



“FINANCIAL LITERACY, FINANCIAL BEHAVIOUR, FINANCIAL SATISFACTION, AND JOB PERFORMANCE OF EMPLOYEES OF MEDIUM-SIZED ENTERPRISES”

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Abstract

This study intended to analyze the effects of financial literacy, financial behavior, and financial satisfaction on the job performance of employees of medium-sized enterprises in the Mysuru district of Karnataka state. Mysuru is an inherent tourism city with modernized industrialization nestled in the “Kaveri River” belt, which has given the path to establishing many medium-sized enterprises. This study focuses on how the employee's financial literacy and behavior affect financial satisfaction and how financial satisfaction affects job performance. The population in this study was the medium-sized enterprises of the Mysuru district, with as many as 5015 employees considered for the present study. The sample was obtained through a cluster sampling technique. Respondents in this study consisted of 358 employees. Data in this study were collected through questionnaires and analyzed using path analysis. The finding of this study in the first model showed that financial literacy and financial behavior have a significant effect on financial satisfaction. The second model of this study found the effect of financial satisfaction on the job performance of employees of medium-sized enterprises. The findings implied that financial satisfaction shows employees are satisfied with planning, managing, and making personal financial decisions, which results in higher job performance.

Keywords: *Financial Literacy, Financial Behavior, Financial Satisfaction, Employees, And Medium-Sized Enterprises, Mysuru.*

Introduction

Many research studies have been conducted to address the relationship between the financial literacy of employees and their financial behavior. “Most personal finance research focuses on general applications and measures of personal finance wellness/well-being” (Joo, 1998).” The financial systems of the present time have been growing in many phases, giving multiple financial products, and advanced technology has made them more complex for people worldwide. Per this, the economic and social environment in which people make financial decisions has also changed drastically” (Lusardi & Mitchell, 2011) This has increased individual employees’ managing their income prudentially to achieve financial satisfaction and commit to work to achieve higher job performance. Financial problems resulting from a lack of financial literacy and poor personal financial management behavior are affecting not only the individual's financial wellness but also the enterprises or any economic entity. Financial problems can be caused by a lack of financial literacy and poor financial management behavior. “Financial behavior is a new knowledge that combines psychology specifically on behavior and cognitive with conventional economics and finance to explain the reasons someone does irrational behavior”.(Adiputra, 2021). Several financial literacy surveys have been conducted to study employees' ability to meet financial emergencies and unpreparedness for financial responsibilities shows poor personal financial management.” Financial satisfaction is someone’s satisfaction with personal financial conditions”(Vera-Toscano et al., 2006). “Financial satisfaction is an individual subjective perception of the adequate financial resources owned”.(Hira & Mugenda, 1998).Financial literacy and behavior can be associated with financial satisfaction. One of the most persistent topics of human



interest appears to be the pursuit of well-being or "happiness"(Russell, 2015). To put it another way, people are content when they think they are pleased. Second, well-being involves some emotional conditions. In particular, psychologically well people are more prone to experience positive emotions and less prone to experience negative emotions(Argyle, 1987). Compared to "unhappy" employees, "happy" employees exhibit higher levels of job-related performance behaviors. (Brief, 1998). Happiness is the outcome of satisfaction in any particular matter. A person's perception of their degree of satisfaction with their income, their capacity to handle financial difficulties, their capacity to satisfy their basic needs, their debt load, their savings, their availability of funds for future needs, and their life goals can all be used to gauge their level of financial satisfaction. (Hira & Mugenda, 1998). Based on the background research the researcher is interested in gaining insight into the interrelationships between financial literacy, financial behavior, and financial satisfaction on job performance.

Literature Review

Financial Literacy

The term financial literacy was first coined in 1787 in US, when John Adams in a letter to Thomas Jefferson admitted the need for financial literacy to overcome the confusion and widespread distress in America that had arisen due to ignorance towards credit, circulation, and nature of coins (Corps, 2014) Many definitions of financial literacy have been given by many researchers it is difficult to make concise definitions and measurements. The definition of financial literacy is the degree of financial knowledge and the capacity to use that knowledge to enhance one's financial position (Lusardi & Mitchell, 2011) Financial literacy, helps employees develop positive financial behaviors and be prepared for any situation particularly when it comes to money–related issues(Ismail et al., 2017).Financial literacy can be described as the ability to manage money in the world in terms of how people earn it and invest to increase the amount of money (Ali et al., 2013)Huston highlighted a key finding where an individual who had financial literacy may not show the expected behavior or improve his or her financial well-being due to other influences such as cognitive behavior. The example of cognitive and behavior are biased, self-control problems, family, peers, and economic and institutional conditions that may affect financial habits and financial wellness. (Huston, 2010). From the above research financial literacy is an individual cognitive behavioral approach towards gaining financial knowledge to make money and invest money to increase one's financial position. The importance of financial literacy is obvious as it is typically used as an indicator or input to a model that determines the need for financial education and explains variations in behavior and financial outcomes such as savings, investment and retirement plan, freedom and enjoyment, stability and preparedness for uncertainties and to overcome financial stress and concern to achieve higher financial satisfaction. Therefore, based on this discussion, this study proposed that:

H1. Financial literacy has a positive effect on the financial satisfaction of employees of medium-sized enterprises

Financial Behavior

Financial behavior is human behavior directly related to financial management, and every human being needs knowledge about finance to make decisions that will improve the quality of life now and in the future. (Xiao, 2008) .Human behavior that is pertinent to financial decision-making and money management such as constructing appropriate budget programs and controlling it, quick payment of bills, and regular saving nature is called financial behavior(Bhushan & Medury, 2014). Financial behavior has been defined as the management of a person's savings, expenditures, and budget (Perry &



Morris, 2005). Whereas Xiao asserts that human activities related to money management such as cash, savings, and credit are regarded as financial behavior.(Xiao, 2016). In a wider view, financial behavior includes broad concepts including investment behavior for short-term and long-term, savings behavior, credit usage, expenditure behavior, etc.(Rahman et al., 2021).There have also been several previous studies that explained financial behavior from different perspectives. For instance, an individual's aspect of financial concepts such as financial behavior, is associated with financial management techniques. From the above research financial behavior can be defined as it is a process of cognitive behavior toward money management in the long term as well as the short term for secured personal financial management and financially satisfied quality life. Therefore, the above study proposes the hypothesis as:

H2. Financial behavior has a positive effect on the financial satisfaction of employees of medium-sized enterprises.

Financial Satisfaction

The majority of the research on wealth perception has focused on the causal relationship between objective indicators of wealth, such as income, assets, or the level of debt, and its subjective indicators, such as ultimate financial satisfaction or perceived ability to make ends meet(Wilhelm et al., 1993). The relationship between income and individuals' subjective well-being as measured by their financial satisfaction(Van Praag et al., 2003) The quality of life of an individual is a multifaceted concept comprising various domains in life. It encompasses life satisfaction, good physical and psychological health, personal expectations of one's goal in life, and level of education, among others(Felce & Perry, 1995).Life satisfaction is considered the most valued aspect of quality of life and, as such, individuals continue to find ways of improving their living standards to feel satisfied in life.(Parrotta & Johnson, 1998). One of the major determinants of life satisfaction and quality of life is satisfaction with one's financial status(Fan & Babiarz, 2019). Financial satisfaction is defined as the subjective evaluation of the extent to which one's financial resources are adequate or inadequate to meet both current and future financial obligations (Hira & Mugenda, 1998). Some studies show that married people experience higher financial satisfaction than their single counterparts and some studies have found employed individuals to experience higher financial satisfaction than the unemployed(Hong & Swanson, 1995),(Joo & Grable, 2004).From past studies, financial satisfaction can be viewed as an individual's subjective perception of psychological satisfaction with his financial management for a financially satisfied life. The employee's financial literacy and behavior have associations with financial satisfaction. The study proposes hypothesis as :

H3. There is a relationship between financial literacy, financial behavior, and financial satisfaction.

Job Performance

Many definitions have been given of job performance. According to one definition, job performance is the measurable actions, behaviors, and outcomes that individuals take part in or produce that are connected to and support enterprises' objectives.(Viswesvaran & Ones, 2000) . Job performance is measured by many dimensions according to (Karunanithy & Ponnampalam, 2013) employee performance is measured by his or her work results, time rule, relationship with customers and co-workers, feedback from the higher authorities, and employees' confidence. Job performance involves the quantity and quality of outcomes from individual or group effort attainment(Schermerhorn Jr et al., 2011). From this job performance is the outcome of different dimensions which affect the performance



of an employee. In this research we finding is there and a relationship between financial literacy, financial behavior, and financial satisfaction and their effect on job performance with this we proposed the hypothesis as

H4. Financial behavior and financial satisfaction affect job performance.

Objectives

To study interlink ages between financial literacy, financial behavior, and financial satisfaction to develop a comprehensive financial satisfaction model that helps improve the level of financial satisfaction of individual employees.

Research Methods

This is the research method used to examine the effect of employee financial literacy, financial behavior, and financial satisfaction on the job performance of medium-sized enterprises in the Mysuru district. We used primary data and the SPSS application, with a path analysis approach that was divided into two structural models. In the first model, we regressed the effect of financial literacy and financial behavior on financial satisfaction. Furthermore, in the second model, we regressed the effect of financial satisfaction on job performance. Then, to determine the magnitude of the indirect effect, we compared the standardized direct effect coefficient with the total standardized indirect effect coefficient. At this stage primary data, by distributing questionnaires to 400 employee's medium-sized enterprise employees of Mysuru district, of these 42 questionnaires were not filled in completely. so the remaining questionnaires used for this study were 358 people. For measuring the variables in this study, we used a Likert scale of 1to5 points for each variable from strongly disagree to agree strongly. To measure independent variable financial literacy we used 10 MCQ, and for financial behavior, we used the source of (Huston, 2010),(BALAKRISHNAN, n.d.) and for measuring dependent variable financial satisfaction dimension used from (Hira & Mugenda, 1998)and we constructed dimensions for measuring job performance of the employee.

Results and Discussion

Based on data analysis of respondents, the demographic characteristics of the respondents are described. Based on age categories, the respondents in this study are dominated by employees aged 30 - 40 years with a total of 131(36.7%) respondents. On gender, the respondents are dominated by men (62.4%) totaling 223 people. Employees' educational background, (8.3%) or 30 are above post-graduation, (47.7%) with a total of 171 employees being postgraduates, graduates are 131 or (36.7%) and the remaining are below graduation (7.3%) or 26. while almost all of the employees are on payroll. For the duration of work, the majority of respondents 128 or (35.8%) were employees who have been working for below 5 years. It is an indication that employees are switching from one enterprise to another for one or the other reasons. Regarding the marital status, 223 respondents (62.4 %) are married, the income of the employees 179, or 49.9 % have an income below Rs 5,00,000, and finally the savings of the employee 82 or (22.9%) Rs 1,50 000 and above. Each variable has a mean value above the standard deviation. This shows that the data has a good distribution and no outlier data was found.



Table -I Scale Reliability Statistics

	<i>N</i>	Mean	SD	Cronbach's α
Financial Literacy 358		3.78	.680	.879
Financial Behaviour 358		3.79	.628	.793
Financial Satisfaction 358		3.28	.752	.634
Job Performance 358		0.652	0.206	.575

First, we carried out a reliability test. Table -1 shows the Cronbach's Alpha indicator also showed that all research instruments were reliable (< 0.50).

Table – 2 Correlation Matrix

	F L	FB	FS	JP
F L	—			
FB	0.081	—		
FS	0.151	0.501 ***	—	
JP	-0.052	0.571 ***	0.464 ***	—

From the above statistics, correlation analysis evidenced a positive medium correlation between variables financial literacy, financial behavior, financial satisfaction, and job Performance have been correlated with each other, and the third hypothesis has been accepted

Table -3 Direct and Indirect Effect Structural Output

	<i>Financial satisfaction</i>			
	<i>Std-Coeff.β</i>	<i>t-statistics</i>	<i>Sig</i>	<i>describes</i>
Financial literacy	.1798	4.513	.000	significant
Financial behaviour	.1656	3.918	.002	significant

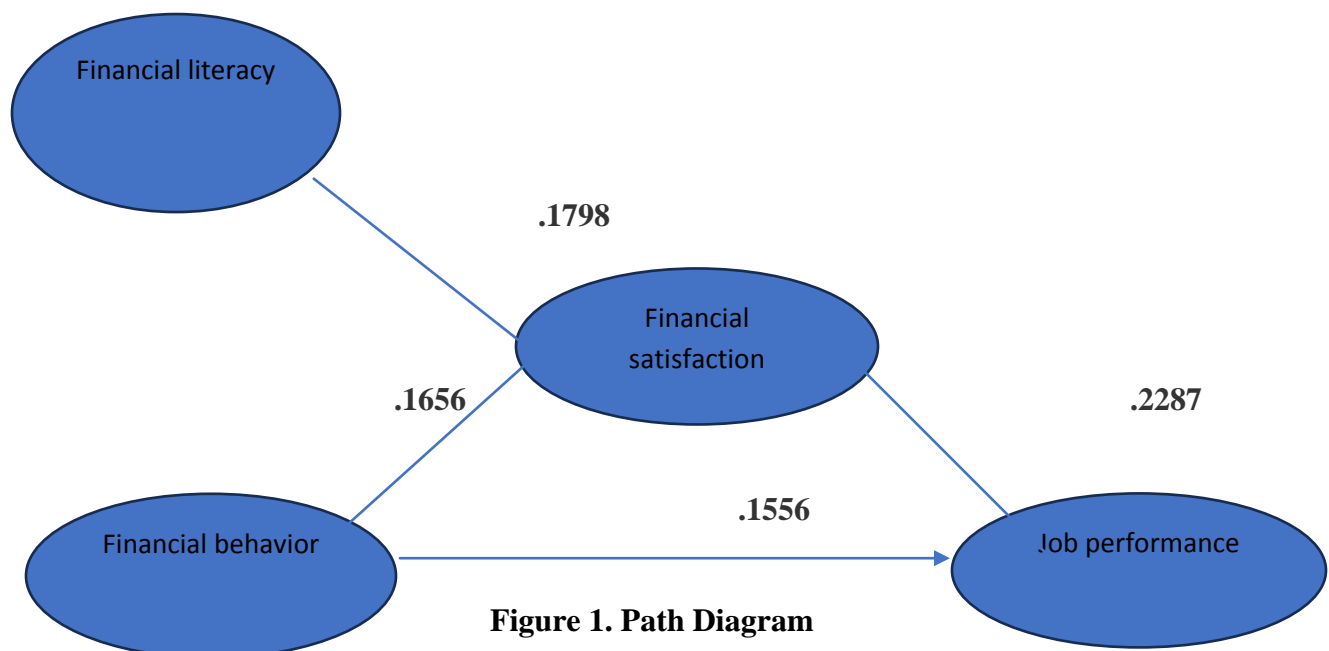


We regressed the effect of financial literacy and financial behavior on financial satisfaction. In Table 3 it can be seen that financial literacy and financial behavior have positive and significant effects on financial satisfaction as indicated by a significant value of .000 and .002 are below .05 so the first and second hypotheses we propose can be accepted. The findings show that the study we conducted is in line with earlier studies and it confirms that a high level of financial literacy and financial behavior is directly proportional to financial satisfaction.

Table -4 Direct and Indirect Effect Structural Output

	<i>Job performance</i>			
	<i>Std-Coeff.β</i>	<i>t- statistics</i>	<i>Sig</i>	<i>describes</i>
Financial satisfaction	.2287	2.813	.001	significant
Financial behaviour	.1556	3.336	.002	significant

We further conducted another regression by testing the effect of financial satisfaction and financial behaviour on job performance. Table -4 shows that financial satisfaction and financial behaviour have a significant effect on job performance as indicated by a significance value below alpha (.001<.05)



Analysis of the effect of financial behavior on job performance through financial satisfaction

In Figure 1 it can be seen that the magnitude of the direct effect of financial behavior on job performance is .1556. meanwhile, the magnitude of the indirect effect of financial behavior on job performance through financial satisfaction can be calculated using a **standard coefficient β of financial behavior with financial satisfaction and the standard coefficient β of financial**



satisfaction with job performance = (.1656*.2287) = .0378. With this calculation, the result is that the total direct and indirect effect is significant on job performance

Conclusions

This study explores the relationship between financial literacy, financial behavior, financial satisfaction, and job performance, this study is in line with the earlier studies with new dimensions to evaluate the variables. This study examines how the employee's financial aspects affect his job performance and future commitment to work, and makes a future financial plan to attain higher financial knowledge. This study has limitations (1) It includes only medium-sized enterprises excluding small and large-scale enterprises (2) The study was conducted within the Mysuru district of Karnataka it cannot represent a whole state. For further studies, we suggest adding a different variable related to job performance like health, emergency fund management behavior, etc. to increase the effecting variable of the dimension of job performance.

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