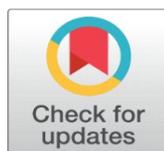


# THE EFFECT OF HOUSEHOLD INCOME AND CONSUMPTION LEVEL ON THE WELFARE OF FLOWER FARMING FAMILY IN TOMOHON CITY

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## ABSTRACT

Family welfare is one indicator of the economic progress of a region. This is important because if people's welfare increases, it will automatically increase economic growth. A person can be said to be prosperous if he can fulfill his physical and spiritual needs and development. This study aims to determine and analyze the extent of the influence of household income and consumption on the welfare of flower farming families in the city of Tomohon. This research is a quantitative descriptive research using multiple linear regression analysis method. The output of this research is in the form of a study of how the influence of income levels and household consumption on the welfare of flower farmer families in Tomohon City, besides that, the output of this research is the publication of International Journals and Intellectual Property Rights.

**Keywords:** Income Level, Household Consumption, Family Welfare

## 1. INTRODUCTION

The concept of welfare is closely related to the concept of needs, with the fulfilment of needs, then a person can be judged prosperous. Because the level of need is indirectly in line with welfare indicators. Maslow's theory describes the formulation of hierarchical needs in the form of a triangle, where the needs at the top will be met after the needs at the bottom are met. The lowest level in the hierarchy of needs are physical needs which involve basic needs such as clothing, food, and shelter. Then in a row are the need for security, social needs, and the need for self-esteem. It can be interpreted that income and consumption are simple

variables that determine welfare, because both individuals and households can be used to achieve human welfare. This is also experienced by flower farmers in Tomohon City, based on data obtained by the research team, it is known that almost all residents in North Tomohon sub-district work as flower farmers who rely on natural resources to meet their needs by working as flower farmers or freelancers. The profession as flower farmers is their only source of livelihood in meeting family needs. Based on the above background, our research team is interested in conducting research on the effect of household income and consumption on the welfare of flower farming families in Tomohon City. Based on the background that the researcher has conveyed, the formulation of the problem in this study is:

- 1) How much influence does income have on the welfare of flower farming families in Tomohon City?
- 2) How much influence does household consumption have on the welfare of flower farming families in Tomohon?
- 3) How much influence does household income and consumption have on the welfare of flower farming families in Tomohon City?

The aims of this research are:

- 1) To find out how much influence income has on the welfare of flower farming families in Tomohon City?
- 2) To find out how much influence household consumption has on the welfare of flower farming families in Tomohon City?
- 3) To find out how much influence household income and consumption together have on the welfare of flower farming families in Tomohon City?

## **2. LITERATURE REVIEW**

### **2.1. BASIC CONCEPTS OF FAMILY WELFARE**

According to law no. 52 of 2009 states that a prosperous family is a family formed based on a legal marriage, capable of proper spiritual and material needs, fear of God and have harmonious, harmonious, and balanced relationships between members and between families with society and the environment. Every aspect of life in the family is strived to achieve family welfare. Indicators of the achievement of family welfare with the fulfillment of all needs. Therefore, meeting the necessities of life is a demand for all families. Maslow (1943) in his book entitled Theory of human motivation identifies needs in a hierarchical form into five levels [Nitisusastro \(2013\)](#), namely; (1) physical needs, namely the need to eat, drink, shelter and be free from pain; (2) the need for safety (safety need), is the need for freedom from threats, namely safe from the threat of events or the environment; (3) social needs (social need), is the need for social life and love, namely: the need for friends, affiliation, interaction and love, (4) the need for self-esteem (esteem need), is the need for self-esteem and respect from other people. other; (5) the need for self-actualization (self-actualization need), is the need to fulfill oneself by maximizing the use of abilities, skills, and potential. Basically, the types of needs mentioned by some experts have much in common. Every family needs to fulfill various needs in their life, so that the family's goals in achieving a prosperous family can be realized. The condition of family welfare occurs in a situation when the family can meet all kinds of needs, both physical, spiritual, material, and social needs so that families can live in accordance with their environment to achieve satisfaction and prosperity.

## 2.2. BASIC CONCEPTS OF INCOME

Income is an important element in the economy that plays a role in increasing the standard of living of many people through the production of goods and services. The amount of a person's income depends on the type of work. BPS (Central Statistics Agency) states that income is the total amount of income received by a person as remuneration in the form of money from all the results of his work or business both from the formal and non-formal sectors which are calculated within a certain period of time. While Case and Fair (2007:403) state that a person's income basically comes from three kinds of sources including: (1) from wages or salaries received as labor rewards; (2) derived from property rights, namely capital, land, and so on; and (3) comes from the government. Meanwhile, according to Reksohadiprodjo (2000:25) the relation between income and family welfare is that humans judge work based on the amount of wages and working conditions.

## 2.3. BASIC CONCEPTS OF HOUSEHOLD CONSUMPTION

Household consumption refers to the final expenditure of households on goods and services. Goods can be classified into durable and non-durable goods. Household consumption is a key indicator for analysing demand in the economy. Consumption usually accounts for a large percentage of gross domestic product (GDP). In fact, in some countries, the percentage reaches more than 50%. In economics, the definition of consumption is broader than the consumption that occurs on a daily basis which is only considered in the form of food and drink. According to Soeharno (2007) 6 Consumption is the activity of utilizing goods or services in meeting the needs of life. Consumption is absolutely necessary for everyone to survive. In economics all expenditures other than those used for savings are called consumption. According to Samuelson (2004) 125 Household consumption is expenditure for the purchase of final goods and services that are useful for getting satisfaction and meeting needs. The act of consumption is carried out every day by anyone, the aim is to obtain the highest satisfaction and achieve the level of prosperity by fulfilling various kinds of needs, both basic needs and secondary needs, up to tertiary needs. The level of consumption provides an overview of the level of prosperity of a person or family. So that it can be seen that household consumption does not stop at a certain stage, but always increases until it reaches the point of highest satisfaction and prosperity to feel prosperous. Income is the main determinant of household consumption. Without income, households have no money to buy goods and services. Apart from income, there are a number of other factors that influence household consumption, including wealth, expectations of future income, interest rates, inflation, income distribution, demographic factors, tastes and preferences. The study of consumption theory has helped economists formulate various theories such as the concept of consumer surplus, the law of diminishing marginal utility and the law of demand. These theories help understand how individual behavior affects inputs and outputs in the economy. Consumption plays an important role in income and employment theory. Keynesian economists argue that if consuming goods and services does not increase the demand for those goods and services, it causes a decrease in production. A drop in production means businesses will lay off workers, resulting in unemployment. High unemployment means more people are losing their income. That ultimately reduces consumption further. According to Suparmoko, there are several variables that affect consumption apart from income, including: a. Appetite. The consumption of each individual is different even though the individual has the same age and

income, this is due to the different tastes of each individual. b. Socio-Economic Factors. Socio-economic factors such as age, education, and family circumstances also have an influence on consumption expenditure.

### **3. RESEARCH METHOD**

#### **3.1. RESEARCH APPROACH**

This study examines the effect of household income and consumption on the welfare of flower farming families in Tomohon City. The approach used in this research is quantitative which aims to test the theory. Before testing the hypotheses in this study, relevant data are first needed. The purpose of using a quantitative approach is to test the hypotheses proposed in the study in the form of numbers and analysis using statistics.

#### **3.2. LOCATION AND TIME OF RESEARCH**

This research was conducted in the city of Tomohon with the object of research namely the people of the city of Tomohon. This research was conducted from March to October 2022.

#### **3.3. POPULATION AND SAMPLE**

##### **Population and Sample**

The population is a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions [Sugiyono \(2012\) 80](#). The object of this research is the entire family of flower farmers in Tomohon City. The total population is taken from 30 Kelurahan from 44 Kelurahan. The population in this study were flower farmers, amounting to 250 families from 220 male heads of household and 30 female heads of household. According to [Sugiyono \(2012\) 81](#), the sample is part of the number and characteristics possessed by the population. If the population is large and the researcher is not able to study everything in the population, the researcher can use samples taken from that population. For this reason, samples taken from the population must be truly representative (representative). Thus, the number of samples to be taken in this study using the slovin formula and obtained as many as 71 respondents. The sampling technique used by the researcher is area proportional random sampling, which is a sampling technique carried out by taking representatives from each region contained in the population [Suharsimi \(2010\) 182](#).

#### **3.4. DATA COLLECTION METHODS AND ANALYSIS METHODS**

Data collection techniques are the most strategic step in research, because the main purpose of research is to obtain data. Without knowing data collection techniques, researchers will not get data that meets the data standards set [Sugiyono \(2012\) 224](#). The data collection technique used in this research is a questionnaire. In this study, multiple linear regression analysis was used. This regression analysis was used to determine the effect of the independent variable and the dependent variable, namely: income, household consumption and family welfare.

## **4. RESULTS AND DISCUSSIONS**

### **4.1. TOMOHON CITY PROFILE**

Tomohon city is one of the cities in North Sulawesi province, Indonesia. Prior to 2003, Tomohon City was one of the subdistricts of Minahasa County. During its development, Tomohon made many progress, so the people aspired to raise Tomohon's status as a city. Tomohon became an autonomous region (city) with the enactment of laws. Based on data obtained from the Central Bureau of Statistics, the city of Tomohon has an area of 147.21 km<sup>2</sup> and is located at 01° 18' 51" north latitude and 124° 49' 40" east longitude, and is bordered by:

- In the north it is bordered by Minahasa Regency
- In the east it is bordered by Minahasa Regency
- To the south it is bordered by Minahasa Regency
- In the west it is bordered by Minahasa Regency

In general, the city of Tomohon is located on the main traffic route connecting Manado City, the provincial capital, and other cities in the Minahasa Regency area. Tomohon City can be reached directly from Manado City and reaching Bitung in Tomohon can be done through Tondano City or through Manado. Accessibility to other cities in North Sulawesi province is quite convenient thanks to good quality roads. North Tomohon sub-zone has potential to develop chrysanthemum products, which is very favorable for chrysanthemums to grow in this area. The main floriculture marketing center is located in Kakaskasen II village, district. North Tomohon with 12 stalls selling cut flowers and leaves as well as arrangements including Ningsih Florist.

### **4.2. DISCUSSION**

Based on the output coefficients, the t-count value is 1,751 t-table 1.656 and the significance value is 0.082 0.05 and =0.088 is positive, meaning that financial literacy has a positive effect. This means that if someone has better financial knowledge, they will have good behavioral intentions and vice versa. This study is consistent with research conducted by Brian P. Kennedy which found that financial literacy does not predict intention to use credit cards. However, a positive correlation was found between attitudes towards credit cards and the amount of credit card debt. Based on the t-test results, the t-count value is 4.215 t-table 0.1656 and the significance value is 0.000 0.05 and = 0.330 is positive, which means that financial literacy has a positive effect. and significantly to financial management. That is, the higher the financial knowledge and ability to perform financial aspects, one of which is the basic financial knowledge including income, expenses, assets, liabilities and risks. Financial behavior and effective financial management will be wiser. On the contrary, it can be said that the lower a person's basic financial literacy level, the worse and less effective financial management behavior will be.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

### **5.1. CONCLUSION**

Based on the data analysis and discussion that has been carried out in the previous chapter, it can be concluded as follows:

- 1) Income has a positive and significant effect on the welfare of flower farming families in Tomohon City.

- 2) Household consumption has a positive and significant effect on the welfare of flower farming families in Tomohon City.
- 3) Income and household consumption together have a positive and significant effect on the welfare of flower farming families in Tomohon City.

## 5.2. RECOMMENDATIONS

Based on the results of the research above, the following suggestions can be conveyed:

- 1) The higher the income, the higher the welfare of the family. Based on the research that family income and welfare are in the low category. With this in mind, it is better for the agricultural unit from the government and agricultural groups to provide the same size of wages in each village and provide skills training that can be used as additional work in order to improve the family economy.
- 2) The higher household consumption, the higher the welfare of the family. Based on research that household consumption is in the high category. With this in mind, the government should provide direction to flower farmers regarding the procedures for good and correct consumption patterns by holding savings to ensure future consumption and reduce consumerism.
- 3) The higher the household income and consumption, the higher the family welfare. The welfare of coffee farming families is low. With this, the government re-records the state of family welfare so that the receipt of welfare assistance funds can be right on target.

## CONFLICT OF INTERESTS

None.

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