



The Impact of Financial Literacy and Saving Behavior on Financial Well-Being: Evidence Among Women in Burai Village

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Abstract. This research aims to explain the relationship between financial literacy and the financial well-being of women. Several previous theories concluded that there was a gap in financial well-being between women and men. Women are less likely to successfully raise additional funds than men, and women tend to rely more on family and friends as a source of support when facing the unexpected. This research was tested using non-experimental quantitative methods through a field survey of 97 female living in Burai Village, South Sumatra. Financial well-being is measured using the CFPB Financial Well-Being Scale. The research results show that financial literacy and saving behavior simultaneously influence the financial well-being of women in the village. However, if we look specifically at saving behavior, it is stronger than the level of financial literacy in predicting women's financial well-being. The results of this research are different from previous research in that women in Burai have independence in financial well-being, and could be a gap for further research to analyze the relationship between financial literacy and financial well-being using the savings behavior mediation test.

Keywords: Financial Well-being, Financial Literacy, Saving Behavior, Women

1 Introduction

The Global Financial Index survey by the World Bank in 2021 [1] found that there is a gap in financial well-being as assessed by resilience (the ability to overcome unexpected events) between women and men. Women are less likely than men to successfully raise additional funds, and they tend to rely more on family and friends as a source of support when faced with the unexpected. Financial well-being is an important concept for understanding poverty and economic security [2].

The relationship between financial well-being and financial literacy, financial inclusion, socio-demographics (gender, status, age, ethnicity/race, education level, income, economic development in a country), financial behavior [3], [4], [5]. Based on a survey of financial literacy and inclusion in Indonesia, it is known that there is still

a gender gap regarding financial literacy and inclusion between men and women in the use of financial products [6].

Financial literacy is an important variable that influences financial inclusion [4] and financial well-being [4], [5]. An individual's perspective of their everyday financial status, their capacity to bounce back from setbacks, their belief in their ability to accomplish their goals, and their freedom to choose leisure and recreation-related activities and services are all considered aspects of financial well-being [5]. Based on findings the existence of a gender literacy and financial inclusion gap, the government through SNKI [7] supports women to increase access to formal finance in developing the family economy. This is because women are considered to have an important role in decision making and more authority in family finances even though their contribution to family income is not that large [7].

Financial literacy can be defined as the level of knowledge and skills in managing finances by applying this knowledge to improve a person's financial condition [8], [9]. Financial literacy combined with financial abilities can shape financial behavior that is expected to achieve financial prosperity [10]. Karakum-Ozdemir, Korkkizil, and Uysal [11] found that the condition of financial literacy in developed and developing countries is related to gender, education level, socio-economic status and understanding of the national language. Financial literacy has an impact on income levels between countries, both in developing and developed countries [11].

The current state of affairs in a number of developing nations highlights the disparity between men and women's financial literacy and well-being and highlights the necessity of raising financial literacy as an alternative to overcoming poverty, raising income, and developing the nation's economy [12], [13], [14], [15].

The government's efforts to empower women to overcome poverty use micro-finance tools to overcome poverty and increase employment opportunities [12]. Upgrading women's literacy and finances expected to give an impact on household financial well-being. Women's involvement in family economic development is currently increasing along with the increasing number of women who run businesses. According to data from the Badan Pusat Statistik (BPS), the percentage of women working in the informal sector, especially MSMEs, is very large, and they have a significant role in the economy and employment [16].

Burai village, Ogan Ilir Regency, South Sumatra, is an ecotourism village with an area of ± 39.52 km² with geographical conditions in the form of water and plains so that most of the population earns their living as craftsmen, farmers, farm laborers and fishermen ([17]). The Head of Burai Village revealed that this village has the majority of MSME actors (70%) coming from women's groups, who run culinary businesses (kemplang, pempek, tekwan, pindang) and handicrafts (songket and woven). It is not certain that the increasing involvement of women in the MSME sector will be in line with increasing financial literacy and inclusion.

Most micro-entrepreneurs are run by women because they are considered capable of alleviating poverty and increasing income, however small entrepreneurs who obtain credit from microfinance face challenges in starting and running their businesses, which are mostly caused by a lack of financial knowledge or lack of financial literacy [14]. Understanding the landscape of financial literacy, saving behavior, financial well-being, and factors that influence the financial well-being of female business actors is

very important considering the role of women as MSME economic actors who are significant contributors to the economy and welfare.

Therefore, this research aims to: 1) look at the socio-demographic picture, financial literacy, saving behavior and Well-being of women; 2) Examine how saving habits and financial literacy affect the financial security of rural women.

2 Theory

2.1 Financial Well-being

Quoting from a statement from the Consumer Financial Protection Bureau, "financial prosperity is defined as a situation where your finances: have the ability to meet the cost your daily needs, from month to month; has the ability to minimize financial shocks; be in a healthy financial condition to achieve life goals; and have the financial freedom to make choices to achieve your life's dreams." This definition is in line with Zhang and Chatterjee's statement [5] that an individual's financial well-being is defined as their perception of their daily financial situation, their capacity to bounce back from setbacks, their confidence in to achieve goals, and their freedom to choose financial options and utilize leisure-related services and activities, as well as leisure time [5].

Elements of Financial Well-Being

Having financial security and freedom to make a variety of decisions both now and in the future is what is meant by financial prosperity. There are four elements that make up financial well-being [18] according to the following image.

Table 1. Four Elements of Financial Well-Being

	Present	Future
Security	the ability to meet the cost your daily needs, month-to- month finances	the ability to minimize a financial shock
Freedom of Choice	Financial freedom to make choices to achieve your life’s dream	On track to meet financial goals

Factors of Financial Well-Being

The following are six things that will influence, and shape how satisfied an individual is with their financial situation. It is known that the factors that influence individual financial well-being can be categorized as follows:

1. Social and economic factors: various things around the family and society.
2. Personality and Attitude: a person's inclinations regarding thought, emotion, and behavior.
3. The context of the decision: how a specific choice is made.
4. Skills and knowledge: what a person knows and how to do it.

5. Behavior: singular actions that take place.
6. Opportunities: what options are open to the individual.



Fig. 1. Factors influencing Financial Wellbeing.

2.2 Financial Literacy

According to Atkinson and Messy (19), financial literacy is the level of knowledge, insight, attitudes and behavior needed to make financial decisions and in general to achieve financial well-being.. According to this definition, financial literacy encompasses more than just knowledge, it also refers to attitudes, behaviors, and skills. Without good knowledge of finances, individuals have difficulty dealing with unexpected financial matters, as well as making decisions regarding savings, investments and borrowing. Financial literacy has elements that are assessed based on knowledge about finance, financial behavior and attitudes towards finance [19].

2.3 Financial Behavior

Saving money, setting up an emergency fund, making timely bill payments, and making retirement plans are examples of both beneficial and harmful financial behavior. Destructive financial behavior includes overspending, incurring debt, paying bills late, and using emergency funds.

3. Method

This research is a non-experimental cross-sectional quantitative research (survey method) carried out in one data collection (primary data) to look at a portrait of financial well-being and its relationship with financial literacy and saving behavior among 97 women in Burai Village.

Examining the financial security of women in Burai Village is the aim of this study. This study aims to explore the relationship between women's saving and financial literacy and their financial well-being.

The data collection strategy uses a non-random convenience sampling technique, namely taking data from samples that are most easily accessible to researchers because the characteristics of the respondents are quite general, and the exact size of the

population is not known. We used multiple regression analyses to test the effects of independent variables on Financial Well-being of women.

4. Result & Conclusion

4.1 Description of Respondents

Based on the results of the analysis of 97 women in Burai Village, it is known that most respondents are married (96%), are housewives (90%), have completed high school (32%) but quite a lot are only elementary school graduates (30%). Most re-spondents have a perception of financial well-being, financial literacy and saving behavior that tends to be high (>50%). We can conclude that financial literacy and saving behavior has positive relationship with financial well-being.

4.2 Main Findings

Ha: Terdapat pengaruh positif signifikan antara literasi keuangan dan perilaku menabung dengan kesejahteraan keuangan perempuan.

H0: Tidak terdapat pengaruh positif signifikan antara literasi keuangan dan perilaku menabung dengan kesejahteraan keuangan perempuan.

Table 2. Regression Financial Literacy & Saving Behavior on Financial Well-being

Variabel	R ²	Standar error of the estimate	B	Standar error Coefficient	t	F	Sig
Financial Literacy	0,30	5,37	0,16	0,18	1,46	20,86	0,15
Saving Behaviour			0,38	0,42	3,44	0,00	

According to the results of the simultaneous multiple regression test between saving behavior and financial literacy, both variables can account for 30% ($p < 0.1$) of the variation in women's financial well-being; the remaining portion is explained by variables not examined in this study. More specifically, the best behavior for explaining women's financial well-being in Burai Village is saving ($B = 0.38$ $p < 0.5$). We disprove the second null hypothesis. It is suggested that more research be conducted using a mediation test of saving behavior to investigate the relationship between financial literacy and financial well-being.

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