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**PATTERN OF DEMAND FOR MONEY**

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**Abstract**

*In the activity of the modern economy, the availability of money as a means of transaction is very important, because with the money as a means to pay consumers can easily to get the basic material needs are required, the manufacturer can provide the raw materials of labor for production, and distributors can obtain a variety of merchandise to be delivered at the end consumer. The pattern of use of money is influenced by the attitude of the public in the transaction. Researchers assume, that there are differences among communities, either by group differences in income, educational differences, ethnic differences, differences in profession, and perhaps even religious differences embraced. So as to provide information to the monetary authorities, to enrich the theory of demand for money based economic agents in Indonesia, and for the application of the theory of demand for money, the researchers felt the need to study patterns of use of money. Qualitative research, in addition to knowing whether the variables that affect the demand for money as the above theory is still relevant for economic actors in Indonesia at this time, or even are new variables, as well as the motive of money demand.*

**Keywords:** Demand for money, Keynes Theory, qualitative method

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**INTRODUCTION**

In activity of the modern economy, the availability of money as a means of transaction is very important, because with the money as a means to pay,

consumers can easily to get the basic material needs are required, the manufacturer can provide the raw materials of labor for production, and distributors can obtain a variety of goods merchandise to be delivered to the end consumer. Thus, with the money then the current will run and develop the economy so as to produce economic growth, an increase in public revenues, and increase the prosperity of society.

Economic conditions and sustainable growth as described above, will be achieved in a stable economy. One of the requirements that must be met so that the economy can be stabilized from the monetary aspect is the balance between the amount of money needed by the community in conducting economic activity (transactions motive, precautionary motive, and speculative motive) that demand for cash ( $M_d$ ) and the amount of money available in circulation in the economy which is supplied by the central bank and commercial banks ( $M_s$ ), the balance of the monetary aspects in the literature is expressed in the equation  $M_d = M_s$ .

The balance of monetary as one of the requirements to achieve the balance of the economy, can be achieved with the arrangements established by the Monetary Authority (Bank Indonesia, the central bank and the government, represented by the Minister of Finance) should be able to predict the number of currency created, and also controls the ability of commercial banks which creates demand deposits (demand deposits). To be able to predict correctly how much currency should be supplemented in circulation and how much demand deposits which should be created by commercial banks, the monetary authorities need a variety of information, including how many are needed by the community in conducting economic activity (demand for money in conducting economic activity).

Demand for Money ( $M_d$ ) when we refer to the theory of Keynes, the demand for money can be divided into three motives, namely: the demand for money for transactions, the demand for money as a precaution, and demand money to speculative. Grouping motive people in using the money he had in the study referred to by the term: "Patterns of Use for Money". The pattern of use for money as above, is heavily influenced by public attitudes in the transaction. Therefore, researchers assume that there are differences among communities, either by group differences in income, educational differences, ethnic differences, differences in profession, and perhaps even religious differences embraced. So as to provide information to the monetary authority, to enrich the theory of demand for money based economic agents in Indonesia and for the application of the theory of demand for money, the researchers felt the need to study the pattern of use for money.

The objectives of this study are to analyze is there any other motive besides (transactions motive, precautionary motive, and speculative motive) that underlie the behavior of people in using their income, to identify are there other variables in addition to the existing theory of demand for money (Irving Fisher, Keynes, Cambridge, Marshal and Piqou, and Milton Friedman) that affect

people's behavior in using their income and to identify how to distribute income people's behavior in a variety of motifs use of revenue.

## **LITERATURE REVIEW**

### **Demand for Money**

There are four theories that discussed the demand for money, as: Demand for money Classical theory of money demand is Irving Fisher, Keynes's theory of demand for money, demand for money of Quantity Theory of Modern, that is the theory of demand for money Cambridge (Marshall and Pigou), and the theory of Milton Friedman demand for money.

Irving Fisher's theory of demand for money, stating the magnitude of the demand public money to carry out transactions, in addition affected by the prevailing price levels, also influenced by the speed of the velocity of money (velocity of money), and the amount of goods and services transacted. This theory revealed by Irving Fisher using the exchange equation (Equation for exchange):  $M V = P T$ . Fisher stated, a variable price (P) influence positive on the demand for money, which means when the prices to increase the amount of money required to conduct transactions has also increased, but not proportionately as the theory of demand for money David Hume, as well as with a variable number of items will be traded, positive influence on the demand for money for transactions. In contrast to the variable speed of rotation of money, according to Fisher negative effect, which means that when the high-speed rotation of money, then the amount of money required for the transaction is reduced, and vice versa. Furthermore, Fisher explained that the size of the turnover rate is influenced by the level of monetary a region's economy, the progress of the banking world, and advances in communications technology.

The theory of demand for money Marshall - Pigou known Cambridge theory, and Pigou According to Marshall, demand public money to conduct transactions is influenced by public attitudes in determining placement option wealth in the form of cash or buy bonds. Both of these options each have advantages and disadvantages, putting wealth in the form of cash, the excess is liquid, while the disadvantage is not getting additional revenue. Likewise, the placement of the wealth in the form of bonds, the benefit is in the long term will get additional revenue, and the loss is not getting additional revenue. Based on the behavior of the above, according to Marshall and Pigou demand for money for transactions, in addition affected the amount of property owned ( $Y_d$ ), variable velocity of money (V), the price level (P), and the amount of goods to be traded (T), are also affected interest rate (R), and public expectations about the economy in the future (E), but according to the Marshall Pigou-variable

variables: V, P, Q, and R, only long-term effect, while in the short term money demand for transactions is affected by variable property owned ( $Y_d$ ).

The theory of demand for money Keynes, divide the total into three motives money demand, as: the transaction motive, motive of precaution and speculation motive. Demand for money for the transaction motive according to Keynes influenced by the level of income and its influence is positive that when income increases, the demand for money for transactions also increased, as well as the demand for money for a motive guard was also influenced by the level of income and its influence is also positive, while demand for money for speculative motives according to Keynes influenced by the prevailing interest rate, and the effect is negative.

The theory of demand for money to transactions Prof. William Bamuol (known as inventory theory), together with the theory of Marshal-Piquou. The difference is the variable cost to be incurred by the property owner at the time will change from bonds into cash. According to this theory the larger the cost to be incurred, the greater the amount of cash required or retained to conduct transactions, and conversely the smaller the cost to be incurred, the less cash is requested shopped transaction.

Theory of Demand for money to speculation motive Prof .Tobin, according to Prof. Tobin property owner will distribute his wealth in cash and bonds (with an assumption: property owners will minimize the risk and maximize the satisfaction or utility), the satisfaction to be derived from the amount of property owned, the more property owned by the higher level of satisfaction, while the risks derived from bond holdings. Based on these considerations, according to Tobin property owner will allocate wealth in bonds when the income the greater, and the risk of owning bonds is minimal. Based on the above thought Tobin, then demand money for speculation (Bonds), influenced by variables: Number of assets owned, the prevailing interest rate, appetite, and the risk of bond holdings. Total assets owned negatively affect the demand for money for speculation because the more wealth you have, the higher the level of satisfaction, and the property owner will be more risk averse. The interest rate, and the risk of a negative impact, while the positive influence appetite.

The theory of demand for money Modern Classic (Milton Friedman) divides the motive of speculation into several objects, among others: Bond (B), stocks or equities (E), goods are physical rather than human (G), Human Capital (H) , and demand for money to the transaction is to hold a certain amount of cash (M) same as the earlier theories. Thus, according to Friedman total demand (transaction and speculation) is influenced by: prices and changes in the price

level ( $P$  and  $\Delta P$ ) to demand money transaction motive and interest and changes in the interest rate ( $R$  and  $\Delta R$ ) affecting Return and type letters valuable in speculating.

Based on the theories of demand for money that has been expressed above, the demand for money by the community consists of three motives: (1) the transaction motive (2) precautionary motive (only in theory Keynes), and (3) the motives of speculation. For transactions motif influenced by the level of income, wealth, and the price level, walked the precautionary motive influenced by the level of interest as keynes theory and speculation motif influenced by the level of interest and the level of prices, according to Friedman influence through the return of the respective securities.

## **METHODS**

This study focused on the analysis relating to the pattern of demand for money by lecturers UNSRI in 2016. The data used in this study are primary data obtained through field survey of teachers or lecturers in the region of the sample. Methods survey was conducted by interviews with questionnaires guides that are closed and open.

Respondents are households living in the city of Palembang. Therefore, the primary data that is needed is the data UNSRI lecturer in the city of Palembang. The total number of lecturers UNSRI based on data and information published on the web UNSRI is as much as 1,293 lecturers. The sample selection is done nonprobability Sampling, where the sampling purposive sampling are taking samples from populasy member and Diehl (in the Research Methodology Anwar Sanusi) for a descriptive study, the minimal sample taken is 10 percent of the total population.

The analysis technique applied using the technique of quantitative and qualitative analysis DESCRIPTIVE. Quantitative technique using frequency analysis aims to provide an overview of the general condition. The results of the quantitative analysis will be enriched by qualitative analysis that is based on open questions listed on a particular answer choice.

## **FINDINGS**

Total expenditures (which consist of expenses for food, non-food, clothing, housing, water, electricity, energy, communications, transportation, labor (domestic servants), the costs of security, cleaning fee, and miscellaneous expenditures) by an average of Rp 4.508.700. with the largest maximum

expenditure of Rp 14.855.000. Based on the distribution of total expenditure made respondents can be seen in the table below.

**Table 1. Total Expenditure (Education, Health, Tourism, and Insurance)**

	Frequency	Percent	Valid Percent	Cumulative Percent
< Rp 1.000.000	3	2,3	2,3	2,3
Rp 1.000.000 sd Rp 2.000.000	14	10,5	10,5	12,8
Rp 2.001.000 sd Rp 3.000.000	21	15,8	15,8	28,6
Rp 3.001.000 sd Rp 4.000.000	30	22,6	22,6	51,1
Rp 4.001.000 sd Rp 5.000.000	22	16,5	16,5	67,7
Rp 5.001.000 sd Rp 6.000.000	12	9,0	9,0	76,7
Rp 6.001.000 sd Rp 7.000.000	10	7,5	7,5	84,2
Rp 7.001.000 sd Rp 8.000.000	11	8,3	8,3	92,5
Rp 8.001.000 sd Rp 9.000.000	2	1,5	1,5	94,0
Rp 9.001.000 sd Rp 10.000.000	1	,8	,8	94,7
> Rp 10.001.000	7	5,3	5,3	100,0
Total	133	100,0	100,0	

Source: Field Research 2016.

Total expenditure devoted to education, health, insurance and Resort and the average of Rp 1,970,504, - with the largest maximum expenditure of Rp 9.500.000, -. Based on the distribution of total spending on education, health, insurance Packages done by respondents can be seen in the table below.

Total expenditure devoted to social Community average of Rp 225.500,- with the largest expenditures maximum Rp 1.400.000, -. Based on the distribution of total social spending Community done by respondents can be seen in the table below.

**Table 2. Public Social Spending**

	Frequency	Percent	Valid Percent	Cumulative Percent
0	50	37,6	37,6	37,6
20000	1	,8	,8	38,3
60000	3	2,3	2,3	40,6
100000	5	3,8	3,8	44,4

112500	1	,8	,8	45,1
175000	1	,8	,8	45,9
200000	32	24,1	24,1	69,9
230000	1	,8	,8	70,7
300000	4	3,0	3,0	73,7
320000	1	,8	,8	74,4
400000	13	9,8	9,8	84,2
500000	6	4,5	4,5	88,7
600000	6	4,5	4,5	93,2
750000	1	,8	,8	94,0
800000	3	2,3	2,3	96,2
1000000	2	1,5	1,5	97,7
1200000	1	,8	,8	98,5
1300000	1	,8	,8	99,2
1400000	1	,8	,8	100,0
Total	133	100,0	100,0	

Source: Field Research 2016

Total expenditure devoted to religious an average of Rp 251 504, - with the largest expenditures maximum Rp 10,000,000, -. Based on the distribution of total expenditure committed religious respondents can be seen in the table below.

**Table 3. Religious expenditure**

	Frequency	Percent	Valid Percent	Cumulative Percent
0	95	71,4	71,4	71,4
50000	1	,8	,8	72,2
200000	2	1,5	1,5	73,7
250000	17	12,8	12,8	86,5
500000	7	5,3	5,3	91,7
Valid 750000	1	,8	,8	92,5
1000000	3	2,3	2,3	94,7
1500000	1	,8	,8	95,5
2000000	5	3,8	3,8	99,2
10000000	1	,8	,8	100,0
Total	133	100,0	100,0	

Source: Field Research 2016

## Income

The main income of respondents who dominate in this study amounted to less than Rp 10,000,000 as much as 94.7 percent of respondents. Based on the distribution of income respondents can be seen in the table below

**Table 3. Income Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
< Rp 5.000.000	72	54,1	54,1	54,1
Rp 5.001.000 s/d Rp 10.000.000	54	40,6	40,6	94,7
Rp 10.001.000 s/d Rp 20.000.000	5	3,8	3,8	98,5
> Rp 20.001.000	2	1,5	1,5	100,0
Total	133	100,0	100,0	

Source: Field Research 2016

While the total revenue (combined income respondents, wife / husband, family members other woods, and other income-Other) by an average of Rp 11,929,323 and a maximum of the largest is the total family income was USD 47.2 million, -. Based on the distribution of total family income of respondents can be seen in the table below.

**Table 4. Income Total Respondent and Family Members**

	Frequency	Percent	Valid Percent	Cumulative Percent
Rp 5.000.000	21	15,8	15,8	15,8
Rp 5.001.000 sd Rp 7.500.000	28	21,1	21,1	36,8
Rp 7.501.000 sd Rp 10.000.000	17	12,8	12,8	49,6
Rp 10.001.000 sd Rp 15.000.000	37	27,8	27,8	77,4
Rp 15.001.000 sd Rp 20.000.000	19	14,3	14,3	91,7
Rp 20.001.000 sd Rp 30.000.000	4	3,0	3,0	94,7
> Rp 30.001.000	7	5,3	5,3	100,0
Total	133	100,0	100,0	

Source: Field Research 2016

## CONCLUSION

There are differences among communities, either by group differences in income, educational differences, ethnic differences, differences in profession,

and perhaps even religious differences embraced. So as to provide information to the monetary authorities, to enrich the theory of demand for money based economic agents in Indonesia, and for the application of the theory of demand for money, the researchers felt the need to study patterns of use of money. Qualitative research, in addition to knowing whether the variables that affect the demand for money as the above theory is still relevant for economic actors in Indonesia at this time, or even are new variables, as well as the motive of money demand. Total Expenditures (consisting of food, non-food, clothing, shelter, water, electricity, energy, communications, transportation, labor, safety, hygiene, and other expenses) are average of Rp 4,508,700 by lecturers UNSRI in 2016. Total Expenditures devoted to education, health, holidays and insurance are averaged Rp 1,970,504. The Patterns of demand for money by lecturers UNSRI are for consuming and investing. Total expenditure devoted to education, health, insurance and Resort and the average of Rp 1,970,504, - with the largest maximum expenditure of Rp 9.500.000, -. Based on the distribution of total spending on education, health, insurance Packages done by respondents can be seen in the table below. Total expenditure devoted to social Community average of Rp 225.500,- with the largest expenditures maximum Rp 1.400.000, -. Based on the distribution of total social spending Community done by respondents can be seen in the table below. Thus, differences in income, educational differences, ethnic differences, differences in profession, and perhaps even religious differences made differences in demand for money.

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