

Financial Literacy and Financial Behavior as a Measure of Financial Satisfaction

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Abstract—The economy of a good country can be seen from how many people are involved in entrepreneurship activities in order to meet their needs. This condition also happened in Indonesia, where currently many Indonesians are choosing this field. Unfortunately this activity is not done consistently and regularly, and they do it as a side job only. The reason is that they assume this activity can not support their life and give them the desired financial satisfaction. This study is limited on how financial satisfaction of entrepreneurs toward their financial literacy and financial behavior. This study aims to determine the level of financial satisfaction of entrepreneurs, measuring from their financial awareness and financial behavior. The number of samples was taken as 60, consists of entrepreneurs and also students who have chosen this field. By using regression analysis, found that financial literacy and financial behavior can influence financial satisfaction of entrepreneurs. We can conclude that a good financial literacy covered by good reputation can help them in determining accurate decisions, determined to financial management, and also a good financial behavior will help them to be fair. Both of these cases will help in obtaining financial satisfaction.

Keywords—financial literacy, financial behavior, and financial satisfaction

INTRODUCTION

A person's capability to manage his personal finances has become an important issue nowadays. The current people are looking at

various aspects of their financial affairs. Achieving a financial wellbeing is a worthy goal rather than debt-free condition, which requires economic behavior strategically over one's life cycle. Financial satisfaction can be illustrated in individual's perception of his current financial situation. Indonesian economy has grown slowly but steadily, with increasing growth and income that can be seen by its progress. In addition, the increasing of the MSMEs (Micro, Small and Medium Enterprise) is very challenging for this country. Since it can be said that a good country will have the average number of MSMEs as 2% of the total population of the country. Unfortunately it is not happened in Indonesia. The latest data from Global Entrepreneurship Monitor (GEM) stated that Indonesia had only 1.65% of MSMEs from the total population. This data also illustrates the condition of Indonesia which is still far behind another country; Singapore had 7%, Malaysia had 5% and Thailand had 3% of its population [1].

In Indonesia, many people are involved in entrepreneurship activities in order to meet their needs; however it is not consistently done, as a side job only. One of factors that cause small number of people to run MSMEs is the stigma that entrepreneurship will not support of people's life and cannot give them the desired financial satisfaction. It is associated with financial satisfaction. Every individual should be responsible to his personal financial management. This is done to achieve the financial satisfaction in the future. Increasing the quality and expectancy of life are also being as a motivation for individual to meet the financial satisfaction in the future. Financial satisfaction and its impact on quality of life have received much attention in recent decades.

Sometimes, financial difficulties are not only caused by the low rate of income, but they can also be caused by failure in financial management, that is why an adequate budget is really needed. The satisfaction of one's life is determined by various factors, but the three most influential factors are health, wealth or finance, and education [2]. Satisfaction in health is certainly influenced by their attitude and behavior on matters relating to health. It also applies in the field of wealth and education. Financial satisfaction can be determined by several factors, including demographics (income, education, ethnic, and age), financial stress, financial knowledge, and financial behavior [3].

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 [4]. Meanwhile, [5] mention that financial literacy is sufficient knowledge about facts, concepts, principles and underlying technology as the basic to 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 [6].

OECD defined the financial literacy as "a combination of conscious awareness, knowledge, behavioral 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 [7].

B. Financial Behavior

Financial behavior can be explained by several factors. The first is the individual's behavior himself. The attitude and behavior of someone in financial field is called as financial behavior [3]. Financial behavior is a person's attitude and behavior in managing his finances [8].

Financial behavior is also defined as how good a household or individual manages financial resources that include savings budget planning, insurance and investment. A person's financial behavior can be seen from how good he manages cash, debt, savings and other expenses. Financial behavior relevant to how a person treats, manages, and uses his personal financial resources. Individual who has responsible financial behavior tends to be effective in using money, such as in making money, managing and controlling

spending, investing, and paying consuming fees on time.

C. 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 [10]. Furthermore, the financial satisfaction as a subjective's perception that is 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 [11].

Financial satisfaction has been recognized as a component of life and got attention in health studies about factors of stress that relevant to several issues such as financial gaps, risk management issues, locus of control, and employment issues [12]. Financial satisfaction can be determined by several factors including financial literacy and financial behavior factors. The conceptual framework in this study is as follows:

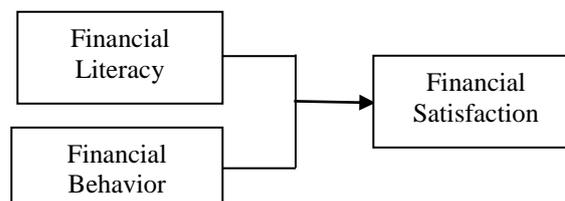


FIGURE 1. Research Framework

D. Relevant Previous Studies

There are some previous studies that relevant with this research:

- [13] entitled "Financial Stressors, Financial Behavior, Risk Tolerance, Financial Solvency, Financial Knowledge and Financial Satisfaction". The result of this study stated that there is a significant relationship between financial satisfaction with financial stressors, financial behavior, risk tolerance, financial solvency, and financial knowledge of the working age population in Surabaya.
- [14] entitled "Perceptions of the Influence of Financial Literacy, Financial Attitude, Social Demography toward Financial Behavior in Individual Investment Decision Making". The result of this study showed that financial knowledge, financial attitude, and social demographic factors

(education level, income and work experience positively financial behavior in individual investment decision making.

3. [15] conducted a study entitled "Assessment a Model of Financial Satisfaction Predictors: Examining the Mediate Effect of Financial Behavior 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 behavior, financial literacy, financial attitude, childhood consumer experiences, primary socialization agents, and secondary socialization agents have an effect on financial satisfaction.
4. [16] entitled "Financial Knowledge and Best Practice Behavior". The finding of this research stated that financial knowledge influenced the financial behavior.
5. [17] entitled "Understanding Factors Affecting Financial Satisfaction: The Influence of Financial Behavior, Financial Knowledge and Demographics". The result of this research showed that positive financial behaviors and financial knowledge contribute to financial satisfaction. The only demographic variable that has a significant impact on financial satisfaction was household income.

RESEARCH METHODOLOGY

The population in this study is all vendors in Medan. The number of samples was taken as 60, consists of entrepreneurs and also students who have chosen this field. Sampling techniques used stratified random sampling since every vendors has a known and equal opportunity to be selected as subjects. The quantitative data was used in this study in numeric variables, including the result of statistical data processing. The primary data source was obtained directly from the respondents through the questionnaires related demographic factors, and financial satisfaction on the perpetrators of MSMEs.

RESULTS AND DISCUSSIONS

A. Results

Data analysis model by using multiple regression analysis can be seen as follows:

TABLE 1. Regression Estimate Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.771	.294		2.622	.011
1 Financial Literacy	.274	.106	.271	2.597	.012
FinancialBehavior	.477	.087	.570	5.467	.000

a. Dependent Variable: Financial Satisfaction

This is the model for the result of multiple linear regression analysis with dependent variable of financial satisfaction:

$$Y = 0,771 + 0,274X_1 + 0,477X_2 + e \quad (1)$$

The equation can be described as follows:

- a. Constant = 0.771. The independent variables (financial literacy, financial behavior) which studied are considered constant then financial satisfaction (Y) as 0.771, indicated that without another variables studied (assumed to be zero), the level of the entrepreneurs' financial satisfaction is very low. Nevertheless, the presence of variables in this research does not necessarily improve the level of financial satisfaction that the entrepreneur has.
- b. Coefficient 0,274, as sig 0,012, on financial literacy variable means that it is positive to financial satisfaction. The positive regression coefficient indicates that financial literacy has a positive effect on financial satisfaction. With a significant level of 0.012, it can be interpreted that financial literacy has a strong influence on financial satisfaction on the perpetrators of MSMEs. Based on this study, this situation occurs because the financial literacy used appropriately in financial decision making in daily life will have a better impact on the financial condition.
- c. Coefficient 0.477, as sig 0.000, on financial behavior variable means that the variable financial behavior is positive to financial satisfaction. With a significant level (0,000 <0.05), this indicates that financial behavior has a strong influence on entrepreneurs' financial satisfaction as perpetrators of MSMEs.

TABLE 2. Simultaneous Significance Test Result

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.819	2	7.910	37.368	.000 ^b
	Residual	12.065	57	.212		
	Total	27.884	59			
a. Dependent Variable: FinancialSatisfaction						
b. Predictors: (Constant), FinancialBehavior, FinancialLiteracy						

From the table above, it can be seen the result of F_{count} in column F is 37.368 which larger than F_{table} that obtained from table F using the error rate of 5%, is 3.15. Thus, its obtained F_{count} 's value is larger than F_{table} ($3.555 > 3.15$) and the significance value is less than the alpha level ($0.000 < 0.05$). It showed that financial literacy and financial behavior variables simultaneously givesignificant effect on financial satisfaction. A good financial literacy covered by good reputation can help them in determining accurate decisions, determined to financial management, and also a good financial behavior will help them to be fair. Both of these cases will help in obtaining financial satisfaction.

TABLE 3. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.753 ^a	.567	.552	.46007

a. Predictors: (Constant), FinancialBehavior, FinancialLiteracy
b. Dependent Variable: FinancialSatisfaction

The regression model obtained can explain the variation of financial satisfaction that experienced by entrepreneurs as 56,7% and the rest was not examined.

B. Discussions

The Effect of Financial Literacy on Financial Satisfaction

Financial literacy is a combination of awareness, knowledge, abilities, behaviors and habits needed to market

He right financial decisions and can achieve financial satisfaction eventually. Personal financial knowledge is important to avoid misunderstanding in making right financial decisions. A good financial literacy helps individuals in achieving financial well-being. Various needs such as primary, secondary, and tertiary needs will be met by their financial literacy level.

Based on the research, it is full filled because financial literacy issued in daily life to make the right financial decisions that effect on financial well-being. A good financial literacy can be proved by understanding level of financial products and concepts through information and consultation, as

the ability to identify and understand financial risks to make right financial decision properly.

The Effect of Financial Behavior on Financial Satisfaction

Behavior finance is a behavior that relevant to financial applications. Behavioral finance is an interdisciplinary about some interactions and intergrated continuously then the isolation is not needed. The three a specs that effect a person's financial behavior are psychology, sociology, and finance. People who want to learn financial behavior must have an understanding of psychological, sociological, and financial aspects.

Financial behavior can be evaluated based on financial management techniques as an essential component of financial well-being. Individuals who apply positive financial behavior will show a higher level of satisfaction on their personal finances. The better financial behavior of entrepreneurs, the higher financial satisfaction they experienced. Due to a good financial behavior will encourage someone to be able to control the better financial condition in the future.

CONCLUSIONS

Based on the result of research, it can be concluded that in calculating the financial satisfaction is necessary to consider aspect of financial literacy and financial behavior. Because both of them have a positive influence on financial satisfaction. Having a good financial literacy will have an effect on the financial satisfaction of entrepreneur because they know well how to manage their finance. So that entrepreneur can separate finance for their business and personal finances. And with good financial literacy will form a good financial behavior as wellth at will impact on financial satisfaction

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