Predictors of Female Lecturers' Involvement in Household Financial Decisions Making

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Abstract. Financial decision-making, both at the household level and at more complex levels, is generally dominated by men of rational consideration. The purpose of this study is to examine the direct and indirect effects of financial literacy on financial personality and financial decision-making. This paper uses a quantitative statistical approach to analyze the effects among the identified variables. Since the number of samples is calculated by Slovin's formula, the number of target samples is 230 and the structured questionnaire is based on a 5-point Likert scale and analyzed using a partial least-squares structural equation modeling approach using smart PLS version 4. This study provides a rigorous methodology for analyzing the relationship between financial literacy, financial personality, and financial decision-making. The results showed a positive and significant association between financial literacy and financial personality and financial decision-making. Financial literacy has a significant positive impact on financial decision-making by instilling a financial personality. The results of this study also explain that financial literacy and financial personality are predictors of females, especially educators, being more likely to participate in household financial decision-making.

Keywords: Financial Literacy · Financial Personality · Financial Decision Making

1 Introduction

Decision-making as a complex phenomenon covers almost all aspects of life by involving various factors, and the process of choosing from a variety of available decision options, as well as efforts to overcome the risks that will arise from the selected decisions. Refer to decision-making theory, it is based on the concept of satisfaction, in the form of utility sourced from microeconomics as the amount of relative satisfaction achieved by individuals so that individuals seek to maximize the amount of utility to achieve satisfaction [1].

According to Gambeti [2], financial behavior plays an important role so that individuals can avoid mistakes in making financial decisions. Financial behavior in this study refers to a personality that influences financial decisions so research on personality can assist in understanding and motivating individuals in making the right financial decisions. Research on financial personality is increasingly being carried out by academics, such

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as the Big-Five theory. Financial decision-making by women is not only explained by financial personality variables but requires other perspectives such as financial literacy that can provide scientific information about the effectiveness of women's involvement in financial decision-making. In Indonesia, the level of financial literacy for women is lower than for men, based on data from the Financial Services Authority (OJK).

Empirically, it is similar to the work of Lusardi [3], Balasubramnian and Sargent [4], Cliché and Mithrin [5], Arthur-Holmes and Abrefa [6] note that financial literacy plays an important role in many financial decisions, such as investments. Financial literacy helps individuals understand financial issues and have the ability and willingness to make informed decisions. This study aims to examine the impact of financial literacy on financial personality and financial decision-making.

Financial literacy refers to the knowledge and skills needed to make informed and effective decisions regarding financial matters. It involves understanding various financial concepts, such as budgeting, saving, investing, credit, and insurance [3]. Financial literacy is important because it allows individuals to make informed decisions about their finances, which can lead to greater financial stability, independence, and success. By developing financial literacy skills, individuals can avoid financial mistakes, reduce their financial stress, and improve their overall quality of life.

The level of financial literacy affects the perception of risk (as a proxy for financial personality). According to Mendes et al. [7], risk perception is influenced by financial literacy and gender, but marital status contributes to risk perception. Gambeti's study [2], that financial literacy significantly increases household investment in risky assets (as a proxy for financial personality). Financial literacy can have an impact by increasing the capacity to understand and compare financial assets. Thus, this study proposes the following hypothesis:

H1: Financial literacy impacts their financial personality.

Financial personality refers to an individual's unique set of attitudes, beliefs, and behaviors related to money and personal finance. It encompasses how a person thinks about and interacts with money, including their spending and saving habits, financial goals and values, risk tolerance, and approach to managing debt and investments [8]. In the financial personality literature, personality is largely considered a system of individual behavioral patterns and attitudes rather than a single specific characteristic. The general framework used is the big five personality traits model, The Big Five personality traits, also known as the Five Factor Model, are a set of broad dimensions used to describe human personality. The five traits are: agreeableness, conscientiousness, extraversion, open-mindedness, and neuroticism according to research conducted by Tharp et al. [9].

Based on these findings, it can be inferred that different personality traits may have varying effects on financial behavior. Conscientiousness, agreeableness, and openness to experience are positively associated with financial behavior, meaning that individuals with these traits may be more likely to engage in positive financial behaviors such as saving, investing, and making sound financial decisions. On the other hand, extraversion and neuroticism do not seem to have a significant effect on financial behavior.

The study by Gambeti and Giusberti [2] adds another dimension to this discussion, showing that anxious individuals tend to save and avoid investing, while those with high levels of extroversion, independence, and self-control are more likely to invest in financial decisions. This suggests that personality traits can also influence the specific types of financial behaviors that individuals engage in. Overall, these findings highlight the importance of considering personality traits when studying financial behavior and decision-making. It is possible to propose the following hypothesis,

H2: Financial personality impacts financial decision-making.

The growing interest in household financial decision-making reflects a recognition of the importance of this topic for individual and societal well-being and underscores the need for continued research and analysis to better understand the factors that shape household financial decision-making and the implications of these decisions for financial outcomes. The research conducted by Arthur-Holmes and Abrefa [6] their study explores the factors that influence financial decision-making among low-income households in the United States and the implications of these decisions for household financial well-being. The facts show that households tend to make several mistakes in making financial decisions, as well as many households have a low level of financial literacy, especially in developing countries.

Johnston et al. [10] argue that predicting the outcomes of financial decisions can be difficult due to the complexity of individual financial situations and the various factors that can influence decision-making. Financial literacy and financial personality are both important variables in predicting financial decision-making. Portes et al. [11] and Fong et al. [12] suggest that financial literacy has a direct influence on financial decision-making. Meanwhile, Mendes et al. [7] and Johnston et al. [10] propose that financial personality affects financial decision-making. It is therefore essential to continue researching this topic to gain a deeper understanding of the factors that influence financial decisions. Thus, this study proposes the following hypothesis:

H3: Financial literacy impacts their financial decision-making, mediated by financial personality.

2 Research Method

The study uses a structured questionnaire as the primary data collection tool, with each variable being measured using a different set of indicators. Financial literacy is measured by four indicators adopted by Balasubramnian & Sargent [4] and Li et al. [13], while financial personality is measured by five indicators adopted by Johnston et al. [10] and Gambetti [2]. Financial decision-making is measured by four indicators adopted by Mertzanis [5] and Fong et al. [12]. The measurement scale used in this study is the interval scale, where the level of agreement is weighted from 1 (strongly disagree) to 5 (strongly agree). The survey is administered to a sample of 230 female Dpk lecturers, which was determined using the slovin formula from a population of 540 lecturers in private universities in East Java. The data collection technique involves both field research and library research, with references gathered to support the research. The data collected from the survey will be analyzed using a partial least squares-structural equation modeling approach with smartPLS version 4. Overall, the study design appears to be well-planned and appropriate for investigating the research question. The use of a structured questionnaire with a 5-point Likert scale and the PLS-SEM approach can provide a robust analysis of the relationship between financial literacy, financial personality, and financial decision-making among female Dpk lecturers in private universities in East Java.

3 Results and Discussion

Data analysis was carried out with the outer and inner models. The outer model is a validity test. The inner model is used to test the research structural model. The loading factor and convergent validity are used to test the validity. There were no indicators in this study that obtained a loading factor value below 0.5 [14], so it can be said to be valid. After testing the construct validity, the next step is to test the construct reliability. Construct reliability refers to the degree to which a measure is consistent and stable over time, and it is typically measured by two criteria: composite reliability (CR) and Cronbach's alpha (CA). The construct test of the indicator showed good reliability with a value greater than 0.7. Then, the inner model of the research was tested to determine the coefficient of determination (R2) and the Normed Fit Index (NFI). The next stage was hypothesis testing using bootstrapping. The study found that financial literacy impacts financial personality, financial personality impacts financial decision-making, and financial literacy impacts financial decision-making through financial personality. All of these hypotheses were accepted, as indicated by the t-statistic values being higher than the t-table values. The final analysis stage in inferential statistical analysis is hypothesis testing. The results of testing the hypothesis using bootstrapping state that financial literacy impacts their financial personality, accepted. Three hypotheses (H1, H2, and H3 the indirect effect of financial literacy on financial decision-making mediated by financial personality) were accepted as the t-statistic values were higher than the t-table value. This suggests that there is evidence to support the idea that financial personality and financial literacy have a significant impact on financial decision-making, both directly and indirectly through financial personality.

The study's findings are consistent with previous research by Ozer & Mutlu [8], Martelo et al. [15], and Insler et al. [16] that found positive and significant effects of financial personality on financial decision-making and financial literacy. Overall, the study provides evidence for the importance of financial personality in financial decision-making and suggests that improving financial personality may be a useful strategy for promoting financial literacy and improving financial decision making.

The results of this study mean that financial literacy can mediate the influence of financial personality on financial decision-making for female lecturers. A good level of financial literacy can help female lecturers who have a positive financial personality make more informed financial decisions, while a poor level of financial literacy can limit their ability to make good financial decisions. Overall, a positive financial personality and a good level of financial literacy can help female lecturers to make more effective financial decisions and manage their finances better.

4 Conclusion

The conclusion from the study's findings and previous research is that financial personality is an important factor in financial decision-making and financial literacy for female lecturers. The study provides evidence that improving financial personality traits such as conscientiousness, emotional stability, and openness to experience may lead to better financial decision-making and greater financial literacy among female lecturers.

The study's results suggest that interventions aimed at improving financial personality could be an effective strategy for promoting financial literacy and improving financial decision-making among female lecturers. This finding has important implications for financial educators and advisors who work with female lecturers to improve their financial well-being. Overall, the study highlights the importance of understanding individual differences in financial decision-making and suggests that personality traits can significantly influence financial behavior in specific populations such as female lecturers.

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