Proceeding of 5th International Conference on Research and Development (ICORAD)
Vol. 4 No. 2 (2025)
Page : 91-98
ISSN : 2828-4925
DOI : 10.47841/icorad.v4i2.348

The Effect of Household Financial Management on Economic Stability (Empirical Study of Water Guava Farmers in Demak)

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Received: June 26, 2025 | Revised: July 10, 2025 | Accepted: July 15, 2025

Abstract. Maintaining family economic stability, especially in the agriculture industry, depends heavily on household financial management. This study aims to explore the connection between water apple growers' financial stability and financial management in Mranak Village, Demak Regency, Central Java. Data were gathered utilizing a survey method and a quantitative approach. Selected respondents were given questionnaires, and both descriptive and inferential statistical techniques were used for analysis.According to preliminary research, good financial habits including keeping track of spending, controlling consumption, and saving money have a big influence on the financial stability of households. It is anticipated that the findings of this study will contribute to improving the financial literacy of Demak's water apple producers.

Keywords : Financial Management; Economic Stability; Farmers; Quantitative; Mranak Village

INTRODUCTION

With its more than 17,000 islands, Indonesia is an archipelago with favorable geographic circumstances for the growth of the agricultural industry. Indonesia is one of the nations with the most agricultural potential due to its fertile soil, comparatively high rainfall, and ideal tropical climate.According to Soekartawi (2006), these factors not only support plant growth, but also create an ideal environment for various types of agricultural commodities. With these characteristics, Indonesia is categorized as an agricultural country, where around 30% of the population is involved in the agricultural sector (BPS, 2023). Agriculture in Indonesia serves not only as a food provider, but also as a driver of economic growth, job creator, and social development driver.

One area that has great potential in the agricultural sector is Central Java Province, particularly Demak Regency. The district is known as a production center for water guava, which is one of the mainstay horticultural commodities in the area (Dinas Pertanian dan Pangan Kabupaten Demak, 2022). Water guava from Demak is not only known in the local market, but also has a high demand in the national market, thanks to its good quality. Despite its promising potential, farmers in Demak district are still faced with a number of complex problems. The uncertainty of crop yields due to increasingly extreme climate change, erratic market price fluctuations, and increasing production costs are challenges that farmers must face (Susilowati & Maulana, 2021). These problems not only affect farmers' income, but also the welfare of their families, who often depend on agricultural products.

In this context, household financial management has become an increasingly important aspect and has received attention in various studies. Several studies have shown that proper financial management can help households, including farming households, cope with fluctuating economic conditions (Lusardi & Mitchell, 2014; Adi, 2020). With good management, farming families can conduct effective financial planning to deal with economic risks that may arise from the agricultural sector. For example, they can set aside a

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portion of their income for savings or investment, which can be used to deal with difficult times when crop yields are not as expected. In addition, good financial management also allows farmers to allocate funds for productivity improvements, such as buying quality fertilizers or more efficient farming tools, which in turn can increase their yields.

Although several previous studies have discussed financial management and the contribution of income to household welfare in general (Rama, 2022), studies that specifically examine the link between household financial management and economic stability in the context of water guava farmers in rural areas, such as Demak District, are still limited. Most studies tend to focus on the technical and economic dimensions of agriculture without directly linking them to income management patterns at the household level. To provide readers a more complete understanding of the challenges farmers confront, this highlights a vacuum in the literature that needs to be filled.

Building on this finding, the study intends to investigate in greater detail how household financial management functions in the economic context of households that grow water guava. This emphasis seeks to enrich existing literature and expand perspectives on the economic challenges faced by farmer households, particularly in relation to seasonal and fluctuating income patterns. By examining how financial management influences economic stability, this study is expected to offer valuable recommendations for farmers and policymakers alike.

From an Islamic viewpoint, economic stability refers to a state where all economic components operate justly and equitably, ensuring that society's basic needs are fulfilled fairly (Ali Muhyidin, 2020). In addition, Khasanah et al. (2023) describe economic stability as encompassing price stability, a high level of employment opportunities, and balanced economic growth. These definitions serve as a theoretical foundation for examining economic stability as a key aspect of this research. Therefore, this study not only emphasizes financial factors but also takes into account the social and moral dimensions that are integral to community life.

Financial management is a process that includes planning, controlling, and monitoring family financial resources with the aim of achieving household welfare and financial goals (Wahyuningsih, 2023). Although it looks simple and easy to learn, financial management often lacks attention in practice. In fact, with proper implementation, financial management can help families meet short-term and long-term needs. In addition, Ghozie (2022) states that financial management has a close relationship with household harmony and welfare. Therefore, the ability to manage income and expenses is the main thing in maintaining family economic stability. In the context of farmers, good financial management can be a tool to reduce risk and increase family economic resilience. Thus, it is important for farmers to receive education and training on effective financial management, so that they can optimize their resources and improve their quality of life.

METHODS

This study uses a quantitative methodology, and respondents who are active water guava farmers in Mranak Village were given structured questionnaires to complete in order to gather data. Farmers must have at least two years of expertise controlling the revenue from water guava farming in order to use the purposive sampling technique. This criterion ensures that respondents possess adequate knowledge of financial management and the challenges inherent in the agricultural sector. Consequently, the data gathered are expected

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to accurately represent actual conditions and provide a clear overview of farmers' financial management practices.

The questionnaire was created with the intention of evaluating two main variables: household economic stability as the dependent variable and household financial management as the independent variable. Each variable is measured using several indicators adapted from relevant theories. The indicators for household financial management among water guava farmers in Mranak Village are based on Wahyuningsih (2023) and include financial planning, categorizing needs, debt management, investment, and evaluating family finances. Meanwhile, the economic stability indicators are derived from Mankiw (2010) and cover price stability, balance of payments, economic growth, employment opportunities, and a stable exchange rate. Through these indicators, the study seeks to deliver a comprehensive analysis of the link between financial management and economic stability.

Descriptive statistical techniques were used to evaluate the questionnaire data in order to show the traits of the respondents and the indicators of each variable. Additionally, Using simple linear regression analysis, the effect of financial management on farm households' financial stability was examined quantitatively. Through this approach, it is expected that a clearer insight into the relationship between the two variables will be obtained, along with implications for relevant policies and practical applications in the field. The findings from this analysis are anticipated to offer valuable recommendations for farmers, government institutions, and non-governmental organizations in designing more effective strategies to enhance farmers' welfare and economic stability in rural areas.

RESULTS AND DISCUSSION

This study collected information from 50 respondents using questionnaires given to water guava farmers in Mranak Village, Demak Regency. Both validity and reliability tests were carried out to guarantee the data's accuracy and dependability. Every variable included in this study was evaluated using the validity test. Respondents were asked to react to 20 statements that comprised all research variables.

Table 1: Validity Test Results

Variable	Indikacator	Code	r-count	r-table	Description
Financial Management (X)	1	X1	0,325	0.2787	Valid
	2	X2	0,329	0.2787	Valid
	3	X3	0,328	0.2787	Valid
	4	X4	-0,008	0.2787	Invalid
	5	X5	0,328	0.2787	Valid
		X6	0,081	0.2787	Invalid
		X7	0,185	0.2787	Invalid
		X8	0,285	0.2787	Valid
		X9	0,143	0.2787	Invalid
		X10	0,508	0.2787	Valid
Economic Stability (Y)	1	Y1	0,187	0.2787	Invalid
	2	Y2	0,353	0.2787	Valid
	3	Y3	0,211	0.2787	Invalid
	4	Y4	0,112	0.2787	Invalid
	5	Y5	0,150	0.2787	Invalid

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Variable	Indikacator	Code	r-count	r-table	Description
		Y6	0,191	0.2787	Invalid
		Y7	0,300	0.2787	Valid
		Y8	0,520	0.2787	Valid
		Y9	0,334	0.2787	Valid
		Y10	0,361	0.2787	Valid

Source: Primary data that has been processed, 2025

Considering the validity test's findings, it was found that several statement items did not meet the required r-count > r-table value (0.2787). This could be attributed to respondents' limited understanding of the statements' content or to low variability in responses due to a shared interpretation of the items. In the regression analysis, only the items deemed valid were used as the basis for calculations to ensure the accuracy of the analysis results.

Table 2: Reliability Test Results

Variable	Cronbach's Alpha	Description
Financial Management	-0,690	Not Realiable
Economic Stability	-0,388	Not Realiable

Source: Primary data that has been processed, 2025

It is evident from Table 2's reliability test findings that all variables have Cronbach's Alpha values less than 0.60. Consequently, it can be said that the research instrument variables' reliability is considered inadequate and that they cannot be utilized for additional study.The Cronbach's Alpha values for both variables X and Y are below 0.6, indicating that the instrument is not entirely reliable. Hence, it is recommended that future research should include preliminary testing and revision of statement items to improve the quality of the data collected.

Table 3: Normalcy Test Outcomes

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		50
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	3.03314128
Most Extreme Differences	Absolute	.100
	Positive	.100
	Negative	-.100
Test Statistic		.100
Asymp. Sig. (2-tailed)		.200[c,d]

Source: Primary data that has been processed, 2025

The normality test was done to check if the data in this study follows a normal distribution. The results showed a significance value of 0. 200. Since this value is higher than the standard significance level of 0. 05 (0. 200 > 0. 05), it means the data is normally distributed. Therefore, the data satisfies the normality assumption and can be used for more advanced statistical analysis.

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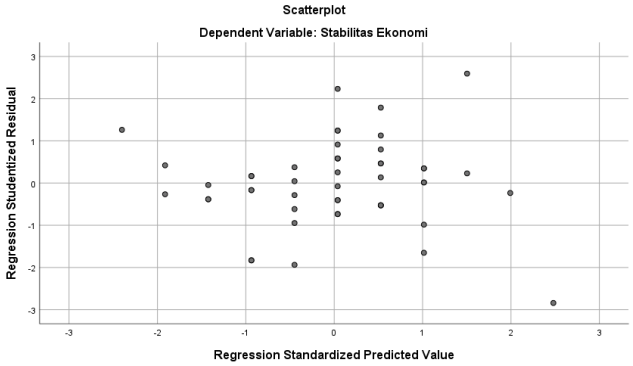
Table 4. Results of the Multicollinearity Test
Source: Primary data that has been processed, 2025

Coefficients[a]								
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B		Std. Error	Beta			Tolerance	VIF
1	(Constant)	48.776	8.575		5.688	.000		
	Financial Management	-.364	.214	-.239	-1.702	.095	1.000	1.000
a. Dependent Variable: Economic Stability								

The multicollinearity test checks if the independent variables in the regression model are related to each other. Two main measures are used to find multicollinearity: the Variance Inflation Factor (VIF) and the Tolerance value. If a variable has a Tolerance value higher than 0. 10 and a VIF value lower than 10, it is not affected by multicollinearity. According to Table 4, the Financial Management variable (X_1) has a VIF value of 1. 000, which is below 10, and a Tolerance value of 1. 000, which is above 0. 10. This means that the data does not show any multicollinearity.



Source: Primary data that has been processed, 2025

Heteroscedaticity does not exist if the points spread out and form a specific pattern.

Table 5: Multiple Linear Regression Analysis Outcomes

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	48.776	8.575		5.688	.000
FINANCIAL MANAGEMENT	-.364	.214	-.239	-1.702	.095
a. Dependent Variable: ECONOMYC STABILITY					

Source: Primary data that has been processed, 2025

Based on the results of the multiple linear regression test displayed in Table 5, the coefficients table indicates that the independent variable, financial management, has a coefficient of 0.214.The multiple linear regression model that was thus produced is:

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$$Y = a + b_1X_1$$
$$= 48.776 + (-0.364)$$

The following can be inferred from this:

1. The constant or state of the Economic Stability variable, when unaffected by other variables, in this case Financial Management (X_1), is represented by the value of a, which is 48.776. The Economic Stability variable does not change in the absence of the independent variable.
2. Economic Stability is negatively impacted by the Financial Management variable, as indicated by the regression coefficient for X_1, b_1, which has a value of -0.364. This indicates that, assuming other factors are not taken into account in this model, Economic Stability varies by -0.364 for every unit rise or reduction in the Financial Management variable.

Table 6 shows the F-Test results

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	27.203	1	27.203	2.896	.095[b]
	Residual	450.797	48	9.392		
	Total	478.000	49			
a. Dependent Variable: Economic Stability						
b. Predictors: (Constant), Financial Management						

Source: Primary Data Processed, 2025

With a significance value of 0. 095, Table 6 shows that the link between the Financial Management variable (X_1) and Economic Stability (Y) is stronger than the 0. 05 significance level (0. 095 is higher than 0. 05). Also, the F value of 2. 896 is less than the F table value of 3. 20 (2. 896 is smaller than 3. 20). So, we accept Ho_3 and reject Ha_3, meaning there is no strong connection between Financial Management (X_1) and Economic Stability (Y).

Table 7. shows the T-Test results

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	48.776	8.575		5.688	.000
	Financial Management	-.364	.214	-.239	-1.702	.095
a. Dependent Variable: Economic Stability						

Source: Primary Data Processed, 2025

The results from the t-test in Table 7 show that the link between the Financial Management variable (X_1) and Economic Stability (Y) has a significance level of 0. 095, which is higher than the standard significance level of 0. 05 (0. 095 > 0. 05). Also, the t value calculated is -1. 702, and when you take the absolute value, it is less than the critical t value from the table, which is 2. 012 (|-1. 702| < 2. 012). This means there is no strong statistical evidence to suggest that Financial Management (X_1) and Economic Stability (Y) are related.

Table 8: Coefficient of Determination Test Results

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**

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1	.239[a]	.057	.037	3.06457
a. Predictors: (Constant), FINANCIAL MANAGEMENT				

Source: Primary data that has been processed, 2025

The coefficient of determination, also known as R Square, shows how well the independent variables can explain changes in the dependent variable. A higher R Square value, closer to 1, means the independent variables explain more of the variation in the dependent variable. The R Square value always falls between 0 and 1. According to Table 8, the R Square value is 0. 057 or 5. 7%. This means that the Financial Management variable explains 5. 7% of the variation in Economic Stability.

Conclusion

Examining how household financial management affects economic stability is the goal of this study, which focuses on water guava farmers in Mranak Village, Demak Regency. Although Indonesia possesses vast agricultural potential supported by fertile soil and a tropical climate conducive to various agricultural commodities, farmers in Demak still encounter challenges such as yield uncertainty, fluctuating market prices, and rising production costs. Sound financial management is deemed crucial to help farmers cope with these unstable economic conditions. However, the findings revealed that several indicators for financial management and economic stability were invalid, and the research instruments were found to be unreliable, with both variables having Cronbach's Alpha values less than 0.60. In spite of this, there was no multicollinearity and the data were regularly distributed. With a regression coefficient of -0.364, the basic linear regression analysis demonstrates that financial management has a detrimental impact on economic stability. The financial management variable only accounts for 5.7% of the variation in economic stability (R Square = 0.057). Although the F test result indicates an influence (F count 2.896 < F table 3.20, Sig. 0.095 > 0.05), the t test indicates that, statistically, financial management has no significant impact on economic stability (t count -1.702 < t table 2.012, Sig. 0.095 > 0.05).

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