

# The Effect of Financial Literacy and Attitude on Financial Management Behaviour and Satisfaction

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**Abstract** - Finance aspect is one of the most important things in a family in order to develop their life every day. However, the heads of family, husband and wife should be able to manage the stability and development of family's financial with a purpose to acquire financial satisfaction. Inspired by the developed previous research, this research examined the effect of financial literacy and financial attitudes on financial management behaviour and financial satisfaction of married individuals in Kelurahan Sepanjang Jaya, Bekasi. Financial literacy, financial attitudes were examined as independent variable. Financial management behaviour became the mediator variable, as independent but also dependent variable. Financial satisfaction will be examined as dependent variable. The sample was 200 respondents married individuals, chosen by using non-probability sampling. Twostep Multiple Regression Analysis is used to test the hypotheses. The result shows financial attitude was the most influencing variable toward financial management behaviour; also, financial management behaviour was the most influencing variable toward financial satisfaction. Researcher recommends that giving more attention to financial attitude and financial management behaviour is important to achieve financial satisfaction. Therefore, this research result contributes to increase married individuals' awareness that financial satisfaction can be achieved by having good financial attitude and management behaviour

**Index Terms** - household financial, financial literacy, financial attitudes, financial management behaviour, financial satisfaction

## INTRODUCTION

Financial literacy is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. The lack of these skills is called financial illiteracy. A lack of financial literacy is a problem not only in emerging or developing economies. Consumers in developed or advanced economies also

fail to demonstrate a strong grasp of financial principles in order to understand and negotiate the financial landscape, manage financial risks effectively, and avoid financial pitfalls. Nations globally, from Korea to Australia to Germany, are faced with populations that do not understand financial basics.



## SIGNIFICANCE IN INDIA IN INDIA

Financial Literacy has still not become a priority like other developed nations. Lack of basic financial knowledge results in poor investments and financial decisions, that's why most people invest in short-term plans and physical assets to accomplish their personal goals which give lesser benefits and does not help in the economic development of the country. According to a global survey, about a staggering 76% of Indian adults do not understand basic financial concepts and are unfortunately financially illiterate even today. The survey confirms the financial literacy rate in India has been consistently poor as compared to the rest of the world. It is indeed high time for a developing country like India to realise the importance of financial literacy as such poor financial literacy rate can prove to be a major setback to India's ambition of becoming an economic superpower in the coming years.

Why is Financial Literacy Important?

It helps in improving the financial knowledge of individuals. It brings clarity on basic financial concepts and principles such as compound interest, debt management, financial planning etc. It enables

you to manage your personal finances efficiently. It helps in making appropriate financial decisions about investing, saving, insurance, managing debts, buying a house, child education, retirement planning etc. It helps individuals to achieve financial stability and financial freedom. It helps in understanding the difference between assets and liabilities. It helps in developing the skill sets required for better financial planning and managing your money. It provides in-depth knowledge on financial education and strategies which are indispensable for achieving financial growth and success. It helps you in generating, managing, saving, spending and investing money. It enables you to be debt free by inculcating financial knowledge and debt strategies.

#### FINANCIAL ATTITUDE

Financial attitude is defined as a state of mind, opinion, and judgment of a person about finances. Based on the theory of social learning there is a three-way relationship that links each other's behaviour, environment, and inner events that affect perception and action. The inner events affect perceptions and actions in this study are the financial attitudes and financial management behaviour. Financial management behaviour can good and right be started by applying a good and proper financial attitude.

#### FINANCIAL MANAGEMENT BEHAVIOUR

Financial management behaviour is the acquisition, allocation, and use of financial resources oriented toward some goal. Empirical evidence supports that, if families achieve effective financial management, both their economic well-being and their financial satisfaction improve at the long term (Consumer Financial Protection Bureau, 2015). However, financial management behaviour is complex and difficult to implement. The supervision of money and expenditure, which includes frugal and careful spending of money, is a useful protection against risky financial practices.

#### FINANCIAL SATISFACTION

Financial satisfaction is the satisfaction of a person toward a personal financial [9]. The person who has financial satisfaction is the one who satisfy with the recent financial condition. Furthermore, the financial

satisfaction as a subjective perception that sufficient for the financial resources, Financial satisfaction can be measured by looking at personal's point of view toward his income, managing his financial problems, meeting his basic needs, having debt or no, his saving, ensuring the availability of money for his future, and setting his goals of life. Hence, financial satisfaction is one component of life that characterized by the sufficient of financial assets.

#### LITERATURE REVIEW

##### A. Financial Literacy

Personal financial literacy is defined as the knowledge of financial concept. Financial literacy is defined as the ability to manage personal financial. Meanwhile, mention that financial literacy is sufficient knowledge about facts, concepts, principles and underlying technology as the basic too smart in using money. Furthermore, financial literacy is defined as the best component of human resources that can be used to improve financial well-being.

OECD defined the financial literacy as "a combination of conscious awareness, knowledge, behavioural abilities, and the habits necessary to take proper capital and financial to meet a satisfactory condition." Financial literacy emphasized the importance of applying knowledge and skill in financial to decide some financial decisions.

##### B. Financial Behaviour

Financial behaviour can be explained by several factors. The first is the individual's behaviour himself. The attitude and behaviour of someone in financial field is called as financial behaviour. Financial behaviour is a person's attitude and behaviour in managing his finances.

##### C. Financial Satisfaction

conducted a study entitled "Assessment a Model of Financial Satisfaction Predictors: Examining the Mediate Effect of Financial Behaviour and Financial Strain "to find out what factors affect the financial satisfaction. The research was conducted by using students in Malaysia as a sample. It was done by distributing the questionnaire to 700 students subjectively. The results showed that financial strain, financial behaviour, financial literacy, financial attitude, childhood consumer experiences, primary

socialization agents, and secondary socialization agents have an effect on financial satisfaction.

RESEARCH METHODOLOGY

This research is a quantitative research since the objective of this research is knowing the effect of independent variables toward dependent variable. Questionnaire is used in order to collect the data from targeted sample out of total population. Furthermore, the questionnaires were spread by using personal approach (the questionnaires were printed and spread directly to the targeted sample) and electronic approach (Google Drive). As mentioned earlier, the questionnaires were distributed throughout Kelurahan Sepanjang Jaya. The questionnaire contains based on-statement questions, which must be filled by the respondent himself personally. Non-probability sampling technique is used to get the respondents, because the sample was recruited based on researcher’s appraisal; the sample was selected on the basis of their accessibility or by the purposive personal judgment of the researcher (Exportable, 2009). The number of respondents is 200.

The questionnaire is divided into two sections; the first section is about the respondent’s identity, which considered as demography factors of them and second section is about grading from scale 1 (Strongly Disagree) to 5 (Strongly Agree) towards statements given regarding financial literacy, financial attitudes, financial management behaviour, and financial satisfaction. The questionnaire is developed from Parrotta & Johnson (1998). Before testing the hypothesis by using multiple regression analysis, data validity and reliability are checked by using KMO Measure of Sampling Adequacy and Bartlett Test and Cronbach coefficient alpha this research use several steps for conducting validity test. Herewith several important points that must be considered in order to decide whether the data is valid or not.

RESEARCH HYPOTHESIS

From the theoretical review and theoretical framework above, the hypothesis of this research is designed as below:

H1: Financial literacy influences financial management behaviour.

H2: Financial attitudes influence financial management behaviour.

H3: Financial literacy and financial attitudes influence financial management behaviour.

RESULT & DISCUSSION

Table 1. T-test Statistic for H1 and H2

N o.	Indepen dent	Depende nt	Hypoth esis	Beta	Sig .	Informa tion
1	Financi al Literacy	Financia l Manage ment Behavio ur	H1	0.0 69	0.4 28	H1 is Rejecte d
2	Financi al Attitude	Financia l Manage ment Behavio ur	H2	0.4 80	0.0 00	H2 is Acapte d

According to Table 1, hereby the following hypotheses result for each independent variable: Financial literacy has significance value of 0.428, which means greater than 0.10. Therefore, the hypothesis of H1 is rejected. It means financial literacy does not affect financial management behaviour. Financial attitudes have significance value of 0.000, which means less than 0.10. Therefore, therefore the hypothesis of H2 is accepted. It means financial attitudes affects financial management behaviour.

Table 2. F-test Statistic for H3

N o.	Indepen dent	Depend ent	Hypoth esis	F	Sig	Informa tion
1	Financi al Literacy and Financi al Attitude	Financia l Manage ment Behavio ur	H3	38.8 15	0.0 00	H3 is Acapte d

It can be seen below the correlation between financial literacy and financial attitudes toward financial management behaviour on the table 3.

Table 3 R, R Square and Adjusted R Square (First Regression)

Correlation	R	R Square	Adjusted R Square
Financial literacy and financial attitudes toward financial management behaviour	0.532	0.283	0.275

According to Table 3, the correlation between financial literacy and financial attitudes toward financial management behaviour is 0.532 (R value).

The value of Adjusted R Square is 0.275. It means, financial literacy and financial attitudes influence as much as 27.5% toward financial management behaviour and the rest 72.5% come from other factors.

### CONCLUSION

Based on statistical analysis, the most important variable in determining the household financial satisfaction is financial management behaviour; and financial management behaviour is affected by financial attitude. Financial literacy was becoming a part that supporting financial attitudes in order when a person behave toward his financial management. Financial attitudes become the main controller or the last gate of decision, though; a person really knows every detail regarding financial stuffs. At the end, the satisfaction will come to life when a person could correctly manage his finance through every act and decisions, he made for good financial management behaviour will lead into financial satisfaction. So, having a good financial attitude is very important for managing the stability and development of family's financial with a purpose to acquire financial satisfaction. It can reduce the divorce issued by economic or financial problem reason. At last, it will increase the human resource productivity in a certain area. The next question is how to have a good financial attitude, especially for married individuals and people who want to get married. So, the study about the factors of financial attitude is needed.

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