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THE CONCEPT OF SAVINGS CONSUMPTION IN REALIZING THE FINANCIAL IDEA

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Abstract

The aim of this research is to determine the concept of savings consumption in realizing ideal finals. This research method uses qualitative research, literature study. Research results: Consumption has a close relationship with savings levels. Where savings are part of income that is not consumed or spent. Interest rates influence people's consumption expenditure through savings. The higher the interest rate, the greater the amount of money saved so that the smaller the amount of money spent for consumption. Conversely, the lower the interest rate, the lower the amount of money saved and the greater the amount of money used for consumption. So the relationship between consumption and interest rates has an inverse relationship, where an increase in interest rates will reduce people's consumption patterns. The high interest of people in saving is influenced by the high and low interest rates. Higher interest rates result in the amount of savings increasing, due to the accumulation of assets. If the interest rate is high, people will reduce current consumption to increase savings.

Keywords: Commusion, Savings, Financial

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INTRODUCTION

The definition of consumption takes terms from two different languages, namely Dutch and English. In Dutch terms, consumption comes from the word consumptie, namely all activities that are used with the aim of taking advantage of a product or service. Meanwhile, from English, consumption comes from the word consumption which means usage, use, utilization, and/or expenditure. As is known, the scope of consumption is very broad and is not limited to just one particular item or service.

Consumption is a basic form of economic behavior in human life. Every living creature must carry out consumption activities, including humans. The definition of consumption in economics is not the same as the term consumption in everyday life which is defined as eating and drinking behavior. In economics, consumption is every person's behavior in using and utilizing goods and services to meet their daily needs. Consumption is also a process of spending on goods and services carried out by households with the aim of meeting the needs of the people making the purchases. People's spending on food, clothing and other necessities is classified as spending or consumption.

Consumption is one of the three basic economic principles besides production and distribution. Consumption is generally interpreted as an action to reduce or use up the economic use of an object, such as eating food, wearing clothes, riding a motorbike, occupying a house, etc. When consuming, a person or household tends to maximize its usefulness or utility. In consuming there is no limit to achieving it. As Mundell emphasized, every individual or group has the desire to maximize their desires. The desire in question is pleasure. The basis for fulfilling happiness is desire. Consumption itself is an inseparable part of life. By consuming, a person can avoid the difficulties and problems that hinder him. Therefore, with consumption the continuity of life can be continued

Along with the development of the international economy, economic relations between countries become interrelated and result in an increase in the flow of trade in goods and money and capital between countries. The existence of this trade is of course caused by the limited availability of goods or services in one country and a surplus in other countries. Not only quantity, quality is also a factor that drives international trade. Activities to meet various needs in the economy have encouraged economic actors to carry out buying and selling transactions in foreign currency or foreign currency. In general, people are more familiar with the term buying and selling foreign currency than exchanging foreign currency. However, in Islam the term foreign exchange is more appropriate to use. Money

or currency in Islam is a means of payment and is not a commodity so it cannot be bought and sold.

Public consumption expenditure is a macroeconomic variable denoted "C". The concept of consumption, which is a concept that has been Indonesianized in English "Consumption", is spending made by households on final goods and services with the aim of meeting the needs of the people who make the purchases or also the income spent. . The part of income that is not spent is called savings, symbolized by the letter "S", the initial of the word saving. If the consumption expenditure of all people in a country is added up, the result is the consumption expenditure of the people of the country concerned. Economic growth currently relies on consumption because the role of the investment and export sectors drives economic growth.

LITERATURE REVIEW

Consumption is one of the three basic economic principles besides production and distribution. Consumption is generally interpreted as an action to reduce or use up the economic use of an object, such as eating food, wearing clothes, riding a motorbike, occupying a house, etc. When consuming, a person or household tends to maximize its usefulness or utility. In consuming there is no limit to achieving it. As Mundell emphasized, every individual or group has the desire to maximize their desires. The desire in question is pleasure. The basis for fulfilling happiness is desire. Consumption itself is an inseparable part of life. By consuming, a person can avoid the difficulties and problems that hinder him. Therefore, with consumption the continuity of life can be continued Dina Kurnia Salwa (2019:90)

According to Keynes, current consumption is very much influenced by current disposable income, not the accumulation of past or future income. Consumption will really depend on the income they have. However, people will still fulfill their needs even though they have no income. Therefore, Muh Anshori (2023:89) makes the minimum consumption limit not 0 but the number of needs that must be met as a human being. Meanwhile, if disposable income increases, consumption will increase, although it is not the same as income. Keynes's theory states: "a person's spending on consumption and savings is influenced by his income. The greater a person's income, the greater the level of consumption, and the level of savings will increase. And conversely, if a person's income level becomes smaller, then all his income is used for consumption so that his savings level is zero."

Filho, et al (2013:) in their research stated that high consumption increases cash flow from companies and results in increased returns on Ibovespa (Indeice da Bolsa de

Valores de Sao Paulo)." Cash flow expresses net profit plus depreciation, which is actually distributed to investors, namely after the company has invested in fixed assets and working capital which are important for continued operations. So a company's value is related to its ability to generate cash flow. So if cash flow increases the value of the company will increase, which in turn will also increase share prices (Brigham et al, 1997: 110).

1. Principles of Consumption

   According to Abdul Mannan, in consuming there are five basic principles, namely:

   a. Principles of Justice

      This principle contains a double meaning regarding seeking sustenance that is halal and not prohibited by law. This means that something consumed is obtained halally and does not conflict with the law. Consuming must not cause injustice, be within the corridors of religious rules or laws, and uphold appropriateness or goodness. Islam has various provisions regarding economic objects that may be consumed and which may not be consumed.

   b. Principles of Cleanliness

      Clean in the narrow sense is free from dirt or disease that can damage humans physically and mentally, for example: food must be good and suitable to eat, not dirty or disgusting so that it spoils the appetite. Meanwhile, in a broad sense, it is free

2. Factors That Influence Consumption

   Factors that influence consumption levels are as follows

   1) Household income

      The higher the income earned by a household, the higher its consumption expenditure will be. And conversely, if household income is low, consumption expenditure will be low too.

   2) Household wealth

      Included in the definition of household wealth are real wealth (houses, land and cars) and financial (term deposits, shares and securities). This wealth can increase consumption, because it increases disposable income.

   3) Interest rate

      The effect of higher interest rates, the tendency to save will increase and consumption expenditure will fall. Low interest rates, the propensity to save will decrease and consumption expenditure will increase. On the other hand,

when interest rates fall, the propensity to borrow money from banks will increase and consumption expenditure will increase.

4) Item Model

Trending product models can influence people's consumption behavior.

5) Consumer tastes

Every person is different, Javanese and Sundanese have different tastes when it comes to food. The existence of differences in taste will clearly influence people's consumption of goods and services.

6) Forecast about the future

Internal factors used to estimate the future prospects of a household include job, career, promising salary and many family members who are already working. Meanwhile, external factors that influence include domestic and international economic conditions, as well as the types and direction of economic policies implemented by the government.

METHODSE RESEARCH

The research method used in this research is a qualitative research method. Qualitative research methods are approaches used to understand social phenomena in natural contexts. Several related articles and journals provide an overview of qualitative research methods. One of them is an article that discusses the use of library research as a method for collecting data by understanding and studying theories from various sources. According to Zed (2004) there are four stages of library study, namely preparing the necessary equipment, preparing a working bibliography, organizing time and reading and recording research material. Collecting data by searching for sources and constructing them from various sources such as books, journals and existing research. Library materials obtained from various reference sources are analyzed critically and in depth in order to support proportions and ideas (Mubarok & Abadi, 2020)

MEETN AND DISCUSSION

Consumption

The consumption function is a function that shows the relationship between consumption (C) and income (Y). In general, the consumption function is assumed to have a linear equation as follows.

$$C = a + b\,Y$$

The absolute requirements for the consumption function are:

- the value of a = must be positive
- b value = must be positive

Information:

C : national consumption level

a : the amount of consumption expenditure when income is zero or autonomous consumption (autonomous consumption)

b : MPC, namely additional income used to increase expenses. To find out the amount of a, it can be calculated using the formula:

$$a = (APC – MPC)\ Y$$

Where Average Propencity to Consume (APC), means the desire to consume on average. APC is a comparison between the amount of consumption at a level of national income
(C) with the level of national income itself (Y).

When written with the formula it is:

$$APC = \frac{C}{Y}\text{ , while b or MPC } = \frac{\Delta C}{\Delta Y}$$

In the consumption function, we also have to know the Break Even Point (BEP) income level or Break Even Income (BEI). The meaning of the BEP income level is the income level, where the amount of income is the same as the amount of expenditure for consumption, which can be formulated:

$$Y = C \text{ or } S = 0$$

C: consumption function S: savings function

Example 1:

The data on a country's income along with its consumption and savings is known, namely: At the level of national income per year of IDR 1,000 billion, the amount of consumption per year is IDR 950 billion, so that at the level of national income per year of IDR 1,200 billion, the amount of consumption per year is IDR 1,100 billion. Determine the consumption function.

Savings Concept

According to classicists, savings is a function of the interest rate with a positive relationship. One of the classical figures who developed this theory was Wicksell (Vieneris 1977 in Sumastuti, 2008:49), who stated that people's high interest in saving is influenced by high and low interest rates. Higher interest rates result in the amount of savings increasing, due to the accumulation of assets. If the interest rate is high, people will reduce current consumption to increase savings.

Savings are savings whose withdrawals can only be made according to certain agreed conditions, but cannot be withdrawn by check/bilyet giro. Savings are defined as a form of savings (funding) where the funds are stored in one account where at any time and at any time the owner of the savings can withdraw the money either in cash or non-cash (transfer books, transfer to another bank) via ATM machine or teller. Savings have an important role in the lives of individuals and society. At a micro level, savings play a role in maintaining consumption in the future and even over time in order to obtain prosperity, while at a macro level savings are a source of investment to encourage economic growth to achieve prosperity. Contribution of savings in increasing third party funds (TPF).) the bank cannot be doubted. Research conducted by Juliandi, et al (2015) proves that savings products have a positive effect on increasing third party funds. On the other hand, savings are a fund-raising instrument that is popular among the public. Almost all levels of society can open a savings account because the requirements are relatively easier and the initial balance is not too large. 12 Savings in people's lives play an important role in the formation of gross fixed capital. This is because savings in people's lives are part of investment which is a component of gross fixed capital formation.13

3. Types of Savings

   Savings are divided into several types, including:

   a. Conventional Savings

      One of the most common savings products and most often owned by the public. People who have this savings product are generally provided with debit card facilities, savings books, banking services such as mobile banking, internet banking and SMS banking.

   b. Term savings

      This savings system involves debiting a specified amount of funds every

month within a certain period.

c. Child Savings

This type of savings has almost the same function as regular savings. This product will have book and debit card facilities, but banking facilities will not be provided depending on bank policy.

d. Foreign Currency Savings

This product is often found in banking and is generally called foreign exchange (Valas). The currencies commonly used in this savings product are USD, Pound Sterling, Euro and other foreign currencies.

e. Current Account Savings

This product is better known as a business savings product, because this product is often used by entrepreneurs on behalf of companies or individuals because it is intended for business needs and makes it easier to make payments to customers and also to save sales turnover funds.

f. Deposit

Deposits are savings products that have certain deadlines ranging from 1 month, 3 months, 6 months, up to 24 months before they can be disbursed. The customer will receive a deposit slip/deposit certificate. And deposits can also be extended automatically or Automatic Roll Over.

4. Factors that influence Savings

There are several factors that have an impact on people's savings, one of which is inflation. Inflation is a condition in which the prices of services and goods continue to increase and the value of the currency circulating in society decreases. In order to anticipate this situation, most people prefer the alternative of converting cash funds into commodities. This means that spending ordinary money on the purchase of consumer goods creates demand for goods and subsequently increases the price of goods

Another very important factor is income/income. The more people's income increases, the more their savings opportunities will increase. A person with a high level of income has a large level of savings, and vice versa, so that if a person's income is smaller then the level of savings is also small.

5. Savings Function

The savings function is a function that shows the relationship between savings (S) and income (Y). By using the consumption function formula, it can be determined as follows.

Y = C + S

S = Y – C even though C = a + bY,

so that

S = Y – (a + bY)

S = Y – a – bY

S = -a + (1 – b) Y

So, the savings function can be formulated as follows.

S = -a + (1 – b) Y

whereas

1 – b or MPS = $\frac{\Delta S}{\Delta Y}$

The absolute requirements for the savings function are:

- the value of a = must be negative
- value 1 – b = must be positive

Information:

- S = national savings rate
- 1 – b = MPS, namely additional income used for savings

Example 2:

Based on the consumption function in Example 1, the savings function can be determined as follows.

S = -200 billion + (1 – 0.75) Y

S = -200 billion + 0.25 Y

The Relationship between Consumption and Savings

Consumption has a close relationship with the savings rate. Where savings are part of income that is not consumed or spent. Interest rates influence people's consumption expenditure through savings. The higher the interest rate, the greater the amount of money saved so that the smaller the amount of money spent for consumption. Conversely, the lower the interest rate, the lower the amount of money saved and the greater the amount of money used for consumption. So the relationship between consumption and interest

rates has an inverse relationship, where an increase in interest rates will reduce people's consumption patterns.

CONCLUSION

Consumption is a basic form of economic behavior in human life. Every living creature must carry out consumption activities, including humans. The definition of consumption in economics is not the same as the term consumption in everyday life which is defined as eating and drinking behavior. In economics, consumption is every person's behavior in using and utilizing goods and services to meet their daily needs. Consumption is also a process of spending on goods and services carried out by households with the aim of meeting the needs of the people making the purchases. People's spending on food, clothing and other necessities is classified as spending or consumption.

Savings are savings whose withdrawals can only be made according to certain agreed conditions, but cannot be withdrawn by check/bilyet giro. and at any time the savings owner can withdraw his money, either cash or non-cash (moving books, transferring to another bank) via an ATM machine or teller. Savings have an important role in the lives of individuals and society. At a micro level, savings play a role in maintaining future consumption and even over time in order to achieve prosperity, while at a macro level savings are a source of investment to encourage economic growth to achieve prosperity.

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