

THE EFFECT OF INCOME, EDUCATION LEVEL, AND FINANCIAL MANAGEMENT ON CIVIL SERVANT RETIREMENT PLANNING IN PADANGSIDIMPUAN CITY

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Abstract

The purpose of this study was to determine how the influence of Income, Education Level, and Financial Management on Civil Servant Retirement Planning in the North Padangsidempuan sub-district, Kayuombun village. This study used multiple linear regression analysis with external and internal model tests. This study used SmartPLS 4 for data analysis. The purpose of this study was to determine the extent of the influence of Income, Education Level, and Financial Management on Civil Servant Retirement Planning in the North Padangsidempuan sub-district, Kayuombun village. 31 people were involved in the study as samples. The results showed that the Income variable had a significant positive effect on Planning, Education Level had a positive but insignificant effect on Planning, and Financial Management had a positive but insignificant effect on Planning.

Keywords: Income, Education Level, Financial Management, and Retirement Planning.

A. INTRODUCTION

Retirement is a crucial phase in a person's life cycle, especially for civil servants (PNS), who will formally enter a period of unproductive employment. Facing this period, thorough financial planning is essential so that individuals can maintain their standard of living and well-being without relying on others. Good financial management early on will undoubtedly have a positive impact on their financial condition in the future. (Morgan, 2025) However, the reality is that some still pay insufficient attention to this, resulting in difficulties in managing their finances in old age or retirement. In other words, they are forced to work as if they were younger, even though their physical and mental stability has decreased. (Barrett, 2026) Therefore, awareness of the importance of financial planning

for old age or retirement is needed (Estrada, 2024). According to data from the Financial Services Authority (OJK), more than 90% of formal workers in Indonesia lack a clear picture of their retirement plans, and approximately 70% of retirees continue working to meet their living expenses. (Sulistianingsih et al., 2025). On the other hand, this situation is exacerbated by the increasing number of older adults, who will become a burden if their health conditions decline, which will certainly require costs for healthcare services. This, in turn, inevitably leads to decreased income, increased disability, a lack of social support, and an unfriendly environment for older people. The statement above indicates a lack of public awareness regarding retirement (Rooij et al., 2012). A civil servant's position certainly provides retirement benefits, but this does not guarantee future financial security without proper financial management, so early planning is crucial. This research focused on civil servants in Padangsidempuan City, an area with a relatively high population density and diverse distribution of civil servant education levels and ranks. Although civil servants receive a guaranteed pension from the government, in reality these benefits are often insufficient to ensure financial stability in retirement without proper planning. (Montero-navarro, 2021) Several factors are believed to influence retirement planning behavior, including income, education level, and financial management skills (Service, 2024).

B. LITERATURE REVIEW

1. Income

According to the pioneers of classical economics, Adam Smith and David Ricardo, income distribution is categorized into three main social classes: workers, capitalists, and landlords. These three factors determine the three factors of production: labor, capital, and land. The income received by each factor is considered the income of each skilled family relative to national income. Their theory predicted that as society progressed, landlords would be relatively better off, while capitalists (capital owners) would be relatively worse off. According to Jhingan, income is monetary earnings over a specific period. Therefore, income can be defined as all earnings or increases in a person's capacity, whether used for consumption or savings (Syarifuddin, 2018). This income is used for living expenses and to achieve satisfaction.

2. Level of Education

According to Article 1 of Law of the Republic of Indonesia Number 20 of 2003 concerning National Education, education is defined as a conscious and planned effort to create a learning atmosphere and learning process so that students actively develop their potential to possess spiritual and religious strength, self-control, personality, intelligence, noble character, and the skills needed by themselves, society, the nation, and the state. According to Law Number 2 of 1989 of the Republic of Indonesia concerning the National Education System, education is defined as "a conscious effort to prepare

students through guidance, teaching, and/or training for their future roles" (Paramasivan & Subramanian, 2020). Education level is the level of education attained by an individual through formal education and approved by the Ministry of Education as an effort to develop their potential to possess spiritual and religious strength, self-control, personality, intelligence, noble character, and the skills needed by themselves, society, the nation, and the state (Yastiti et al., 2025). Meanwhile, according to Septarina (2017), education levels are stages of education determined by a student's developmental level, the goals to be achieved, and the skills being developed.

3. Financial Management

According to Mulyawan (2015), financial management is the activity of planning, budgeting, auditing, managing, controlling, acquiring, and disbursing funds owned by a company or organization. Meanwhile, according to James Van Horne and John Wochowicz in Mulyawan (Paramasivan & Subramanian, 2020). Financial management is the set of activities related to the acquisition, financing, and management of assets for various purposes. Financial management is a crucial activity for a company to understand its condition. Based on the explanations above, it can be concluded that financial management is the set of activities carried out by a company or organization to obtain, use, and manage funds to achieve overall company goals.

4. Retirement Planning

Planning for the future of civil servants requires more than a single focus; it requires a more inclusive and thorough understanding of the process of achieving predetermined goals, which, in turn, impacts financial stability (Morgan, 2025). One of the leading figures in financial planning, Feredik Pieloor, provides a perspective on future financial conditions. He believes that your current pension is determined by your past efforts (Service, 2024). Youth is a benchmark for a person's ability to engage in various activities that yield compensation or income, which can be invested for retirement. The more diligently you work, save, and invest, the more money you'll have available for retirement. Conversely, failing to capitalize on opportunities during your youth and managing your finances effectively can have dire consequences for your financial well-being upon retirement, including financial constraints, diminished physical and mental health, and an inability to function optimally. In fact, as Muslims, our religion encourages us to live a happier, more dignified, and more fulfilling life in the future (Estrada, 2024).

C. METHOD

a. Basic Research Framework

Figure Basic Research Framework

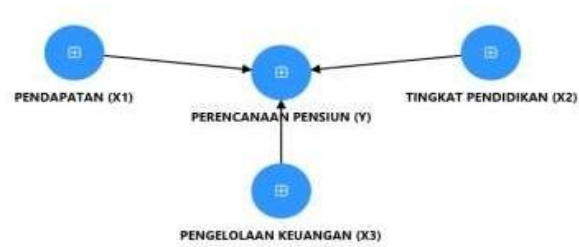


Figure 1 Factor Value

According to the image, Income, Education Level, and Financial Management are factors that can influence Retirement Planning.

Based on the theoretical study and framework of thought above, the following research hypothesis can be formulated:

H1: Income has a significant impact on retirement planning

H2: Education level has a significant impact on retirement planning

H3: Financial management has a significant impact on retirement planning

1. Population and Sample

Population is a generalization of an area consisting of subjects or objects that have been identified by researchers to be studied and assessed, the population in this study is all retired civil servants in North Padangsidempuan District, Kayuombun Village, in this study the researcher used a sampling technique, namely saturated sampling, which is a sampling determination technique that uses all members of the population as samples.

D. RESULTS AND DISCUSSION

This study uses inferential statistical analysis to analyze sample data from the research population. The Partial Least Squares (PLS) method is used with SmartPLS 4.0 to support inferential statistical analysis.

1. Outer Model Test (Measurement Model)

a. Convergent Validity

Convergent validity processing is based on the correlation between item scores estimated by SmartPLS. In this study, the fill factor is 0.7; if it is less than 0.7, the variable indicator can be removed. The processing results from SmartPLS 4 are as follows:

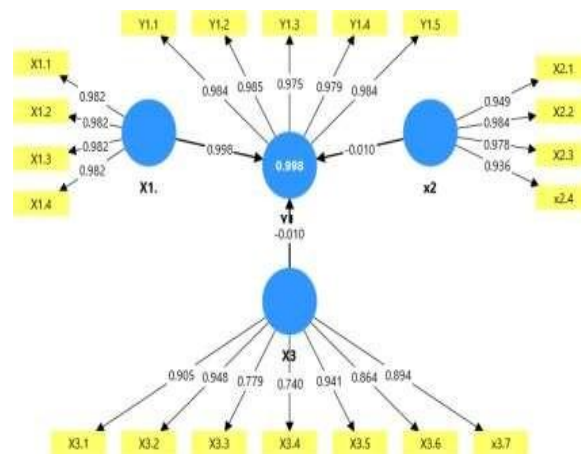


Figure 2. Factor Value

Table 1. Convergent Validity Test Results

X1.1 <- X1.	0.982
X1.2 <- X1.	0.982
X1.3 <- X1.	0.982
X1.4 <- X1.	0.982
X2.1 <- X2	0.949
X2.2 <- X2	0.984
X2.3 <- X2	0.978
X2.4 <- X2	0.936
X3.1 <- X3	0.905
X3.2 <- X3	0.948
X3.3 <- X3	0.779
X3.4 <- X3	0.740
X3.5 <- X3	0.941

X3.6 <- X3	0.864
X3.7 <- X3	0.894
Y1.1 <- Y1.	0.984
Y1.2 <- Y1.	0.985
Y1.3 <- Y1.	0.975
Y1.4 <- Y1.	0.979
Y1.5 <- Y1.	0.984

Based on Table 1, the test results indicate that each indicator's value is greater than the rule-of-thumb value (> 0.7). Therefore, it can be concluded that each statement proposed for the exogenous (X) and endogenous (Y) variables used in this study can measure what it should measure, or in other words, all the questionnaire instruments in this study are considered valid. Meanwhile, the results of the AVE (average variance extracted) test are as follows:

Table 2. Convergent Validity Test Results

	Average variance extracted (AVE)
X1.	0.964
X3	0.758
Y1.	0.964
X2	0.925

Based on Table 2, the test results indicate that each indicator's value exceeds the rule-of-thumb threshold (> 0.7). Therefore, it can be concluded that each statement about the exogenous variable (X) and the endogenous variable (Y) used in this study measures what it should; in other words, all indicators in this study are valid.

b. Reliability Test

After testing validity, a reliability test was conducted using a combination of reliability and Cronbach's alpha for the indicator blocks measuring the construct. The results of the combined reliability and Cronbach's alpha test for Smart PLS 4 are as follows:

Table 3. Composite Reliability Test Results

	Cronbah's alpha	Composite reliability (rho_a)	Keterangan
X1	0.988	0.988	Reliabel

X3	0.947	0.970	Reliabel
Y	0.991	0.991	Reliabel
X2	0.973	0.974	Reliabel

Based on Table 3 above, all items in the questionnaire are considered reliable. As shown in the Cronbach's Alpha column, the values are >0.70, indicating that the questionnaire items are reliable.

2. Inner Model Test (Structural Model)

a. R-Square Test

This test aims to determine how the constructs, significance values, and R-square of this research model relate to one another. The R-Square criterion measures the influence of independent variables on the dependent variable. An R-Square value of 0.67 indicates good quality, 0.33 indicates medium quality, and 0.19 indicates poor quality. The results of the research data processing yield the following estimated R-Square values:

Table 4. Results of The Determination Coefficient Test (R2)

R Square	Adjusted R Square
0.998	0.998

Based on Table 4, the test results show that the Adjusted R-Square value is 0.998. This means that all exogenous variables influence the endogenous variables by 99.8%; the remaining 0.2% is influenced by other variables not included in this study.

b. Uji T-statistic (Boostropping)

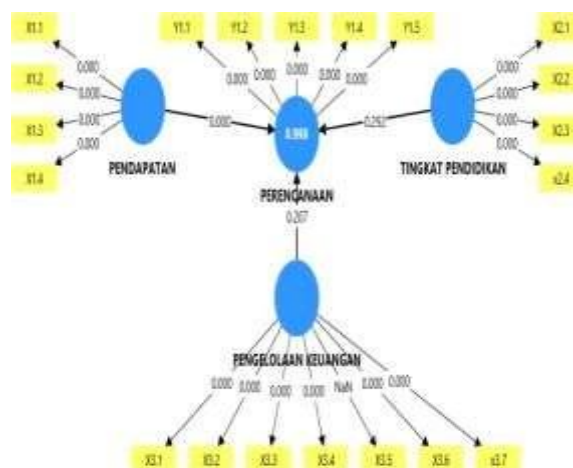


Figure 3. T-statistic (Bootstrapping)

Table 5. T-statistic Test Results (Bootstrapping)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
X1 -> Y	0.998	0.998	0.008	128.801	0.0
X2 -> Y	-0.010	-0.010	0.009	1.055	0.292
X3 -> Y	-0.010	-0.011	0.008	1.261	0.207

Based on Table 5, the test results show that:

- 1) The Income variable had a P-value of $0.000 < 0.05$, indicating a significant positive effect on Retirement Planning.
- 2) The Education Level variable had a P-value of $0.292 (> 0.05)$, indicating that Education Level has a positive but insignificant effect on Retirement Planning.
- 3) The Financial Management variable had a P-value of $0.207 (> 0.05)$, indicating a positive but insignificant effect on Retirement Planning.

E. CONCLUSION

This research, conducted on the influence of income, education level, and financial management on civil servant retirement planning in North Padangsidempuan District, Kayuombun Village, based on the problem background, theoretical studies, data management, and previous discussions, led the researchers to draw the following conclusions:

1. Income has a significant influence on civil servant retirement planning in North Padangsidempuan District, Kayuombun Village.
2. Education level has an insignificant influence on civil servant retirement planning in North Padangsidempuan District, Kayuombun Village.
3. Financial management has an insignificant influence on civil servant retirement planning in North Padangsidempuan District, Kayuombun Village.

Recommendations: The Padangsidempuan City Government should pay attention to how retirees manage their finances effectively and plan accordingly.

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