Financial Management for Millennials in the Industrial Era 4.0

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Abstract

Millennial generation is a generation that is very influential in terms of internet usage. The generation is also the most abundant generation and is rife in shopping online. Millennial generation was born in an era of easy access to various technological advances and everything about financial institutions. The purpose of this paper is to find out how Millennials manage their finance in the proliferation of e-commerce transactions. M ethodology used in this research using literature study from paper and internet. Research conducted a survey of ninety nine people. The result, those who shop online on a laptop or computer without a touch screen tend to be more able to control themselves than those who shop on a smartphone or tablet with a touch screen. Therefore managing finances is a must to do, even this has encouraged millenials to be smarter to take advantage of various technological advances to manage their finances.

Keywords: Millennial Generation; E-Commerce; Financial Management

Introduction

The development of technology is currently achieving significant achievements where one of them is the rise of the theme of the industrial revolution 4.0 and its application. The industrial revolution 4.0 is one of the references to improve efficiency and effectiveness, including in business matters. The internet is a necessity at this time because of its use in finding various things that are desired, sharing information, chatting, working, shopping, games and so on.

The development of internet users is currently dominated by millennial generation. The Indonesian people with millennial generation born in 1980-1999 made a generation that is close to technology (Krbova and Tomas, 2015; Constantinides, 2010; Lachman and Deborah, 2013). Millennials are accustomed to using the internet for daily activities (Praharjo, 2019; San et al., 2015). The results of a survey conducted by the Indonesian Internet Service Providers Association (APJII) in 2016 explained that around 80% or around twenty-five million internet users in Indonesia were 25-29 years old and around 72% were 30-34 years old. The dominance of internet users was born in the 1980-1999 era. The survey shows that millennial generation is the most dominant user in internet usage (Kompas, 2016).

Marketeers magazine research results explain that the behavior of Indonesian people who shop at E-Commerce or online explains that the millennial generation is the generation that shops the most in E-Commerce (Marketeers, 2018). This is supported by the results of APJII's research which states that 11% of internet users in Indonesia access the internet to sell or buy goods and services via the internet. APJII also explained that millennial generation is considered as the most active generation in online shopping in Indonesia (Kompas, 2016). The role of millennials who shop through E-Commerce is inseparable from the close relationship between millennials and digital technology.

The reason millennials buy on E-Commerce or online is due to their simple use, ease of interaction, aesthetics, and easy marketing mix (Constantinides, 2010). The use of technology makes it easy for millennials to find the desired goods/services. Content on E-
Commerce also has an attractive and pleasing aesthetic. Site layout helps in finding or choosing the right product when shopping online. In the E-Commerce content also presents a place to interact with other E-Commerce users with that interaction making more trust in the products sold in the online store.

Online stores explain very clear information from the search for products/services to payment. This makes it very easy for buyers to find the desired product. These conditions are considered by millennial generation in shopping at online stores (Constatinides, 2010). Online shopping behavior makes online shopping can be done at any time, anywhere, and enabling conditions. The price factor is also very influential in online shopping, to the availability of various products offered on online sites. The existence of E-Commerce is needed to get a good understanding of the factors that can influence online buying behavior, and can even help online marketing to improve their applications. Use of a website or application can indicate related factors that affect millennial generation consumers when shopping online at certain online shopping sites.

Literature Review
1. Millennial Generation

Millennial generation is known as Generation Y, Gen Y or Langgas Generation, which is the demographic group after Generation X. There is no definite time limit for the beginning and end of this group. Experts and researchers usually use the early 1960s as the beginning of birth and the mid-1990s to the early 2000s as the end of birth.

Millennial generation was first coined by the Boston Consulting Group (BCG) with the University of Berkley in 2011 in his research entitled American Millennial: Deciphering the Enigma Generation. Millennial generation or Gen Y as shown in the following Figure 1 are those born in the 80s to 2000. This means that those in the age range of 20 to 40 this year can be said to be millennial. Unlike its predecessor generation, or commonly known as Generation X, millennial generation is considered special, especially in matters relating to technology. It could be said because this generation was born when technologies such as mobile phones, color TVs, and even the internet were introduced.

Note: Millennial generation or Gen Y was born in the 80s to 2000.
Source: Kasasa, 2020

Figure 1. Evolution of Human Generations

Millennials in general are children of the older generation of Baby Boomers and GenX. Millennials are sometimes referred to as "Echo Boomers" because of the "boom" (large increase) birth rates in the 1980s and 1990s. Fortunately in the 20th century the trend towards smaller families in developed countries continued to develop, so the relative impact of the "Baby Boom Echo" was generally not as large as the post-World War II population boom.

The study cited by Brilio (2015) from USA Today shows that millennials are more impressed by individuals, simply ignore political issues, focus on materialistic values and are less concerned about helping others when compared to Generation X and Baby Boomers at the same age. The study itself is based on an analysis of two databases of 9 million people who are in high school or are just entering college.

This generation when viewed from the negative side, is a lazy, narcissistic person, and loves to jump from one job to another. However, on the other hand they have a positive side. Among other things, millennial generation is an open minded person, a supporter...
of equal rights. They have good self-confidence, are able to express their feelings, are liberal, optimistic, and accept ideas and ways of life. Millennials get a hard education from their parents, Baby Boomers and old Gen X generation. However, when millennial generations educate children, they tend to give freedom to children to express themselves.

At the Homework Rescue program, a child psychologist said that in the past the type of parents was more authoritarian, everything was scared, the rules had to be fulfilled well by the child, very inflexible in doing many things and strict. This is different from today, for example studying in a cafe. Womantalk (2018)

2. E-Commerce

E-Commerce is a process of buying and selling products electronically by consumers and from company to company with computers as intermediaries for business transactions. The advantage gained by using transactions through E-Commerce is to increase revenue by using online sales that cost less and access 24 hours non-stop throughout the year at an affordable cost. (Laudon and Laudon, 1998; Pradana, 2015; Yulianto & Heryanto, 2019) The system structure of E-Commerce can be seen as Figure 2 below.

![System Structure of Web Based E-Commerce](image)

**Note:** The media used in E-Commerce activities is the internet.

Source: Aberg dan Shahmehri, 2000

E-Commerce includes selling, buying and marketing transactions to individual buyers with internet media through E-Commerce service providers such as Shopee, Tokopedia, Lazada, etc. In the process of E-Commerce transactions, both B2B and B2C, involve banking institutions as institutions that handle transaction payment transfers. Following Figure 3 are the types of E-Commerce.

![E-Commerce Category](image)

**Note:** E-Commerce referred to in this study is included in the Business to Consumer (B2C) categorization.

Source: AinBusiness, 2016
The difference between the buying and selling process in the E-Commerce system with the traditional buying and selling process lies in all processes starting from finding information about the goods or services needed, making an order, to making payments electronically through the internet media. According to Maulana et al (2015), trading mechanisms in the E-Commerce system are explained through the value chain in E-Commerce, namely E-Products & E-Services, E-Procurement, E-Marketing, E-Contracting, E-Distribution, E-Paymen and E-Customer Relationship Management. E-Commerce gives customers more product choices from many vendors. E-Commerce provides a comparison of various products and services to customers by visiting many places and searching quickly (Yulianto & Mauluddin, 2019).

In transactions that use E-Commerce, there are 3 payment methods that can be used (Sari, et al, 2014; Prihatna, 2015): 1) Online Processing Credit Card, this method is used for retail products which cover a very broad market that is all over the world where payments are made directly or immediately; 2) Money Transfer, payment in this method is safer but requires a fee for the Money Transfer service provider to send some money to other countries; and 3) Cash on Delivery, payment by paying at this place can be done if consumers come directly to the producers of their products or are in the same area with different service providers.

Here are some trends for E-Commerce to know:
1. **Shopping Experience Demands**, in this digital age, Shopping Experience does not only cover "buying and selling" activities. Millennials need a shopping experience that is more innovative, interactive and brings emotional satisfaction. Augmented Reality (AR) technology is an example of technology that is integrated with the fashion retail industry specifically for consumers to easily visualize the products they choose before finally deciding to buy.
2. **The presence of the factory version**, another important trend to consider is the development of factory strength as a producer. At present, many factories are considering launching products with their own labels to get higher profits for business transformation.
3. **New Definition of Offline Retail (Physical Store)**, as retail business owners move to E-Commerce to expand their reach, consumers will also become accustomed to shopping online. The concept of a physical store requires a little transformation to provide a better shopping experience. The role of the physical shop will change according to the purpose and location. The Click-And-Collect concept has been popular in several places in the UK and will expand to other countries. One example is the form of collaboration between Argo and eBay. eBay makes it easy for shoppers to pick up the items they buy at one of Argo's 750 branch stores. This offers a more effective shipping alternative.
4. **Omni-Channel**, changing shopping behavior and priorities that have slowly shifted to the online market. The results of an online shopping survey published in The Wall Street Journal report that 45% of consumers today have done searching and shopping online. At a time when the internet and Smartphone users are increasingly dominating, E-Commerce comes with practical solutions that allow consumers to make purchases with their Smartphones, which we later know as Mobile Commerce. With so many mediums and channels available, the E-Commerce platform is now filled with many choices and changes.

McKinsey defines E-Commerce as the process of buying and selling physical goods online which is divided back into two categories, namely E-Tailing, namely formal buying and selling through an Online Platform designed to facilitate transactions such as Bukalapak and Tokopedia and Social Commerce, namely marketing goods through social media like Facebook or Instagram with payment and delivery carried out through other platforms (WartaEkonomi, 2019).

According to McKinsey, service companies like GO-JEK, Traveloka, and B2B platforms such as IndoTrading are outside the scope of this research. The Gross Merchandise Value of the Indonesian E-Commerce market is projected to grow around eight times by 2022 as Figure 4 below.
Methodology

The research method used in the preparation of this journal is descriptive qualitative research. Descriptive qualitative analysis method is a method of research conducted to describe the processes or events that are in effect at the moment that are made as research objects, then the data or information are analyzed so that a problem is obtained. As said by David Williams (1995) in the book Lexy Moleong states that qualitative research is the collection of data in a natural setting, using natural methods, and carried out by people or researchers who are naturally interested. (Moleong, 2007)

Data collection techniques for this study used online data search methods. This enables online media such as the internet as one of the very useful media for searching various information, ranging from theoretical information or primary data or secondary data desired for research needs. Researchers can utilize online data in the form of information as quickly or as easily as possible and can be accounted for academically (Bungin, 2013)

Result & Finding

1. Millennial Generation Online Shopping Behavior

This rapid growth in Millennial Generation online shopping behavior is expected to occur due to five main factors, including:

1) Mobile-oriented market, thanks to the availability of smartphones with relatively affordable prices, Indonesian citizens who have smartphones currently reach 40 percent of the total population or around 106 million people. The price of cellular data packages that are relatively cheap compared to other Southeast Asian countries also makes it easier for Indonesian consumers to shop with a mobile device.

2) Young consumers and digital literacy, about 87 million people or one third of Indonesia's population aged 16 to 35 years, and around 100 million people are now registered with banks. Both of these demographics seem increasingly accustomed to using the Online Platform and digital transactions. Consumers now average 2.6 times more transactions through the Smartphone application compared to 2014.

3) Increased UMKM participation, the total Online business in Indonesia has increased to around 4.5 million in 2017. Of that number, around 99 percent are micro entrepreneurs with income of less than three hundred million rupiahs annually and 50% are online businesses without shops physical. The increasing use of the Online Platform by consumers and the presence of E-Commerce Supporters Start Up helped build an accommodating environment for MSMEs to design Online stores, manage transactions, and market products.

4) Investment growth, from 2015 to 2017, Indonesia received US $ 5 billion or around sixty nine trillion or 38 percent investment for digital economy companies in Southeast Asia. Of this amount, E-Commerce platforms such as Bukalapak, Matahari Mall and Tokopedia were the categories that received the most funding, around US $ 3 billion / forty-one trillion rupiah.
5) Government support, the Indonesian government has launched various programs to support the digital economy, such as the construction of the Palapa Ring network. A number of other supporting factors include the Indonesian government's openness to foreign investment as seen from the launch of the Presidential Decree on the E-Commerce Road Map in 2017.

Consumer shopping trends will also experience various changes. So far, the ease of making transactions and choosing products has pushed the number of consumers online is projected to increase by around 25 percent each year and will reach 65 million people in 2022. The increase in popularity of online shopping is also related to the relatively lower cost compared to shopping for similar products offline. Online consumers in Java especially in urban areas on average save around 4-14 percent compared to offline shopping. This is because high operational costs make offline goods more expensive, while a comprehensive distribution network makes online shipping costs even cheaper.

Therefore, online purchasing behavior is defined as the activity of finding and buying goods or services electronically via the internet through direct interaction with an online store. Consumers do online shopping not only to buy products online, but also to get information such as comparing prices, product features, and customer service facilities that they will receive if they buy products from certain online stores (Shergill & Chen, 2005; Wijaya & Jasfar, 2014).

Consumer shopping behavior in an online store is different from an offline store. Online shopping has been eliminated on the consumer side such as the inconvenience of traditional shopping such as fighting the crowd, standing in long lines, and fighting for parking spaces in busy malls (Suki and Suki, 2013). The results of Tabatabaei's research (2009) show that there are positive perceptions of offline consumers towards online shopping. Consumers may be interested in doing online shopping to meet their needs and desires because there are things that are so efficient. In addition, online shopping offers a lot more convenience for consumers than offline shopping. Technology makes millennials generation rely on social media as a place to find information, including in terms of online shopping. The Nielsen Global Survey of E-Commerce also conducts research on the shifting spending behavior of internet generations. The study was conducted based on internet penetration in several countries (Republica, 2016). The study illustrates the behavior of millennials familiar with the internet to meet their daily needs.

2. Financial Management for Millennial Generation in Industrial Era 4.0

Financial Management Behavior is an issue that is widely discussed today. This relates to millennial consumption behavior in Indonesia. They tend to think short-term and are synonymous with impulsive shopping practices so that often individuals with income who still experience financial problems due to financial behavior that is less responsible. Financial Management Behavior is a person's ability to manage (planning, budgeting, checking, managing, controlling, searching and storing) daily financial funds. The emergence of Financial Management Behavior is the impact of a person's desire to meet their needs in accordance with the level of income earned.

Based on previous research on Financial Behavior, there are three variables that influence financial behavior, namely psychological aspects related to Locus of Control which was first put forward by Rotter (1966), a social learning theorist. Locus of Control is a person's perspective on an event whether someone can or cannot control the event that happened to him. Locus of Control orientation can be divided into two, namely internal Locus of Control and external Locus of Control (Robbins & Judge, 2008). The Locus of Control variable is thought to affect a person's financial behavior psychologically. Millennials must understand Financial Literacy through developing Financial Skills and learning to use Financial Tools. Financial Skill is a technique for making decisions in personal Financial Management such as preparing a budget, choosing an investment, choosing an insurance plan and using credit which are examples of Financial Skills. Financial Tools are forms and charts used in personal Financial Management decision making (Ida & Dwinta, 2010; Kholilah & Iramani, 2013).
The three variables described above have different results in each of the previous studies. Ida & Dwinta (2010) state that knowledge about finance influences a person's behavior in managing his finances. Research by Perry and Morris (2005) results that Locus of Control together with Knowledge and Income and Race as moderating variables influence Consumer Financial Behavior. As for the research of Grable, Park and Joo (2009), Beverly & Clancy (2001) and Bowen (2002) there are differences in results namely that overall, Financial Knowledge is positively related to Responsible Financial Behavior. A dynamic lifestyle plus a lack of financial management knowledge makes them millennial find it difficult to manage finances. Some millennial also still find it difficult to manage their finances according to the priority scale. Saving life is different from being cheap. Saving life is being able to prioritize needs above desires and manage the fulfillment of needs with quality things efficiently. So, saving lifestyle does not mean reducing expenditure so that it does not pay attention to quality, but regulates expenditure according to need and balanced with income.

Most millennials use the principle of "You Only Live Once" which makes their lifestyle and social costs increase. They find it difficult to distinguish between needs and desires. When they see a good item, they immediately buy without thinking about whether the item is needed or not, and in the end regret to have given the item. Avoid buying things because basic wants not needs. The role of parents is increasingly needed especially in terms of their children's finances, millennial generation.

Here's how to manage finances to be better for millennials in the proliferation of E-Commerce transactions:

1) Arranging Financial Plans, millennials are very rare to make spending plans every month. Through this initial planning can help to reduce wasted expenditure and divide the monthly needs for the short or long term. Millennial generation can use the 50-20-30 method. This method helps the millennial generation to divide the portion of expenditure as needed. 50% of salary for daily needs, 20% for savings or investment needs, and the remaining 30% for personal needs.

2) Budgeting for investment, aside from arranging monthly income according to budget allocations and making financial goals, there is also no harm if millennials start learning to invest from now on. Investing can help you become rich at a young age. Millennials need to stick to the principle that there is no instant in investing, fully understanding what investments are best suited to their character, always studying risks and checking the legality of the companies they will invest in. These are our tips for minimizing undesirable risks in the future.
3) Wise in Buying Something, is a decision to spend money. The more wise the millennial generation spends, the more money it can save. Whether or not wise depends on the situation experienced. As much as possible if there is an opportunity to save money then do it. If you can buy the desired item at a cheaper price but with more effort then do it.

4) Use financial control applications, this digital era millennial generation can easily spend money, they also must be able to easily manage finances. Nowadays, many financial control applications that can be millennial generation are downloaded on smartphones. The financial control application will help millennials manage their finances easily like Wallet, Mint, Uangku, Level Money and Money Lover.

5) Financial Education, can be learned and improved to achieve prosperity and reduce poverty. Research conducted by Yoong (2010) in Sina (2014) adds when compared to a few decades ago, the financial environment facing consumers offers various opportunities to control and improve financial conditions. As a result of technological advancements and financial innovations, millennials as a consumer is exposed to unprecedented experience and expansion of various financial products and services.

Conclusion

Based on the results and discussion above, the conclusions drawn from the study are:

1. The internet has presented new ways and opportunities in business. Many aspects must be considered in the presence of E-Commerce that might not have been present before in conventional business practices. Therefore, all the conveniences provided by the internet, especially in online shopping, we must deal with and respond wisely. Every expenditure must be considered carefully. Effective financial budgeting will help millennial to save money.

2. Avoid consumptive things such as invitations to hangout that are too often, especially for things that are not too needed and not including financial goals. Before buying something, first check the financial condition. Utilization of applications in gadgets to find out and control finances every month can use the application of financial management. That way can more easily evaluate each month.

3. Understanding the science of managing finance is the essence of financial education. Financial education is a solution that provides a variety of tools and understanding in managing money on target, and is a preventive measure not to experience financial difficulties due to wrong financial decisions.

4. The role and role model of parents to provide the foundation for proper money management so that millennial generation will grow to form a positive mentality towards money and patterns of behavior responsible for financial management.

Implications

Financial management is indeed not easy, it requires consistency and great intention. Millennial generation must endure all temptations in this digital age. However, that does not mean that millennials cannot use their money wisely. If in this digital age millennial generation can easily spend money, they can also easily manage finances. This has implications for millennial attitude not to spend money when getting stimulus spending, but rather carefully thought out before buying.

References


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