

## **Patterns of Expenditure of Older People in Rural Indonesia**

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**Abstract:** *Does financial security of older persons in Indonesia adequate? Analysis on household incomes of rural older person is particularly important because the financial security in old age in Indonesia is yet to be improved. So far most of older people need to continue working as they have no sufficient income to earn a living in old age. The present paper discusses the result of a cross-sectional survey conducted to analyze the pattern of expenditure of older persons in Kota Batu, East Java, Indonesia. The aim of this paper is (1) to analyze the household income of older persons, and (2), to discuss the patterns of expenditure of older persons in Kota Batu. The results of the study show that most of the older people in the study had a very low income, equal to or less than Rp500 000 per month. Nealy all of elderly people reported they have spent most of the money on food, while a significant amount also spent on food and medical necessities. Not many elderly people spent their money on drugs, clothes, saving and entertainment. The result of the study also shows that nearly half of older persons were found to use nearly all of their monthly income without saving. There are only a small number of older person using below than half of their income for food every month.*

**Keywords:** *Elderly, Labor force participant, Financial support, Financial Hardships, Income Security.*

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### **I. Introduction**

Following the increasing number of older population all over the world, demographers have recognized that the world population now is ageing [1], [2]. In 1999 the number of populations aged 60 years and older was estimated to be nearly 600 million, and it is projected to rise to 2 billion in 2050. Percentage wise, the world older population was only 10% of in 1999, but it is projected to reach 22% in 2050 [3]. The world older population continues to increase as the global fertility rates have fallen to very low levels in most of the world regions [4]. During the 1980s, the ageing of population is often viewed as a demographic problem of developed countries only [5], [6]. At that time developing countries were preoccupied with bringing down the population growth. In recent years, as a global phenomenon, population ageing has become a challenge not only for developed nations but also for developing ones as well, and older populations are becoming a larger portion of demographic landscape of developing countries [7].

Indonesia is one of the developing countries that have a huge number of older people. Besides its number is big, the percentage of older people in Indonesia is also on the increasing [8], [9]. Sri Adioetomo and Mujahid, the authors of the monograph series No. 1 UNDP Indonesia, use the phrase of threshold of ageing to denote that the older population of Indonesia is on the increasing in its number and proportion [10]. Implicit from such phrase is that the Indonesia's population is now ageing. Fertility declining that has been happening in the past several decades contributing to the population ageing in this country. Declining fertility has generated rising numbers and proportion of older people in Indonesia. Improved the quality of health care and life expectancy have also generated rising numbers and proportion of older people. In early 1970s, the pro-natalist values of the government of Indonesia at that time had produced most of the families in Indonesia had an average of 5 to 6 children, whilst by the turn of this century, the New Order of government of President Soeharto that started to initiate the national family planning programme, resulted in the declining of total fertility rate [10]. According to the 2010 population census, the number of older people aged 60 years and older in Indonesia was 18.1 million, that was approximately 7.6% of the total population in Indonesia [10]. As

Kinsella and Wan He insists that in one sense, population ageing represents a success story of increased longevity, however the steady growth of the number of them also poses many challenges to family, community and policy makers [11].

Research on older people is still a new endeavor in Indonesia. This paper presents parts of a larger study conducting in Kota Batu, East Java, Indonesia to investigate the quality of life of older persons [12]. From the study, besides information on the quality of life, a lot of other information has also been gathered. Relevant to this paper is information on the household income and patterns of expenditure. Its aim is to examine the household income level and to explore the patterns of expenditure of older people in the study area. Because of income security policy in old age in Indonesia is yet to be improved, mostly of older people have to be depended on their children for old age support, but their children themselves are also vulnerable to the poverty traps, leaving their elderly parents in the financial hardships. This present article analyzes financial hardships of the older person in rural Indonesia in terms of: (1) household income; and (2) patterns of expenditure of older persons in rural Indonesia.

## **II. Materials And Method**

This paper is adapted from a larger study conducted in Kota Batu, to explore quality of life of older persons in that community [12]. Kota Batu, situated at the outer area of Malang City, East Java was chosen because of its characteristics of older people in the area. Kota Batu is among the area where there is a high proportion of older people as compared to other places in East Java. From the study, a lot of information has successfully collected. Research on the quality of life of older persons is still under developed in Indonesia, thus the design suitable to be used in that study was an exploratory study. An exploratory study is undertaken when not much is known about the situation at hand, or when there is no information on the similar issues have been solved in the past [13].

Respondents for this study were 322 older persons aged 60 years and older. They were chosen through a simple random sampling technique based on sampling frames developed before the field trips were taken. Data were collected through formal and informal face-to-face interviews as well as field observation. Data collected were analyzed through descriptive statistics.

## **III. Results And Discussion**

As stated in the objective above, this present article analyzes three objectives: (1) to discuss household income of older people; and (2) to explore patterns of expenditure of older persons in rural Indonesia.

### **3.1. Household Income**

Household income is money or goods received by an elderly person plus income of his or her spouse derived from work or gift. In this study the income is calculated in rupiah within the time frame one month before the study. The income of the elderly is derived from a variety of sources, including personal income, support from children, son-in-law, grandchildren, relatives, neighbors and even from government grants. The government grant is called the Cash Direct Assistance Program (BLT), and this is in the form of money given to poor and disabled families including the elderly. The grant from government is temporary and not everyone gets it. Most of the elderly people in the study had very low incomes, equal to or less than Rp500 000 (less than USD35), of which 224 were 69.6% of the respondents (Table 1). This household income, if translated to USD, it is equal to less than \$2 per day.

**Table 1. Distribution of Income of Older People**

<b>No.</b>	<b>Income (Rp)</b>	<b>Number</b>	<b>Percent</b>
1.	≤ 500 000	224	69.6
2.	> 500 000 – 1 000 000	86	26.7
3.	> 1 000 000 – 1 500 000	8	2.5
4.	> 1 500 000 – 2 000 000	4	1.2
	Number	322	100.0

Note: Rp500 000 = USD35 a month

An elderly person earning over Rp500 000 to one million rupiah is 86 people out of 322. Older people with income of over one million rupiah only 12 people (3.7%). The study also found that 38 people (11.8%) of the elderly living on their own income, without financial assistance from anyone. Of the remaining, 284 people

(88.2%) received financial assistance from others. Although the income of the elderly is very low, they are able to live well. The continuity of living can go well as most of them are living with their family members such as spouses, children, daughters-in-law, or with grandchildren, who support the daily needs of the elderly. There were 26 elderly people living alone, the rest 296 (91.9%) living with family members. Elderly people living alone are often helped by neighbors in many ways.

Reviewing the household income as revealed from this study, it can be concluded that the majority of older people in the study area is still trapped in peverty. Most of the older persons received household income as less than \$2 a day. Although Indonesia, until recently, as suggested by United Nations [14], has shown dramatic performance in reducing absolute poverty, according to the dollar-a-day criterion, poverty remains a problem of the majority of older persons in the study area. This is because the employment opportunity for the older population in the area is very limited. These older people not only difficult to get suitable jobs, the job available itself also offers a very low wage, whereas the employment and poverty are closely associated, where the lack of the former is the most important reasons for the perpetuation of the latter [15]. The positive side of living in rural areas is that people are generally very kind to each other. One of the characteristics of rural communities is that their values, customs and beliefs are bonded in collective bonds [16]. The study area is somewhat a rural area where people always help each other. The sense of caring for elders, particularly those living alone remains. They are often assisted by neighbors in the form of food and other physical assistance.

### 3.2. Patterns of Expenditure

Expenditure is the household income used by elderly people to meet the needs calculated in one month of living. The income earned can be used to meet various daily living needs. The results of the study show that basic need, particularly food is the highest priority. A total of 229 (71.1%) elderly people reported they have spent most of the money on food, while 51 (15.8%) spent most of the money on food and medical necessities (Table 2). Older people who spent on food, drugs and clothes made up 26 people (8.1%). Only 16 elderly people spent money on food, drugs, clothes, saving and entertainment. The number of elderly people used almost all of their income to buy basic needs are 132 (37.5%). Older people who use more than half of their food expenditure are 90 people (27.9%), while the number of elderly people who spend about half of their income are 94 (29.9%). Sixteen elderly people spent less than half of the income on basic needs. Elderly people who use more than half and almost all of their income are 212 (65.8%). Most elderly people spend their income solely on food.

**Table 2. Expenditure of Older People**

No.	Expenditure	Number	Percent
1.	Food	229	71.1
2.	Food and drugs	51	15.8
3.	Food, drugs and clothes	26	8.1
4.	Food, drugs, clothes, saving and entertainment	16	5.0
	Number	322	100.0

Older people in this study are working as laborers and building workers, and they are paid daily. Most of their income is used directly for everyday expenses. According to them, the problems they faced are physical and health conditions that are declining. Thus, in addition to food requirements, health costs are also required, since free medicine is rarely available. Older persons need to use their own money for medical costs. Medical services are only for health and medical examination. Medical needs are somewhat expensive in Indonesia. Older persons frequently feel reluctant to get medical services in the government hospitals. Most of the older persons in the study area are facing problems when they need money for medical costs, and what they do is that whether they try to get alternative or traditional treatments, or they choose not to get any treatment at all. Not enough money to get medical treatments is one of the major challenges facing many older people residing in rural areas.

**Table 3. Patterns of Expenditure of Older People**

No.	Patterns of Expenditure	Number	Percent
1.	Nearly all of income	132	37.9
2.	More than half of income	90	27.9
3.	Half of income	94	29.2
4.	Below than half of income	16	5.0
	Number	322	100.0

Table 3 describes the proportion of expenditure of household income on basic needs. In general, the expenditure in this study shows that the amount of money spent for luxury goods has been declining when the household income increase. Nearly half of the respondents using nearly all of the income for food. These respondents admitted that they did not have extra money for saving. Because of their low income they have to use all the income for food. There are more than 50% of these respondents were using all or more than half of their monthly income for food. It can be concluded that the majority of older persons in the study area is living under poverty level. Widespread poverty, particularly among older people remains the principle challenges of the government and policy makers in Indonesia. Many older people have to remain in the labor force to earn a living as contrast with older persons in industrialized, developed nations where most of the older people in those countries are much less likely to be working [17]. The involvement of older persons in the work force in industrialized countries has declined because older persons get benefited from retirement income programs and other old age security programs. Late-in-life employment, particularly in informal jobs is common for older people not only in the study area, but also in other developing countries as well. Through this activity older persons will have the opportunity to earn a living. Without an old age security, they need to continue working at the very old age as long as they are still healthy and strong [10].

#### **IV. Conclusion**

The present paper discusses the result of a cross-sectional survey conducted to analyze the pattern of expenditure of older persons in Kota Batu, East Java, Indonesia. In general, results of the analysis show that poverty is one of the major problems facing older people in rural Indonesia. Most older people need to continue working to the very old age as they have no sufficient income to earn a living. Materials in the present paper are taken from the result of larger study of a cross-sectional survey conducted to analyze the quality of life of older persons in Kota Batu, East Java, Indonesia. The aim of this paper is to analyze the household income, and to discuss the patterns of expenditure of older people in Kota Batu. The results of the study show that most of the older people in the study had a very low income. Nearly all elderly people reported they have spent most of the money on food, while a significant amount also spent for medical necessities. Nearly half of older persons were found to use nearly all of their monthly income, and no saving. There are only a small number of older people using below than half of the income for food every month. What the figures tell us is that poverty is still a major problems facing older people in Indonesia.

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