Relationship Between Financial Literacy and Financial Practices on Financial Satisfaction: Exploring Gender Differences

Rahayu Hassan
Politeknik Port Dickson
rahayu_hassan@polipd.edu.my

Ku Ahmisuhaiti Ku Ahmad
Politeknik Port Dickson
ahmisuhaiti@polipd.edu.my

Farihah Idris
Politeknik Port Dickson
farihahidris@polipd.edu.my

Abstract
The current economic conditions have affected financial situation of individuals, particularly younger generation. This paper aims to investigate the relationship between financial literacy, financial practices and financial satisfaction; and also to explore gender differences to all variables study. For this purpose, a questionnaire was designed and distributed using random sampling among 161 respondents aged below 30 years who are working in Putrajaya as a government servant. This paper consists three variables which is financial literacy and financial practices as an independent variable, where financial satisfaction as dependent variable. From multiple regression result, it shows that financial literacy and financial practices have a positive relationship with financial satisfaction. However, it is found that financial practices are more influential on financial satisfaction than the effects of financial literacy. From the Independent T-Test, the results show a significant different in financial literacy and financial satisfaction which suggest that males are more financially literate and satisfied with their financial condition than females. As a result, this finding gives the implication to the concern parties such as Credit Counselling and Debt Management Agency (AKPK) that financial literacy and financial practices as an important factor that will increase the financial satisfaction. This information is useful in designing the financial program that can enhance the financial satisfaction.

Keywords: financial literacy, financial practices, financial satisfaction

1.0 Introduction

Effective from 2018, anyone aged between 15 and 30 are categorized as young workers in Malaysia (Lilis 2014). Statistics show the number of young workers covered 49% of the population in Malaysia. This indicates that young workers are the large composition of the population in Malaysia. Accordingly, studies on financial management among young workers are relevant studies to be brought forward in Malaysia. Our young workers are the backbone that will determine the direction of the country in the future. Therefore, the level of financial satisfaction among them should be considered. Financial satisfaction is defined as a joy or satisfaction with financial situation (Kim et al. 2013). Research on the financial satisfaction among young workers has not been widely done in Malaysia especially in public sector (Zaimah et al.

2014) so this study aims to investigate the influence of financial literacy and financial practices on financial satisfaction. Focusing on young workers is in line with the percentage of this group that represents the majority of the population and they are the one who will be the leader of the country.

One of the factors that contribute young workers faced financial problems because income is not stable and cost of living more increasing (Nuraini et al. 2013). Statistics released by the Department of Insolvency Malaysia, a total of 97,215 have been declared bankrupt among Malaysians over the period 2012 until September 2016 (Suffian A. Bakar 2016). It involves 22,581 Gen Y category (aged between 25 to 34 years) and also 1,157 which is between under 25 years old.

Financial literacy can be defining as someone ability to understand and their capabilities to analyze financial options, planning for the future, and responding appropriately to the events (Hawati et al 2016). It was found that students in higher institution have low level of financial literacy (Fazli et al. 2010). If there are no initiatives among them to learn more on financial knowledge, this will affect their future to manage their financial situation. To help young generation for better future in manage or handle their finances, knowledge on financial literacy should be implemented. Additionally, financial literacy is very important to the young workers to control their spending habit and reduce the risk of financial crisis when facing retirement and also as contigency planning.

Financial practices refer to the systematic financial management such as make a savings consistently and with written plans and financial goals to be achieved (Titus et al. 1989). Previous studies confirmed that the financial satisfaction of the individuals have a relationship with their financial practicess (Cliff & Ann 2011; Zaimah et al. 2012). In order to improve the financial satisfaction of individuals, families and communities, related aspects of financial practices need to be taken seriously.

Kim et al. (2013) defines financial satisfaction as a joy or satisfaction with financial condition. In line with this, consideration on young worker's financial satisfaction should be considered because the direction of the country in the future will be determined by our young workers. In Malaysia, research on the financial satisfaction among young workers has not been widely done (Zaimah et al. 2014) especially in public sector. So, this study aims to investigate the influence of financial literacy and financial practices on financial satisfaction because it is in line with percentage of this group that represents the majority of the population.

According to Bank Negara Malaysia (BNM) Assistant Governor Nazrul Hisham Mohd Noh, there are more than 3,400 people between 20 and 30 years old had attended counselling session and asked for help from the Debt Management and Counselling Agency in 2017. It also reported 38% of Malaysian youths have personal loans problems and 47% of them have been identified have high credit card debts (www.thestar.com.my, 2018).

Therefore, it is appropriate to conduct a study and investigate the influence of financial literacy and financial practices on financial satisfaction among young workers in Putrajaya, Malaysia. Specifically, this study is intended to:

i. Identify the relationship between financial literacy and financial practices towards financial satisfaction;
ii. To determine gender differences in all the variables.

2.0 Literature review

Financial satisfaction is identified are more closely related with financial knowledge, personal traits and attitudes of the individual (Mehwish & Muhammad 2016). While Zimmerman (1995) defines financial satisfaction as being happy and free from financial worry. Previous study proposed determinants of financial satisfaction include demographic factors such as income, education, ethnicity, and ages, as well as financial stressors, practices have been directly related to increased levels of financial satisfaction (Joo & Grable, 2004; Loibl & Hira, 2005; Mehwish & Muhammad 2016). Furthermore, Financial practices were found have more significant and more direct effects on financial satisfaction if compared with other factors such as level of household income or other demographic factors (Joo and Grable 2004).

Additionally, a number of researchers have made the case that financial practices play an important role in determining a person's level of financial satisfaction. For example, a person's subjective perception of his or her cash management, credit management, income adequacy, personal finance management, consumer shopping skills, and relative economic status compared to others can play an important role in shaping an individual's financial satisfaction. According to Roza Hazli et al. (2012), persons with stronger perceptions and proactive financial attitudes tend to be more satisfied. The study discusses the issues in bankruptcy and the respondents are among urban household in Klang Valley, Malaysia. Data was collected through a self-administrated survey. It was found that income was not the most dominant determinant of having a good financial position. The most dominants factors are responsible financial practices that lead to a statement that sufficient financial knowledge give a better effect on the financial satisfaction. Perception of an individual self-control and financial practices determines financial satisfaction.

Paul Selva Raj et al. (2013) conducted a study on habits and financial practices among young workers. The study found that more percentage was used for them to pay homes financing, personal finance, vehicles, education, and takaful or insurance. The most interesting, the study found that this young worker was among those who overspend for a more luxurious lifestyle. It can be concluded that younger workers do not have enough financial knowledge thus contribute them in debt problems.

Financial literacy is the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial satisfaction. It also can be defined as a measure of how well an individual can understand and use personal finance-related information. One of the study done by Mehwish and Muhammad (2016) highlight the important of financial literacy and financial practices on financial satisfaction. The result of their study showed that financial literacy is an essential element for the satisfaction. Analysis indicate that financial literacy is significantly and positively related to financial wellbeing. Similarity, financial practices has positive significant relationship with financial satisfaction. The results also revealed that the presence of financial literacy and good financial practices is necessary for the financial satisfaction of working women.

Previous research revealed that financial practices has a major contribution to individual's satisfaction or dissatisfaction regarding their financial situation. Financial practices are not only affected by financial literacy but also by other factors such as financial attitude, childhood consumer experiences, influence of primary and secondary socialization agents (Leila et. al 2012). Their respondents were students from six Public and five private universities in Malaysia. The purpose of their study is to determined the factors that affected financial satisfaction. Results indicated that good financial literacy, financial practices, childhood consumer socialization and financial strain was the factors contribute to financial satisfaction.

According to Zaimah et al (2012) good financial practices have a positive relationship with the financial satisfaction. Good financial practices can reduce financial stress among respondents thus reducing the negative impact such as reduce personal debt, follow budget compliance, savings for retirement, reduce living expenses, made financial planning, increase savings and reduce the financial pressure. Financial practices have a direct influence on financial satisfaction.

Furthermore, theoretical literature and empirical study have offer a number of factors to explain existence differences in financial literacy among individuals and various demographic categories. The dominants of these demographics are gender (Anokye M. Adam 2017; Hawati et al. 2016; Stephen & Trudi 2015; Leila & Laily 2011).

Therefore, there is a need to conduct a study which investigate the influence of financial literacy and financial practices on financial satisfaction among young workers in Putrajaya, Malaysia. And also investigate whether all the variables are affected by gender.

3.0 Methodology

The sample of this study was 161 young workers from Putrajaya who worked with Government (from a total of 300 questionnaires given, only 161 returned and useable questionnaires for analysis).

The survey questionnaire comprised of 4 sections. There were 5 questions in Section A and was designed to get the demographic characteristics (gender, age, ethnic, education level and monthly income) of the respondents. Section B is related to Financial Literacy (12 Item), Section C asked questions on Financial Satisfaction (15 items) and Section D questions on Financial Practices (8 Items). All items used in Section B, C and D were measured using a five-point Likert type rating scale. The questionnaire has been adopted from the study of Mohd Fazli et. al. (2007).

SPSS Version 22 was used to analyze the data. To facilitate the data analysis four stages of analysis were conducted. Stage 1 : to obtain profile of respondents (descriptive analysis); Stage 2 : to test the consistency of responses for each question in the questionnaire (reliability test); Stage 3 : to test strenght of linear relationship between dependent variable and independent variables (Pearson Correlation) and Stage 4 : to test the relationship between financial literacy and financial practices towards financial satisfaction (multiple regression analysis) and to test whether exist different between gender in the study (Independent T-Test).

4.0 Results and discussion

Respondent's characteristics are more female (64.6%), aged between 21-25 years (45.3%), Malay who hold diploma certificate (60.2%) and income between RM2,001 – RM3,000 (46.6%). Reliability test for all the variables shows Cronbach alpha value more than 0.6 which indicate high internal consistency (Hair et al. 2010). Cronbach Alphas of the variables under study are (1) Financial Literacy 0.889; (2) Financial satisfaction 0.694 and (3) Financial Practices 0.866.

4.1 Correlation matrix analysis

This study involves dependent variable (Financial Satisfaction) and two independent variables (Financial Literacy and Financial Practices). From Pearson Correlation test, it shoes that Mean value for all the variables is ranging from 3.1941 to 3.4891.

Table 1: Correlation matric test

Variables	Mean	Standard Deviation	Pearson Correlation		
			FL	FP	FS
Financial Literacy (FL)	3.4891	0.47980	1	.441**	.497**
Financial Practices (FP)	3.1941	0.77191	.441**	1	.648**
Financial Satisfaction (FS)	3.4028	0.77029	.497**	.648**	1

** correlation value is significant at ** p < 0.01

Mean value for financial literacy was at 3.4891, financial practices at 3.1941 and financial satisfaction at 3.4028. Mean score average for the variables was found to be between 3.20 and 3.50. It shows that all variables at a medium level (Najib 2003).

Financial literacy and financial satisfaction ($r = 0.497$, $p<0.01$) have significant correlations as well as between financial practices and financial satisfaction ($r = 0.648$, $p<0.01$).

In addition, correlation between financial literacy and financial practices was found to be positive and significant ($r = 0.441$, $p<0.01$). Specifically, to increase financial satisfaction, individual should have good enough financial literacy (Knowledge). More financial satisfaction will be achieved if individual perceive good financial literacy and good financial practices.

4.2 Relationship between financial literacy and financial practices on financial satisfaction

Relationship between financial literacy and financial practices towards financial satisfaction were analyzed by using Multiple regression analysis. Table 2 shows the result of multiple regression analysis. Based on findings, both independent variable contributes to financial satisfaction. The result of multiple regression "stepwise" method showed a significant regression equation [$F(2,161) = 71.486$, $p<.000$]. Therefore, financial satisfaction can be explained by financial literacy by 41.9% ($R^2 = 0.419$). Additionally, the probability (p) value is significant for financial satisfaction at $p <0.01$. The value of β (0.531) also refers to the positive effect of financial literacy on financial satisfaction.

The second independent variable which is financial practices was found to affect financial satisfaction by 47.5% ($R^2 = 0.475$). The probability value (p) is significant to financial satisfaction at $p<0.01$. The value of β (0.422) also refers to the effect of the financial practices on financial satisfaction is positive.

Therefore, it can be concluded that from multiple regression analysis, the findings confirmed that major contribution to financial satisfaction is financial practices factor (β = 0.422; R2 = 0.475) and followed by financial literacy factor (β = 0.531; R2 = 0.419).

From Table 2, the best regression analysis model to predict financial satisfaction is:

$$Y = 0.093 + 0.531X_1 + 0.422X_2$$

Where;

Y	=	Financial Satisfaction (FS)
X_1	=	Financial Literacy (FL)
X_2	=	Financial Practices (FP)
Intercept	=	0.093

Table 2: Multiple regression analysis - financial literacy and financial practices on financial satisfaction

	(β)	**Std. Error**	**Std β**	***P* (sig.)**
Intercept	0.093	0.325		
Financial Literacy (FL)	0.531	0.064	0.532	0.000**
Financial Practices (FP)	0.422	0.103	0.263	0.000**

**p< 0.01

4.3 Gender differences in financial literacy, financial practices and financial satisfaction

Table 3 shows the independent sample T-test for the variables according to the gender. Based on the table, it was found that there was a significant difference between male and female for financial literacy and financial satisfaction. This indicates that the male respondents have more financially literate if compared to female respondents (MD=0.2425). In addition, the males were more knowledgeable in financial matters than female respondents. In terms of financial satisfaction, it also indicates that male respondents also more satisfied with their financial if compared with female (MD=0.4055).

This study confirmed that financial literacy and financial practices have a positive relationship of financial satisfaction. In the context of the study, majority of respondents felt that the level of understanding and their knowledge and style of how they manage financial can improve satisfaction or happiness with their current financial position. These findings are consistent with findings by Nuraini et al. (2013), where they found individuals with a high level of financial literacy has good financial satisfaction. Similarly, individuals with good financial practices, found to have a high level of financial satisfaction (Zaimah et al. 2012). If they have basic money management skills (financial literacy) and manage their financial with good habit (financial practices), then finally the more satisfaction outcomes they would achieve. Generally, the findings of this study have been explained that individuals with financial literacy and good financial practices will increase financial satisfaction. Higher the level of financial literacy and practices, the greater will be the financial satisfaction.

This study also support the argument provided by studies such as Hawati et al. (2016), Ewald and Claudia (2014) that male respondents are more literate than female. This study also supports an assertion made by Narges and Laily (2011) who indicated that if gender had a direct effect on financial satisfaction.

Table 3: Independent sample *T*-test results according to gender

		Financial Practices (FB)	**Financial Literacy (FL)**	**Financial Satisfaction**
Gender				
Male (N=57)		4.1088	4.0556	3.9345
Female (N=104)		4.0472	3.8131	3.5290
Mean Difference		0.0616	0.2425	0.4055
Levene's Test	***F***	4.881	3.283	0.001
	Sig	0.029	0.072	0.982
	EVA[a]	X	√	√
***T*-test**	***T***	0.553	2.341	3.178
	Df	126	86.33	103.28
	Sig	0.581	0.022	0.002
	SD[b]	X	√	√

*. Significant Difference at the 0.05 level (2-tailed);
[a]: Equal Variance Assumption(EVA); [b]: Significant Difference(SD)

5.0 Conclusion

Study on young worker's financial management is one of the interesting aspect to be study. Respective ministry, such as Ministry of Youth and Sports, or AKPK could find out practices of financial and level of financial knowledge among youth. By implementation of this study, it hopes that the information gathered can help to reduce bankruptcy sympthoms among youths. Moreover, this study aims to obtain empirical evidence which is related to the effects of the financial literacy and financial practices among the young workers towards their financial satisfaction. So, it is expected that the findings of this research will be able to benefit the young workers in terms of their debt management. It is likely can avoid the bankruptcy scenario if the debt is well managed. From the findings, we can conclude that with increasingly in complex financial systems, everyone should plan and manage their financial activities well ahead because people will face more financial commitments at certain points in their lives. Additionally due to the positive impact this study is likely to bring to the nation, the exercise should be extended to all government services in Malaysia especially young workers.

Respondent's characteristics are more female (64.6%), aged between 21-25 years (45.3%), Malay who hold diploma certificate (60.2%) and income between RM2

References

Cliff A. Robb & Ann Woodyard. (2011). Financial knowledge and best practices practices. *Journal of Financial Counseling and Planning 22*(1),36-46.

Ewald Mittelstaedt and Claudia Wiepcke (2014). Gender differences in financial knowledge and practices – design of standard oriented personal finance education. *International Journal of education Studies.*

Fazli, M.S., MacDonald, M., Hira, T.K., & Jariah, M. (2010). Childhood consumer experience and the financial literacy of college students in Malaysia. *Family and Consumer Sciences Research Journal, 38*(4), 455-467.

Hawati Janor, Nurul fareena Jasli, Rubayah Yakob & Noor Azuan Hashim. (2016). Influence of gender and academic program on financial literacy among malaysian university students (pengaruh gender dan program akademik terhadap literasi kewangan dalam kalangan mahasiswa universiti). *Jurnal Personalia Pelajar 19*(2).

Bernama (2018) *47% of youths have high credit card debts*. Retrieved 25 June 2019 from https://www.thestar.com.my/business/business-news /2018/ 09/04/47pct-of-youths-have-high-credit-card-debts/.

Joo, S., & Grable, J. E. (2004). An exploratory framework of the determinants of financial satisfaction. *Journal of Family and Economic Issues, 25*, 25-50.

Kim, J., Garman, E. T. dan Sorhaindo, B. (2003). Relationships among credit counseling clients' financial well-being, financial practicess, Financial Stressor Events, and Health. *Financial Counseling and Planning Education. 14*(2),75-87.

Leila Falahati, Mohamad Fazli Sabri and Laily H.J. Paim. (2012). Assessment a model of financial satisfaction predictors: examining the mediate effect of financial practices and financial strain. *World Applied Sciences Journal 20 (2)*, 190-197.

Lilis Suriani (2014). *Had umur belia 15-30 tahun bermula-2018.* Retrieved 25 June 2019 from http://www.utusan.com.my/berita/nasional/had-umur-belia-15-30-tahun-bermula-2018-1.26083.

Loibl, C., & Hira, T. K. (2005). Self-directed financial learning and financial satisfaction. *Financial Planning and Counseling, 16*(1), 11-21.

Mehwish Zulfiqar and Muhammad Bilal. (2016). Financial wellbeing is the goal of financial literacy. *Research Journal of Finance and Accounting, (17)*, 11.

Mohd Fazli Sabri, Jariah Masud, Laily Paim, Mohd Amim Othman, Nurkhalila Nordin (2007). *Kajian keteguhan kewangan di kalangan belia. jabatan pengurusan sumber & pengajian pengguna*, Fakulti Ekologi Manusia, Universiti Putra Malaysia

Narges Delafrooz and Laily Hj Paim. (2011). Determinants of financial wellness among Malaysia workers. *African Journal of Business Management, 5*(24), 10092-10100.

Nuraini Abdullah, Mohamad Fazli Sabri, Husniyah Abdul Rahim, Mohd Amim Othman, Afida Mastura Muhammad Ariff, Nurul Farhana Zakaria. (2013). Pengurusan Kewangan Dalam Kalangan Pekerja Muda. *Jurnal Pengguna Malaysia. 21*, 16-33

Paul Selva Raj, Siti Rahayu & Nurul Husna. (2013). *Ringgit: Rakan Kewangan Anda. Pekerja Muda Hadapi Masalah Hutang Serius. Selangor*: Pusat Penyelidikan & Sumber Pengguna (CRRC).

Roza Hazli Zakaria et. al. (2012). Financial practices and financial position: a structural equation modelling approach. *Middle- East Journal of Scientific Research 11* (5): 602-609.

Suffian A. Bakar. (2016). *Kadar muflis golongan muda di malaysia merisaukan*. Received 6 Disember 2016 from http://www.bharian.com.my/node/220849

Titus, P. M., Fanslow, A. M. dan Hira, T. K. (1989). Networth and financial satisfaction as a function of household money manager's competencies. *Home Economics Research Journal, 17*(6), 309-317.

Zaimah R, Sarmila MS, Azima AM, Suhana Saad, Lyndon N, Mohd Yusof Hussain & S Selvadurai. (2012). Tingkah laku kewangan guru di Bandar Baru Bangi, Selangor, Malaysia. *Malaysia Journal of Social and Space Issue, 6*, 42-48.

Zimmerman, S. L. (1995). *Understanding family policy: Theories and applications* (2nd ed). Thousand Oaks, CA: Sage.

Zimmermann, E. (2011). *Germany: Young People Caught in Debt Trap*. Received from http://intsse.com/wswspdf/en/articles/2011/11/germ-n09.pdf