

**DETERMINANT FACTORS OF FINANCIAL WELFARE AMONG CIVIL
SERVANTS IN PADANG**

THESIS

Submitted as one of the requirements to complete the Bachelor's Degree in the Undergraduate Study Program Department of Management, Faculty of Economics and Business, Universitas Andalas.



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**BACHELOR'S DEGREE INTERNATIONAL MANAGEMENT
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CHAPTER I

INTRODUCTION

1.1 Research Background

In recent times, an individual's financial welfare has turned to become a fundamental part of their general well-being, it shows their capacity to handle current financial responsibilities and decide on what comes next. Indonesia's working population largely consists of government employees, for them financial stability is crucial to their own well-being, as well as for keeping up their work output and the quality of public services. Although not many, the few government workers that have obtained steady incomes can still face financial difficulties because they don't know enough about managing money, sustaining the cost of living that is going up, and the limited ways to get financial planning help.

Financial welfare refers to the state of an individual's or a household's economic health, which covers aspects such as income stability, savings, investments, daily needs, and financial obligations. Another term for financial welfare that is more common and used in articles is financial well-being. It has become a progressively important topic recently, since it plays a crucial role in deciding someone's overall quality of life. Financial well-being is connected to how skilled someone or an individual's household manages their finances and makes smart decisions about spending and saving (Lusardi and Mitchell, 2014). The term financial decision also encompasses the strength to face financial emergencies and prevent future problems. People that have nurtured a high-level competence of financial welfare would feel secure about their living expenses and have a sense of control over their financial future. In comparison, individuals with lesser financial welfare would usually experience limited financial options and difficulty in achieving financial stability which would lead to stress, even though they have a regular and stable income. In Bruggen

et al. (2017) words, “financial welfare is that person’s perception of their skills to sustain current and anticipated desired living standards and financial freedom”. Financial welfare is definitely an important component of total life well-being, influencing humans’ quality of life, work satisfaction, and productivity.

Financial welfare has become a popular topic for discussion in numerous areas. For the government of nations and countries, financial well-being is a key sign of its success, making the topic of financial welfare worth discussing. Like other countries, Indonesia, aim to implement programs and policies that promote financial well-being. According to the Financial Services Authority (OJK) in 2021, Indonesia’s government has predetermined financial welfare as a crucial matter in the National Strategy Plan for 2021-2025 (Rahayu et al., 2023). Global countries and many giant organizations in the world such as Organization for Economic Cooperation and Development (OECD) has put great attention that relates to financial well-being. Although Indonesia has planned to address on the issue and promote financial well-being, financial problems remain a common challenge for many households throughout the country. Year by year many financial related aspects escalate such as the cost of living, inflation, and instability of the economy, these have made it progressively difficult for people to brighten their financial well-being. The Indonesian Financial Services Authority (OJK) had conducted a survey on financial literacy and inclusion last year, the survey revealed that even though the financial inclusion in Indonesia has reached 75.02%, the national financial literacy index was still proportionally behind at 65.43% (OJK, 2024). However, these results are at least better than when the survey was conducted back in 2022, where the financial inclusion and financial literacy index had a stark difference of over 35%. This gap signifies access and understanding, which means that many individuals may have access to financial services but do not possess the knowledge and abilities to use them successfully.

Insufficient knowledge of budgeting, investing, and saving has the potential to produce poor financial decisions. People that lack financial literacy are expected to cause poor financial choices, amass less wealth, and confront greater financial instability, eventually affecting their financial welfare (Lusardi & Mitchell., 2014). The range of base salary and take home pay of civil servants based in local government offices in Padang can be seen on the table below.

Job Class	Base Salary Range	Padang TPP (Perwako No. 15/2024)	Estimated Total Income (Base salary + TPP)
1	Rp 1.685.700 - Rp 2.901.400	Rp 1.575.000	~ Rp 3.260.700 - Rp 4.476.400
2	Rp 2.184.000 - Rp 3.200.000	Rp 1.625.000	~ Rp 3.809.000 - Rp 4.825.000
3	Rp 2.184.000 - Rp 3.500.000	Rp 1.675.000	~ Rp 3.859.000 - Rp 5.175.000
4	Rp 2.184.000 - Rp 3.800.000	Rp 1.725.000	~ Rp 3.909.000 - Rp 5.525.000
5	Rp 2.500.000 - Rp 4.125.600	Rp 2.000.000	~ Rp 4.500.000 - Rp 6.125.600
6	Rp 2.700.000 - Rp 4.500.000	Rp 2.500.000	~ Rp 5.200.000 - Rp 7.000.000
7	Rp 2.785.700 - Rp 4.800.000	Rp 3.000.000	~ Rp 5.785.700 - Rp 7.800.000
8	Rp 2.785.700 - Rp 5.180.700	Rp 3.500.000	~ Rp 6.285.700 - Rp 8.680.700
9 (e.g., Eselon IV.a)	Rp 3.287.800 - Rp 5.180.700	Rp 6.000.000	~ Rp 9.287.800 - Rp 11.180.700
11 (e.g., Eselon III.b)	Rp 3.500.000 - Rp 5.180.700	Rp 9.000.000	~ Rp 12.500.000 - Rp 14.180.700
12 (e.g., Eselon III.a)	Rp 4.000.000 - Rp 5.180.700	Rp 12.000.000	~ Rp 16.000.000 - Rp 17.180.700
14 (e.g., Eselon II.b)	Rp 4.500.000 - Rp 6.373.200	Rp 20.000.000	~ Rp 24.500.000 - Rp 26.373.200

17 (Sekda/City Secretary)	Rp 6.000.000+	Rp 37.500.000	~ 43.500.000+ Rp
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Sources: Data processed from PP No. 5/2024 (for Base Salary) and Perwako Padang No. 15/2024 (for TPP)

Civil servants' financial welfare has always received a lot of attention because of their crucial position in public administration. Civil servants, who are important to government operations, require sufficient financial stability to carry out their responsibilities. Financial welfare is especially necessary as it not only affects their personal lives but also their job performance and satisfaction. Although they have obtained stable and regular monthly salary with benefits provided by the government, it does not mean these individuals hold high levels of financial welfare for certain. Alot will still struggle through the challenges of handling financial activities that come with the household such as expenses, debt, and future decisions. This is because even among those with fixed and stable incomes, financial problems arise due to poor saving and budgeting habits. There are various sectors in Indonesia, but the civil servants take up most of them, they are key to maintaining operations in the country. Therefore, recognizing what affects the financial welfare of civil servants is necessary. Understanding factors that determine financial welfare among these groups of people may present ideas on how to improve their overall welfare, possibly leading to enhanced public service.

Presently, in growing cities like Padang the cost of living has moderately increased, civil servants that work there may end up feeling more pressured, especially those that are the backbone of the family managing academic and healthcare expenses. Acknowledging and understanding the financial welfare of civil servants will be important for various reasons. Government workers such as civil servants, especially the ones that are in charge of public services, low level financial well-being might result in affecting public service quality in a bad way. Financial stress often led to

lesser work performance and mental health challenges (Joo & Grable., 2004). Therefore, by understanding the key points and factors that influence the financial welfare of civil servants, this study will be able to aid in developing not only their personal well-being but also in a professional work setting. Many current government programs have somewhat helped focus on increasing incomes or even providing bonuses, nonetheless these actions may not be useful in improvements of financial well-being long term wise. Not just income, financial capability is the key determinant of financial wellness (Xiao & O'Neill., 2016).

One of the reasons that is motivating the research of this topic and problem is how uncertain a growing economy can be. While a civil servant career offers them a stable salary, it is often put at risk by the pressing economy. Many regional civil servants experience quite a large burden on their finances, the existing salary and allowance structure often are insufficient in covering the needs of a family, forcing many individuals to find additional income or fall into debt (Sari & Abdullah, 2023). This issue reflects the fact that regional performance allowances of provincial areas or in this case Padang, are considered lower than those in the capital.

Another point is how the fixed income of civil servants will have to put up with the constant rise in living costs. Stable salary can be affected by continuous inflation according to a report by BPS Sumbar, it stated that consistent increase in the price of essential goods, especially food and housing, places a strain on fixed-income households, which in effect will decrease their real income over time.

Various studies in the past have proven that many factors can influence financial welfare, this includes financial literacy, financial attitude, and work environment. However, the current existing research leans to focus on the whole population or other sector employees. These studies may not

reflect the government employees and are only addressed in general and broad term. There is still a shortage of specific studies aimed at civil servants, notably in Padang and West Sumatra regions.

One factor that influences financial welfare is financial literacy. An ability used to operate understanding about economic information while also making the right decisions in the scope of financial planning. Financial literacy is compulsory in understanding someone's financial behavior and it significantly influences the behavior of the generation. In the words of OECD (2020), "financial literacy is essential for individuals to make informed choices, plan for the future, and manage financial risks effectively". Someone that understands the fundamental work of finance will be more likely to behave cautiously when taking financial decisions, financial literacy significantly impacts financial welfare. Past researchers have done many assessments on the effects of financial literacy, and how important it is to economic behaviors which lead to financial well-being (Faturohman et al., 2024). Past research pulled evidence from what people know and about which group is the least financially literate. According to literature and even to this day, data has shown that individuals around the world are still financially illiterate, models and experiments have done enough to confirm that causal impact of financial literacy on economic decision making (Lusardi & Mitchell., 2014). Financial literacy is a vital component of personal financial welfare, allowing individuals to make informed and detailed financial decisions to avoid debts. In the case of civil servants, financial literacy is critical given their fixed income structure and often limited route for growth. Studies indicate that greater financial literacy leads to more positive financial actions, like saving and wise investing, which then boosts financial well-being (Mändmaa, 2020). Conversely, not understanding financial matters can result in poor choices, eventually hindering their capacity to secure long-term financial stability (Xu et al., 2022).

Another significant role that determines financial welfare is an individual's financial attitude. Individuals are encouraged to implement financial literacy that is also supported by financial attitude (Lavonda et al., 2021). It is critical to identify what elements contribute to civil servants' financial welfare to establish policies that promote their economic well-being and public sector performance. There are numerous factors that influence the financial welfare of civil servants. Financial attitude envelops someone's values, beliefs, and responses when connected to money management. It also includes the person's perception toward spending, saving, and debt. Individuals with a positive financial attitude frequently end up more financially responsible in terms of behavior, no matter what the income level (Nita & Reina., 2024). Amid government workers, who often need to manage their own finances and at the same time support family members, possessing a careful and long-term focused attitude can be quite helpful in maintaining financial stability. Civil servants who are proficient in their saving abilities are more prepared for unexpected financial struggles and show better financial welfare (Sabri & Rahim., 2020). This signifies that attitude is as essential as personal income or knowledge in the determinants of financial welfare.

Additionally, work environment is also a factor that may influence an individual's financial welfare. Work environment can be defined as an external factor, which can collaterally affect how employees manage their finances. Supportive and positive work environment will surely contribute to the psychological well-being, that may improve the work output and performance of said civil servants. The way the work environment affects government workers in the surrounding is when job stress increases or when they feel unsupported, these individuals are prone to engage in damaging financial behaviors like impulsive spending which results in a further destruction of their financial wellbeing. For civil servants, the work environment consists of training programs,

cooperative financial institutions, and support from upper company members on financial management. It has been demonstrated that the work environment has positively and significantly affects employee performance at the secretariat in Padang, according to the case, a conducive work environment can indirectly contribute to financial welfare by enhancing job performance and satisfaction (Mulia & Saputra., 2021). In addition, there is a previous case study conducted by Herdiana, Purwana, & Adha (2023) where they found that workload and work environment have a positive and significant impact on work-related stress among civil servants. This proves that a healthy work environment aid in coping with stress, which in effect influences financial decision making and overall financial welfare.

The aforementioned factors, financial literacy, financial attitude, and work environment may be a key role in influencing the way civil servants develop or maintain their financial welfare. Understanding the factors that influence their financial welfare would help in reducing any future financial problems and prevent financial instability. Moreover, there are still very few studies on the financial welfare of civil servants, especially in Padang, and the few that have been made are still conflicted in the results of the factors involved. There also have not been many studies conducted on the effect of work environment to civil servants' welfare. Furthermore, there is yet to be studies conducted in Padang specifically. By incorporating the variables above, this study will aim to cover **“The Determinants Factors of Financial Welfare among Civil Servants in Padang”**.

1.2 Problem Statement

There are many factors that affect financial welfare, some of which are financial literacy, financial attitude, and work environment. Based on the research background above and the determinant factors, these are the problems that can be formulated to proceed with the research:

1. Does financial literacy affect the financial welfare of civil servants in Padang?
2. Does financial attitude affect the financial welfare of civil servants in Padang?
3. Does work environment affect the financial welfare of civil servants in Padang?

1.3 Research Objective

Based on the formulation of the problem statement above, the purpose of this research is to analyze:

1. The influence of financial literacy on the financial welfare of civil servants in Padang.
2. The influence of financial attitude on the financial welfare of civil servants in Padang.
3. The influence of work environment on the financial welfare of civil servants in Padang.

1.4 Research Contribution

This research is hoped to provide benefits as follows:

1. Theoretical benefits

It is expected to bridge the gap in the previous studies regarding the factors that affect civil servants' financial welfare and to provide more information and conclusive results to previous conflicting studies and theories regarding financial welfare and the factors that affect it.

2. Practical benefits

- a. For students

This research will be able to provide management students with a more in-depth knowledge of the related field and their future research. It is also expected to

help them distinguish between the factors and aid them when encountering financial issues.

b. For academicians

This research is expected to provide further knowledge regarding the various factors that affect civil servants' financial welfare. It will also serve as reference material for future studies.

c. For researcher

The research would help the researcher gain more knowledge and understanding in how the various factors affect the financial welfare of civil servants. It is also written as a requirement in completing studies in Department of Management, University of Andalas.

d. For academics

This research would help in understanding the way financial literacy, financial attitude, and work environment influence financial welfare, while also highlighting the importance of financial issues. This could help in designing a curriculum that would take into account financial problems.

1.5 Scope of Research

In conducting this intricate research, the researcher aims to focus more on the problem. In doing so, the researcher is expected to attain the data on a limited scope. The research will focus on financial literacy, financial attitude, and work environment as independent variables. The dependent variable will be financial welfare with civil servants in Padang as the object of the research.

1.6 Research Outline

CHAPTER I: Introduction

The first and foremost chapter of the study is the introduction where it starts with the background of the problem and continues to show the overview of the issue, it is then followed with the formulation of problems that are described as the objectives of the research. This chapter also consists of research significance, research limitations, and systematic writing

CHAPTER II: Literature Review

This second chapter will explain all the keywords used and analyzed in the study; it also includes the explanations of theories used as a basis for this study. This study uses several keywords namely: financial literacy, financial attitude, and work environment. The chapter also comes up with various previous studies to then describe the hypothesis development and research framework.

CHAPTER III: Research Method

The third chapter is where the whole process of the study is explained. It describes the population of the study and how samples are specifically collected from the said population. In this chapter, the collecting method of the data and techniques to how those data are analyzed will also be explained. Research instruments and types of research will also be mentioned.

CHAPTER IV: Results and Discussion

The results and discussion chapter are where the analyzed data is described. It contains data taken from respondents, results of hypotheses analysis, tests of the data, research variables, and further discussion about the results of the tests.

CHAPTER V: Conclusion

The final chapter will explain the overall closing of the study. It also describes the limitations that this study goes through, the important result of the study, implications, and suggestions on how future researchers could improve for better research.

