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Financial Literacy, Financial Behaviour and Financial Anxiety: Implication for Financial Well Being of Top Management Level Employees

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This study aims to analyze how Financial Literacy, Financial Behaviour and Financial Anxiety influence Financial Well Being of Top Management Level Employees. A cross-sectional survey was employed on 256 respondents randomly selected from top management level of manufacture company. It then tests their hypothesized relationships with the use of Partial Least Squares (PLS), a structural equation modelling technique. The result reveal that financial behaviour and financial anxiety significantly influence the financial well-being of employee. Financial literacy also influences the financial anxiety, financial behaviour and financial well-being. Financial behaviour of an individual also determine the level of financial wellbeing of the respondents. Positive and healthy financial behavior leads toward the higher level of financial wellbeing. There is significant and positive effect of financial literacy to financial behaviour of top management level of employees.

Keywords: Financial Literacy, Financial Behaviour, Financial Anxiety, Financial Well Being

1. INTRODUCTION

Increased variety of products and the instability of the global economy in twenty first century caused increasing complexity of financial decisions and also caused consumers challenge in economic and financial activities. For this reason, in the last decade, the importance of financial management skills in personal and work life has increased and researches in this area has been done. But even in work life the employees cannot achieve financial well-being. That's even occurs at the top management level of employees. The results of research in general show that there is still a low level of financial literacy in developed countries and even more so in developing countries including Indonesia. This condition is a serious problem considering financial literacy has a positive effect on financial behavior. This will not only be a problem for society today but will also be a problem for society in the future, as following question; Is financial literacy and financial behaviour affects the financial well-being? The employee which certainly have financial knowledge influence their financial behaviour? Is the employee in top management level currently heading to financial well-being? Based on the background and the problems of the current study, then the purposes of the current study are formulated to investigating the effect of financial literacy and financial behaviour to top management level and investigating the effect of financial anxiety to financial behaviour.

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2. METHODOLOGY

A. Financial Well Being

Financial well-being is defined as a state in which a person can fully fulfill current and ongoing obligations, can feel secure in their financial future, and is able to make choices that allow pleasure in life [1]. It consists of four elements; feel financially in control, have the ability to absorb financial shocks, are on track to achieve financial goals, and have the flexibility to make choices that allow life to be enjoyed. People with high levels of financial well-being have financial freedom to make choices that allow them to enjoy life. This flexibility means going on vacation or shopping once in a while and spending money on needs not just for the needs [2].

B. Financial Literacy

Gaining financial experience and applying this knowledge reduces the likelihood that consumers at any income level will fall prey to irresponsible salespeople and buy products or services that are not in their best interests [3]. The literature argues that increasing financial literacy is a means to empower people financially and improve their quality of life [4]. In a study measuring financial literacy showed that a person who is financially literate, that is he/she has the knowledge and the ability to utilize the knowledge, may not exhibit predicted behaviours or increases in financial well-being because of certain influences. Such impacts could come from behavioural/cognitive biases, self-control problems, family, economic, community, and institutional factors [5]. Financial literacy, financial well-being, and financial concerns revealed that higher financial literacy leads to greater financial well-being. Thus, for financial well-being to be achieved financial literacy is needed [6].

C. Financial Behaviour

Financial behaviour could be an important component in defining financial well-being. [7] Since an individual's financial well-being can be either objective (as measured in terms of income, assets, etc.) or subjective (as measured in terms of financial satisfaction), it makes sense that financial behaviour should improve financial well-being [8]. Financial behaviour like all other issues have been learned principally from parents through observation and participation in financial experiences like shopping [9].

D. Financial Anxiety

According to the American Psychological Association, Stress in America Survey, the majority of Americans living today experience some degree of anxiety. The top source of anxiety, according to the Stress in America Survey, is money, followed closely by work and the economy. [10] These three factors clearly are causes of financial anxiety, which is defined to mean a psychosocial syndrome that results in someone having an unhealthy attitude toward thinking about, engaging with, or administering their personal financial situation in an effective manner [11].

E. Financial literacy and financial well-being

The main measure of success of financial literacy efforts is individual financial well-being. Level of education, financial literacy, risk, financial ability, financial activity, and financial pressure have a direct impact on financial satisfaction. The results showed that in a high level of financial knowledge and skills, strengthening financial behavior leads to higher levels of financial satisfaction [12]. The relationship between financial activity, financial welfare, and health among 3,121 customers of a financial consulting organization. Their results show that people with higher financial well-being will experience less stress, be more motivated in financial activities, have better family relationships and be physically and mentally healthier [13]. This makes money welfare very important in the lives of pensioners because they are old and very vulnerable. A little financial pressure can affect them both mentally and physically. In research that measures financial literacy shows that someone who is financially literate, that is, he has the knowledge and ability to utilize knowledge, may not exhibit predictable behavior or increase financial well-being because of a definite influence. These impacts can come from behavioral / cognitive biases, problems of self-control, family, economy, society, and institutional factors. [14]. Financial literacy significantly influences students' perceptions of financial well-being [15]. Financial literacy, financial well-being, and financial concerns revealed that higher financial literacy leads to greater financial welfare. Therefore, to achieve financial prosperity, Financial intelligence is needed [16].

(H_1) *Relationship between Financial intelligence and Financial Well Being*

F. Financial behaviour and financial literacy

Many researchers have conducted surveys about financial planning behavior, investment behavior, bill payment behavior, savings behavior, credit card behavior and budget behavior to determine the level of Financial intelligence. Human behavior related to financial decision making and money management such as building an appropriate budget program and controlling it, fast payment of bills and the nature of saving are commonly called financial behavior [17]. The ability to make informed and effective decisions regarding money management is important for individual success. Requirements for financial competence are very important in the current financial climate. Instead, people have surprisingly demonstrated poor financial ability and lack of knowledge of fundamental economic concepts [18].

(H_2) *Relationship between Financial Behavior and Financial intelligence*

G. Financial behaviour and financial well being

Financial behavior can be an important component in defining financial welfare [19]. Because a person's financial well-being can be objective (measured in terms of income, assets, etc.) or subjective (measured in terms of financial satisfaction), it makes sense that financial behavior must improve [20]. Financial behavior like all other problems has been learned mainly from parents through observation and participation in financial experiences such as shopping [21].

(H_3) *Relationship between Financial Behavior and Financial Well Being*

H. Financial Behavior and Financial Anxiety

Financial anxiety proves to be a separate construction from depression and general anxiety. This finding shows that those who report having financial anxiety also display reaction latency in processing financial information. Thus, financial behavior can be evaluated more comprehensively and policies can be more determined by incorporating financial anxiety into financial illiteracy, mismanagement, and debt models. Financial intelligence as a person's ability to use his knowledge and skills to make the right financial decisions for effective management of financial resources. To increase financial awareness and knowledge of students and young people, financial education programs must be school based [22]. Increasing the level of financial knowledge can make a difference in the perception of risk for an investment path [23]. Individuals who have financial knowledge are more financially literate and they are able to handle money efficiently [24].

Relationship between investors financial intelligence with trend effects. It was found that people with higher financial knowledge and working professionals showed the effects of lower tendencies. Financial knowledge has a strong influence on financial attitudes and behavior whether it is objective or subjective [25]. Financial knowledge is an important factor in determining a person's financial intelligence and financial decision-making skills [26]. To evaluate women's financial knowledge, they included questions related to risk diversification, inflation, numerical ability and interest rates in the questionnaire [27].

(H_4) *Relationship between financial behavior and financial anxiety*

Based on those hypotheses, we design a conceptual study model framework (see Figure 1).

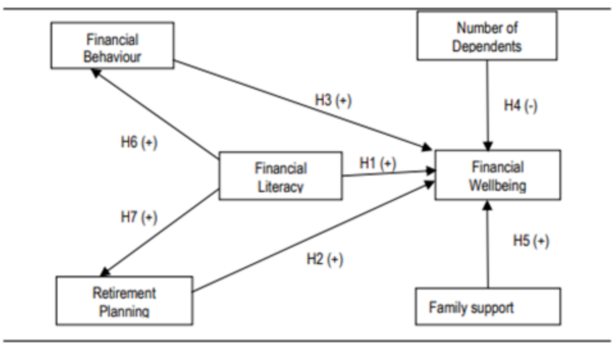

Figure 1. Conceptual Study Model Framework

The design of the current study is an explanatory research. By applying this type of research, the current study will verify the causal relationship between financial behaviour, financial anxiety and financial literacy as the independent variable, and financial well-being as the dependent variable. The current study also applies correlational research, which examines whether the two variables are correlated to each other or not, and to investigate the strength and the purpose of the correlation.

The current study applies structural equation model (SEM) analysis method using Partial Least Squares (PLS) to investigate the significant rate and the correlation between the variables. The object of the current study is the top management level employees. The data collection was conducted by distributing the questionnaire to 300 management level of manufacturing company. The sample exceeded the required minimum sample at 256 respondents, which is counted based on 3 - 5 multiplied by the number of indicators. Variables studied in the current study consist of one independent variable that belongs to one dependent variable, namely financial well-being. The measurement of these variables was adapted from the questionnaire instrument, which applies Likert scale in five ordered level response from 1 to 5 (1 is “totally disagree” and 5 is “totally agree”).

3. RESULTS AND DISCUSSION

The results of the study show the effect of financial behaviour on financial well-being and the effect of financial literacy and financial anxiety on financial behaviour of top management level employees.

A. Normality and Outlier Tests

In order to test the normal distribution of the data for the analysis, the researcher applied skewness value statistical test provided in AMOS 21.0 software program. Assumptions for normality of data is fulfilled when the critical value (c.r.) is less than ± 2.58. Normality test is managed by applying assessment of normality. Based on univariate test, the value in c.r. column (skewness) is less than ± 2.58. Therefore, it is proved that the data is normally distributed. Outlier test is a test to confirm that the data being analyzed have similar range. The current study found that the Chi Square values $_{\text{Table}}$ with DF 13 and α =0,001 is 34.5. Based on the calculation, none of the observation has p-value < 0.001. In addition, the Mahalanobis d-squared value reaches 33.730, less than (<) 34.5 (X^2_{table}). It indicates that there is no outlier.

B. Validity and Reliability Tests

AMOS software program version 21.0 also provides the user to test the validity with loading standard (λ) more than (>) 0.5 and asserted as reliable when the Construct Reliability is more than (>) 0.7.

C. Goodness-of-Fit Test

In the current study, the goodness-of-fit test is processed by using Amos software version 21.0. Table I shows the result of the goodness-of-fit index after the test was conducted.

Table I. Goodness-of-Fit Index

Goodness-of-Fit Index	Result	Cut Off Value	Criteria
Chi Square	67.537	70.9	Good
Probability	0.086	≥ 0.05	Good
CMIN/DF	1.274	≤ 2.00	Good
RMSEA	0.042	≤ 0.08	Good
GFI	0.939	≥ 0.9	Good
AGFI	0.900	≥ 0.9	Good
TLI	0.980	≥ 0.9	Good
CFI	0.986	≥ 0.9	Good

The result shows that Chi Square (X_2) value with the significance rate at 0.086 and p value > 0.05. The Ho highlights there is no difference between the estimated covariance matrix sample and estimated covariance matrix population that can be accepted. In other words, the estimated covariance matrix sample and the estimated covariance matrix population are the same, therefore the model is considered as good. The Minimum Sample Discrepancy Function (CMIN/DF) is the adjusted parsimonious index that measure the goodness-of-fit model and the total of estimated coefficients. The calculation is expected to reach the adjustment rate. The result of CMIN/DF is 1.274, which is less than (<) 2 (value that is recommended by CMIN/DF), so it shows good-fit model.

The Root Mean Square Error of Approximation (RMSEA) is the index applied to compensate Chi Square Statistics for huge sample. The RMSEA value indicates expected goodness-of- fit when the model is estimated within the population. The recommended acceptance value is less than (<) 0.08. The test result shows that the value is 0.042, which indicates the good-fit model. The analysis of goodness-of-fit (GFI) depicts the adjustment rate of the model. The recommended acceptance rate by GFI is more than (>) 0.90. The result shows that the result shows the GFI value is 0.939, it is more than (>) 0.9. Therefore, it indicates the good-fit model. Tucker Lewis Index (TLI) is the incremental fit index alternative. It compares the tested model with the baseline. The recommended adjusted value is more than (>) 0.9. The result of the current study shows that TLI value equals to 0.980, so it shows good-fit criteria.

Comparative Fit Index (CFI) is the adjusted incremental index. It compares the tested model with the null model. The recommended CFI value is more than (>) 0.9. The value of the test result is 0.986, which shows good-fit model. According to the calculation of the Goodness-of-Fit Index above, most parameters meet the expected requirement except AGFI. Therefore, the current study design meets the adjusted model.

D. Hypothesis Test

The results shown by the Smart PLS 3 software describe the correlation links between the variables, financial literacy and financial anxiety on the financial behaviour and financial well-being. The links is depicted in the Figure 2.

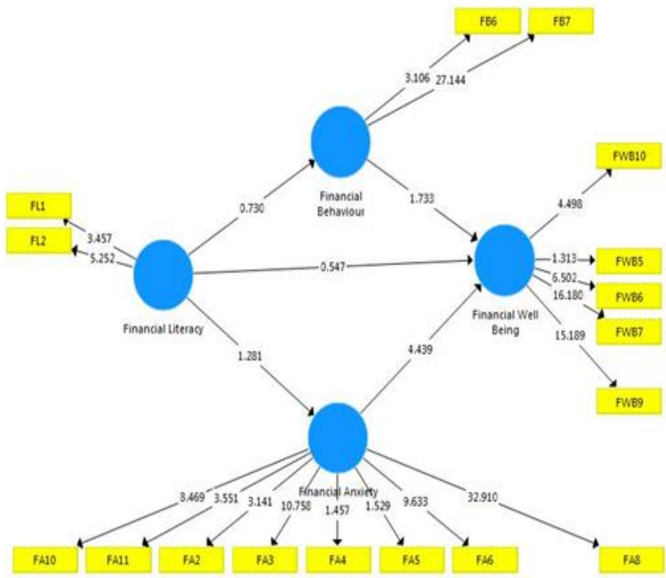

Figure 2. The result of Smart PLS 3 model analysis

Table II. The Result of Hypothesis Test

Correlation between Variables	Path Coefficient	S.E.	C.R.	P value	Additional information
Financial Anxiety → Financial Well Being	0.623	0.065	3.811	0.000	Significant
Financial Literacy → Financial Anxiety	0.229	0.026	2.190	0.029	Significant
Financial Literacy → Financial Behaviour	0.242	0.078	3.069	0.002	Significant
Financial Literacy → Financial Well Being	0.077	0.112	2.113	0.035	Significant

The first hypothesis test states that (H_1): Financial literacy has significant and positive effect on financial well-being. Table II above shows that the brand communication variable is proven to have significant and positive effect on the brand image, which is shown by the estimated coefficient at 0.077 with the probability value at p = 0.000 < 0.05.

The second hypothesis test states that (H_2): Financial behaviour has significant and positive effect on financial literacy. The table 5 above shows that the brand communication variable is proven to have significant and positive effect on the brand trust, which is shown by the estimated coefficient at 0.210 with the probability value at p = 0.029 < 0.05.

The third hypothesis test states that (H_3): Financial behaviour has significant and positive effect on financial well-being. The table 5 above shows that the brand image variable is proven to have significant and positive effect on the brand trust, which is shown by the estimated coefficient at 0.299 with the probability value at p = 0.002 < 0.05.

The fourth hypothesis test states that (H_4): Financial behaviour has significant and positive effect on financial anxiety. The table 5 above shows that the brand loyalty variable is proven to have significant effect on the brand loyalty, which is shown by the estimated coefficient at 0.207 with the probability value at p = 0.035 < 0.05 (see Table III).

Table III. The Indirect Effect (Mediating Effect)

The Pattern of The Correlation	The Weight of Indirect Effect
Financial Literacy → Financial Anxiety → Financial Well Being	0.142
Financial Literacy → Financial Behaviour → Financial Well Being	-0.073

Table III tells us that the financial literacy affects the financial well-being indirectly through financial anxiety as the mediating variable, with the weight of the indirect effect at 0.142 or 14.2%. Therefore, the higher financial literacy will affect the financial anxiety will more influence the financial well-being. Furthermore, financial literacy affects the financial well-being indirectly through the financial behaviour, the mediating variables with the weight of the indirect effect at -0.073 or -7.3%. It has indirectly affected but not too much.

4. CONCLUSION

The analysis result by PLS software tells us that there is a significant and positive effect of the financial literacy variable to financial well-being of top management level employees. It indicates that the higher level of financial literacy will influence financial well-being also the significant and positive effect of financial behaviour to financial well-being of top management level of employees. It indicates that financial behaviour significantly influence financial well-being of top management level employees. Financial behaviour of an individual also determine the level of financial wellbeing of the respondents. Positive and healthy financial attitude leads toward the higher level of financial wellbeing. The analysis result by PLS software shows the significant and positive effect of financial literacy to financial behaviour of top management level of employees. It indicates that financial literacy significantly influences financial behaviour of top management level employees. And also shows the significant and positive effect of financial behaviour to financial anxiety of top management level of employees. It indicates that financial behaviour significantly influence financial anxiety of top management level employees. Accordingly, financial behavior could be more comprehensively evaluated and policy could be better determined by incorporating financial anxiety into models of financial illiteracy, mismanagement, and debt.

There is a significant and positive effect of the financial literacy variable to financial well-being of top management level employees. It indicates that the higher level of financial literacy will influence financial well-being. Financial behavior also has the positive effect to financial wellbeing of top management level, good financial behavior significantly influences financial wellbeing of top management level employees. Financial behaviour of an individual also determine the level of financial wellbeing of the respondents. Positive and healthy financial behavior leads toward the higher level of financial wellbeing. There is significant and positive effect of financial literacy to financial behaviour of top management level of employees. It indicates that financial literacy significantly influences financial behaviour of top management level employees. There is positive effect of financial behaviour to financial anxiety of top management level of employees. It indicates that financial behaviour significantly influence financial anxiety of top management level employees.

Based on the elicited conclusions in the current study, following suggestions is offered for the top management level employees; to keep increase personal financial management abilities in organizational and personal life. Financial literacy provides the background of one's successful participation in economic activities through increased savings, correct purchasing decision, proper investing, asset management, employing insurance, debt, credit management and enhances the financial well-being. On the other side, the financial literacy cause reduced financial concerns through improved ability to meet the needs and provide compatibility between financial income and expenses. High financial literacy also makes human assessing their financial position reasonably, understanding economic situation, and being less stressful and worried in financial issues.

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