Both husband and wife are having their own businesses. Consequently, the income earned can be possible not regularly maintained. Therefore, they implement pooling system, whose ever money will be used for the sake of their family.

Income Allocation

Nine out of ten couples acknowledge that most of their expenditure was spent for renting house. The distinctive one has already owned a double storey house. By recognizing the figure, one couple has a plan to buy a house in Kuala Lumpur. This couple argued that the money was better spent for paying monthly installment of a house or apartment rather than renting it, if there is access for foreigner to buy a house in Kuala Lumpur. However, 70% of them are receiving housing allowance from their employers.

house, zakat, telephone, those are the most, the highest one is house, 14% (male, 32)

=Ah ah, here. If I see my wife, my prediction is she will stay quite longer here. Maybe, we need our own house, rather than renting it. 800! 800 is better used for paying installment for a house. (male, 29)

Right

So expensive. Yeah, if there's an access for it, I'll better but it

the first benefit is a: housing allowance. That's included in here (pointing at the field note). And then, a: allowance for counselor, it's for me, do you mean my salary right? Allowance for house and allowance as a counsellor in school. Besides being a teacher, they give me allowance for counsellor and extra job in school, they also give them. (female, 32)

All couples pay at least two bills, i.e. electricity and water, every month. Other bills are communication, ASTRO, and credit card. Cars instalments are also paid on monthly basis. Other monthly basis expenditures include entertainment, housing utilities, books, savings, and maid's salary. Furthermore cookery and petrol consumption are on weekly basis, except one couple put it into daily basis. Every couple has their own unique expenditure compare with others.

yup, always (.) from the money we earn, we already-already-already know where the money will go (.) house, bills:: electricity, then for our son, his school, for my daughter's pampers, milk, nine main needs ((for instance: sugar, oil for cook, flour, salt, rice)), that's all (.) milk until DiGi, reload DiGi, IDD card for communication to Indonesia, all that is (.) [proportioned] (female, 31)

[budgeted?

budgeted (.) and then if we want going back to Jakarta, sometimes, every couple of months::

we have many bills to be paid for car, electricity, water, ASTRO, telephone (female, 48)

...

Yeah, that's for daily expenditure, it could be fifteen seventeen per day, can not be predicted. Sometimes depend on the meals.

maid's salary, monthly expenditures (female, 30)

...

So, for the cookery, I spend it weekly

...

For example, buying books

regularly? The regularly ones are savings, house, and then XXXX. Those which seem high, right? Car, children' tuition fees, arisan (collecting money from several people who join the group and then the whole collected money will be given to the one who either need it at the next period or is selected through voting. All members will receive it interchangeably throughout one period of time. It is common among Indonesian women.), Mas (Honey)! Arisan, Mas (Honey). (female, 42)

house installment, car installment, a bit for entertainment (female, 39)

One wife emphasized that at most 50% of her husband income are allocated for monthly expenditures. She maintains the expenditures not to reach half of her husband income.

so, I mean, the expenditure is maintained not reaching half of the income. That's monthly basis. For instance. For example, my income is four thousands per month. The monthly expenditure is maintained not reaching two thousands. I keep it on a thousand or one thousand five hundreds level. That's it. And, alhamdulillah, it's always

happened. The expenditure, insha Allah, never reaches half of salary, ups, of income. (female, 32)

All couples budget for infaq every month. The purposes are either for their family in Indonesia or here, or for other than family.

I have my own agenda, my own programs, especially for my study, study and my researches sometimes I need to (..) hmm (..) need to finance my own research, for family of course, including my wife, she finished her study already, didn't she? All are from me, yeah (..) what (..) daily expenses, and then for the families in Jakarta. (male, 32)

if that is the case, if you want the number of them, there are Acehnese children, and then Surabayanese children, there're also in Cimahi and surrounding, in West java. So, so that's all and all of them, I, I'm not, a:: we're not, I, we, this (male, 46)

Hmm Hmm

For children, therefore what, for their school, because I want them, especially for Indonesian people. The tuition fees for their school are, those are=

Zakat is also included in monthly budget for some couples. Since there are many perceptions of scholars on zakat payment, especially for zakatable subject and the calculation of zakat, some couples are paying zakat from their income by monthly, and some are paying annually. Three of the couples notified that their zakat is directly paid through their employer by cutting their salary every month.

but, zakat is routine. We've been living in Bali for five years, more or less. There's an orphans house in Bali, pity them, so we went there every month. Some are in Jakarta. Because in Bali also, pity. (male, 39)

we have two other children to be take cared of, right? (male, 39)

*ah, for zakat, it's different for every year. It's something like this. When I lived in Madinah, I, a:: I worked there too. The salary was paid monthly, but it's difficult for me to setting the zakat payment every month. So, finally I chose to set it every one particular month in a year. Since I had a formal financial report, so I know it, and I had read the fatwa about it, and it's allowed. The financial report is calculated based on entering item. So, I pay it every one particular month, I set it on Safar. On Safar, every Safar I would check my financial position. And then, how much was it on the next Safar. And then I predicted it whether it fulfill nisab requirement or not, after that I pay it and I pay it more. And then after I moved from Madinah, I stopped. Because I didn't has any income, my income had always not fulfilled the nisab requirement, yet it was too little, it was only enough for daily needs. When I worked for ***** at the first time, I backed paying zakat every month. But then, I face difficulties again. Because I haven't got married yet at that time. I've been working there since July, don't I? (male, 29)*

Retirement Planning

Two couples admitted that they have not planned anything for their retirement, yet they do not have any fund from their working places. However, the other 80% have already had a

plan for retirement. Three couples plan for starting a business. One of them has already decided what business will be run. Although the other two have not decided yet, they firmly stated that they have thought about the plan. Therefore, all of those three couples have been preparing some amount of money for achieving their goals.

The plan, yeah:: I'm thinking of running a business (male, 32)

Ah, that's the plan. So, as what I've said, soon in the future, I should invest in property if possible. So the I can make it as a guarantee. And soon= (male, 29)

=a guarantee for starting a business? For business?

Yeah yeah

For those who have already had investment at the mean time, they prepared it for their retirement. Another alternative is savings. Three couples affirmed that their savings is prepared for their long term goals.

[have plan]. If we are getting older, we want go back to Java. I bought a land for our future as being a village people that have something to eat (male, 52)

So, it can be said that for your retirement, for example, for retirement period is from your account?

Yeah, maybe, insha Allah, if there's something emergency, we'll use my savings accounts. That's meant my account is for family. (female, 32)

Education Planning

Insurance become an alternative for children educational planning. This kind of planning is implemented by three couples while other three couples prepared their savings for their children' education. Two couples have not discussed about the plan and another couple get loan from government for their youngest child. Meanwhile, one couple has not got any children yet.

Yeah, for daily needs, buying books, shoes for children, many things, and children' begs from him. My part is only for future insha Allah, no matter what, health care, education, or urgency things, all those are from my saving. (female, 32)

This is the plan. I'm afraid it won't be practically done. Since now she has four different bank accounts, which only two of them are active, the other two are not active, aren't they? I want to use the existing account. Rather than opening new account, completing the unnecessary administration, but principally, what we have meant is there is a specific account for him (pointing their son). So, we save our money, we agreed not to use it for anything else. We plan it for his education, because:: (male, 29)

I think from insurance (male, 46)

But this insurance is education insurance [not pension insurance] (female, 42)

Education insurance

O, education insurance

The insurance is education insurance

Does it mean for children?

For children

But, for the youngest son, since he got the loan from government, maybe it's available (male, 52)

We haven't (.) haven't started discussing that matter (.) though we have already thought about it (male, 32)

Nonetheless, although they have not discussed about it yet, one couple has thought about it and took their time for asking this matter to their friend.

We take our time asking our friend, regarding the takaful (.) takaful for ((children)) education (male, 32)

Savings

The summaries of couples having accounts in conventional and Islamic institutions are as follow:

	Sum	
	Husband	Wife
conventional institutions	8	5
Islamic institutions	6	8
short-term motives		
Malaysia	9	3
Indonesia	3	2
long-term motives		
Malaysia	1	2
Indonesia	1	4

From the above table, the wives dominate Islamic banks as their partner in savings. One of them, who also has an account in conventional bank, clearly stated that she prefer to have an account in Islamic bank. Meanwhile, her account in conventional bank is temporary since it is not her intention to save in that particular institution. She argued that it is just for an emergency.

(smiling) where is it, actually? BCA (Bank Central Asia, Indonesia) and::: previously in Bank Muamalat (Indonesia). In here, Bank Muamalat (Malaysia). In Indonesia, BCA, it is not my intention to be an investment, to be a savings. In Indonesia, someone

borrowed my money and then paid it back to BCA. So, that's why BCA. But I have no intention to save there. if you ask me which one more preferable, of course Muamalat, it's already exist in Indonesia, that's the option. Unfortunately it's paid to BCA, so, that's why BCA. (female, 29)

However, the husbands argued that beside their salary was paid through conventional institution, the services offered are more complete and giving more benefits for the customers.

Does Maybank give you benefit in term of transaction cost?

Yeah, it's comfort me. And its internet banking service. I use, all, I did my transaction through its internet banking service. It's good. All. I pay all, electricity, water, internet, ASTRO, through internet banking. (male, 29)

Short-term plans dominate their motives on savings, especially for husbands' savings in Malaysia. Most of the plans are for emergency matter and for fulfilling their needs while they are staying in Malaysia. Unlike the other husbands, one husband plans for long term period on his savings since he plans to stay longer in Malaysia.

Savings motif (.) for:: emergency, if there is: an urgent matter, if someone get sick, if (.2) if, or our parents get sick, or somebody need something. Actually, it is because of the amount is not that much, so I haven't thought where I want to invest it? I mean it hasn't started yet, hasn't= (male, 31)

So, is it for short term period?

Short term period, yeah, short term period.

Nevertheless, the wives' savings accounts are more intended for long term plans, especially for those who have savings account in Indonesia. Education and retirement reasons are dominating their motives.

Yeah, I save here. Initially I think for children education. Their education... perhaps any time we may go back to Indonesia or our children going to college... if there is possible alternative in abroad. So, I save for their education, for health care. A:: yup, for family health care. What else? That's all I think. Ah, for retirement needs, insha Allah. (female, 32)

Four couples have proportioned amount from their income to be saved. Three of them are decided by the husbands, while another one from the wife.

A:: I try, principally is something like this, I cut the monthly expenditure. The detail is, primarily, we want to save something. That thing will be used for another thing. Is it for building a house in Jakarta, or just save it? Everything is depends. Principally, we try to keep around twenty thirty percent, right. (male, 39)

Investment

Among of them, none is having either stocks or bonds. Though literature found that families with adequate financial resources and have enough funds to meet short-term financial needs are more likely to hold bonds and stocks (Zhong and Xiao, 1995). A husband argued that they applied a classic style of investment. He called it as 'ancient investment'. His argument is based on his experience of having such securities. He admitted once playing with such instruments; his intention was distracted by profit orientation motives. He called it as a 'hot

game', once you dealt with it you do not want to lose it and once you lose it you will regret it desperately.

Yeah, my investment. I don't dare playing with stocks. I don't want it. It was scared if I play with it, my intention is achieving profit, if that's so, it seems gambling, if the price is high, sell it. I don't want it. I don't feel comfortable with it, though people say it is halal (allowed in Islam), but I don't feel it comfort me. I prefer to save it on deposits, doesn't it? (male, 39)

...

I don't want to deal with=

=stocks

Stock exchange. I don't want it. Although I know the game, I used to work there. The game is hot. Follow your desire. How about me? When the price good, I bought, when the price not good, I bought it, when it was good I sold it, it was going continually. XXXXX hoped it. When I lose it, (hitting the table) I really regret it so desperately. Lot my friends are experienced that kind of game. Billion, hundred million. My brother also experienced it. I don't want it. I follow ancient investment. Or buying houses, buy a house, if there is extra cash, I saved it on deposits. If there is some money, buy a block of gold. For now, I couldn't apply it at the moment, just buying some jewellery and keep it. Because the price is (.) yeah, it's like investment of earlier people. The earlier one made sense (coughing) and it's right.

Do you mean to the real sector? Because you mentioned about property.

Yup, it's real sector, right? Since, the stock market is now declining. As the impact of sub prime mortgage in US. Boom. Everything's declined, people were shocked. If it's sold, you will lose it definitely. So that's all. I wish Allah gives us His bless.

Couples mentioned that retirement and children education are the main rationale why they have some investment.

Financial Decision Making Process

The summary of managing and controlling money in families is as follow:

female whole wage	3
male whole wage	1
housekeeping allowance	5
Pooling	1
Independent	-

Respondents are allocating the control of money within family more to the wife. As we can see from the findings that none of them are allocating independently. Although there are

some wives who contribute in generating income of family, still, their husband gives them certain amount of money. Consequently, financial decision in a family has never been taken independently neither by the husband solely nor the wife. Indeed, both parties are taking their part in making such decision. Some wives notified that, for matters that require a big amount of money, will be taken by their husbands. Further investigation is needed to find out the rationale behind it.

Some financial decisions are sometimes can not be explained by literature since from the findings in this study, some husbands are using their feeling rather than prediction of facts when making financial decisions. This contradicts some literatures which found that women tend to invest in a more conservative fashion, more detail, more holistic, less risk tolerant and less confident in their financial decision making, comparing with men (Stendardi *et al*, 2006; Graham *et al*, 2002; Grable and Lytton, 1998). The husbands' feelings could be comfort ability feeling, sentiment feeling or something like that. This may happen due to some reasons as has been analyzed by Zhong and Xiao (1995) who stated that the behaviour of family in investing their money may differ for some ethnic groups, whom are non whites, because of their traditional values, religious reasons, and family habits, which the studies were mostly done in US, the different situation may occur in developing countries, such as Indonesian living in Malaysia, as this study tell us.

In addition, for those who are not working in financial field, some couples are still asking suggestions from their relatives, especially from their parents and close friends in making some financial decisions, rather than having professional advices. This could be happened since most Asian people are still holding traditions and respecting their parents.

Savings and Investment Decisions

Investment decision is one of financial decision that may take other parties part of making such decision. Usually, couples have already got some ideas and they floored it to other parties in order to gather additional information. However, the final decision still be taken by the couples.

A longer process of making the decisions which may take other parties of it could be happened since all respondents are considering long term motives. Retirement motive has taken place for all couples having investment. The other reason is for children education.

Unlike investment, short term motives have dominated the couples of saving their money. Some couples have proportioned their savings to invest in some properties soon, i.e. lands and houses, or as back up for emergency matters. Few of them use the savings for children education and retirement.

Religiosity

This study found that respondents' understanding of riba, zakat, infaq, and sadaqah are different. Though all of them are aware about those matters, their applications are diverse. The information they got may differ from one to another or they prefer to apply one method to other. As for example, one couple pay zakat differently from other. Another example is one might aware about interest but, still, they deal with it, though they have different arguments. Further investigation is highly needed to dig out the rationale behind it.

*My preference is that it's better if I keep it fully. XXXX I ask ***** like that. How do you think if we want to pay zakat, deducted by the expenditure first or multiply it with per year salary? It's better to pay it per year. What do you think? Which one better? Now I'm asking you. (male, 41)*

A:: how?

A:: asking back

*For example my salary is one thousand thus after one year I got one thousand two hundred, ups, twelve thousands. ***** said that it can be multiplied by two and a half percent or if after one month I only can save five hundred, then multiply it by twelve. The whole amount. XXXX ***** said it's more afdol.*

Ah-ah, in fixed deposits, the interest is used for paying housing installment. (male, 39)

(laughing)

Ah-ah, so that I don't use it for my consumption, so it's not haram, (not allowed in Islam) isn't it? It is used for paying the housing debt, that's what I did. It's called back to back in finance.

From second conversation, he emphasized that he aware of interest is haram, but he has another opinion that it is haram if we use it for our daily consumption only. Different perception has occurred regarding the understanding of interest which is classified as riba, and zakat. It is homework for Islamic economics and Islamic finance scholars and also Islamic financial practitioners to share their knowledge to common people. Although there are many Islamic scholars who have different perceptions, still, they need to share what their perceptions are, based on al Quran and al Hadith in Islam.

V. Conclusions

Each couple has their own unique financial planning behaviour. However, among this unique behaviour, there are some redline principles that can show particular pattern, but still, its possibility to generalize the pattern is not that accurate. Consequently, further study regarding the uniqueness behaviour of families living in or originally from developing countries has to be more investigated to find out what are the rationale behind the scene.

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