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Self Efficacy and Financial Literacy Shape Future Financial Behavior Among Private Sectors

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ABSTRACT

Financial literacy can enable individuals in making good financial decisions and changing financial behavior, where it can have a huge impact on individuals' financial wellbeing. This may depend on the time horizon regardless of whether financial education is effective in achieving the desired objectives. Financial literacy is most concern now during this Covid-19 pandemic to avoid financial stress on individuals. A smart financial literacy is essential to help individual manage and plan ahead their financial properly without any difficulties. However all age groups do not even have financial education at all, but much less than a third of young adults have those basic knowledges. The main objective of this research is to explores self efficacy and financial literacy that will affect financial behavior among employees in Malaysia. A multi-staged sampling method was chosen to such a sample of 202 public sector employees from Kota Bharu Kelantan. The self-administered survey was designed to collect data. The data was analyzed using Statistics is a powerful statistical software (SPSS). Therefore, researcher using regression and correlation analysis data. The finding of the analysis shown that self efficacy factor affects the most financial behavior the results indicate a significant positive relationship between financial self efficacy and financial behavior among working individuals. The contribution of the variables to the model was 46 percent, according to the regression analysis. From the study it will provide policy maker what kind of strategy should take in order to provide and ensure financial education is effective for Malaysian.

Keywords: Financial Behavior; self efficacy; Financial literacy.

INTRODUCTION

In our current study, we examined the effect of self efficacy and financial literacy to financial behavior among Malaysian workers. Human resource is considered as an important source for economic development. People who is having a high self-efficacy can help them to achieve a positive financial behavior and deal with any challenges especially in term of financial matters(Widyastuti et al., 2020). Atkinson, Monticone and Mess (2016) found that financial behavior of adults across many countries had also been considerably lower.

Thus this issue of financial literacy though is very clearly visible. Therefore, high levels of self-awareness will help individual to perform themselves effectively in managing their finance. Nowadays,policymakers had also commonly become more concerned about the way how to improve financial literacy(Grohmann & Menkhoff, 2015). From previous scholar especially low-income working individual as well as for low and lower-middle-income economies, financial literacy is less effective. In conjunction with behaviors, which including financial management, seems to be tough to impact and enforced financial literacy has become less effective tentatively. Accordingly, the effectiveness of involvement primarily depends on improving the skills of education by providing financial education in a 'productive time.'(Kaiser & Menkhoff, 2017)

Financial literacy can be defined as "sufficient knowledge with someones which provide and also was crucial with someones individual financial management. Conversely, this same lack of adequate literacy and time constraints in their discussions is assumed to become a stress or a barrier for them today, due to the obviously huge range of products they have available on the market. The financial literacy level and the demographic access to financial instruments differs from a country to another as each country has different strategy to enhance their citizens financial literacy for better quality of life later (Baranova et al., 2020). The lack of financial knowledge leads someone to make poor financial decisions unconsciously and also to cope less when facing with unexpected financial crises in this Covid-19 pandemic(Dewi et al., 2020). Individual with good financial literacy tend to be more aggressive in decisions making in saving,spending,and investing in stock these will give maximum benefit for their future life(Kadoya & Khan, 2018).

H_1: There is a relationship between financial literacy and financial behavior among employees in private sector in Kelantan.

Self-efficacy is defined as "belief in one's abilities to start organizing and activities tasks which required Self-efficacy beliefs which is important to engage in and follow through with self-regulatory behaviour and are unique to the behavioural domain under it (Asebedo et al., 2019). Individual who is high self efficacy will produce outcome of positive behavior(Kim & Beehr, 2017).Financial self-efficacy is an individual 's belief in, or belief in, this same possibility to accomplish it. Financial self-efficacy is an individual 's belief in, or belief in, this same possibility to accomplish his financial goals. When a person's level of confidence is high, he or she will be encouraged to do everything possible to achieve his or her goals as this was supported by theory of self efficacy.There are a significant relationship between self efficacy and financial behavior(Asebedo et al., 2019a; Putri & Pamungkas, 2019). If the concept of self-efficacy ought to be practiced toward the context of the financial management of individuals, people who have a higher sense of self-confidence in their financial management ability are much more likely to view financial difficulties than to avoid obstacles which must be overcome in their life(Farrell et al., 2016)

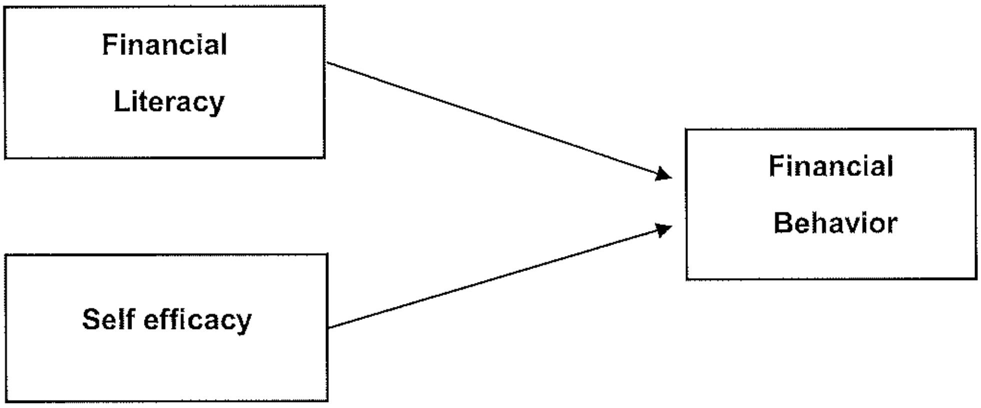
H_2: There is a relationship between self-efficacy and financial behavior among employees in private sector in Kelantan.

Financial behaviour leads to individual behaviour related to money management. Beside that it also states that cash, credit and savings management are part of common financial behaviour activities. Therefore poor behaviour in making financial decisions could have serious long-term, negative cultural and social negative effects (Kumar et al., 2017). In this study individuals who are working in the private sector are aware of the importance of financial behaviour nowadays consequently they plan their saving for the future. Good financial behaviour can minimize financial hardship and therefore reduce the negative effects, such as initiatives to minimize personal debt, spending complying, reduce costs of living, financial management and retirement savings, make and increase savings, minimize financial hardship and have a direct impact on financial satisfaction (Ahmisuhaiti et al., 2017).

H_3: There is a relationship between financial literacy, self-efficacy effect financial behavior among employees in private sector in Kelantan.

Theory Self Efficacy Bandura1977

Theory of self efficacy (SET) beliefs are really a significant, clear and specific explanation for inspiration, based on the current Bandura SET (Bandura, 1977, 1986,1997). Across other words, self-efficacy is the perception that are fit to perform or accomplish a particular purpose(Tuhardjo et al., 2016). This belief is clearly affected the processes and practices which somehow encourage yet another discovery for his aim in a task or subject or performance. "This same way in which we are willing to take action required for future situations" Bandura (1977) characterizes our self-efficacy as an individual perceptive.self efficacy is consider a motivational factor that will affect individual action in planning their finance (Tian et al., 2018). This would be surprising to discover such a well positive relationship between education level and level of income discovering that perhaps a higher income level is associated with increased financial self efficacy(Asebedo et al., 2019b).From the previous study suggest that future search can combine booth financial self efficacy and financial behavior beside that it also state that people who have a higher level of education are much more likely to implement taking responsibility financial planning. (Singh et al., 2019).



(Sources: Framework developed for these study)

RESEARCH METHOD

The research is using quantitative method. Thus, research sample is 202 from private employees in Kota Bharu Kelantan. The higher SME sector was service sector 89.2% according SME Corp.The sample sized was determined by using Krejcie and Morgan (1970) table.This study was designed as an explanatory for analysis of independent (financial literacy, self-efficacy) on dependent variables financial behavior variable effects. This questionnaire surveys to analyzed 202 sample respondents was chosen through saturated sampling method. The questionnaire was distribute using online google form and offline (Face to face) to the respondents. Total 250 questionnaire is distributed to respondents however only 202 is collected from the questionnaire I only pick up the quality and complete questionnaire which is fully filled.

Instrumentation

The survey was typically divided into different segments. Section A involves the demographic and socio-economic background. Section B questions the Financial literacy of the respondents while Section C includes financial self efficacy. In addition, financial behavior measurement is on section D.

Profile of the respondent
For instance, age, gender, educational achievement, ethnicity, income, marital status, household size, and etc

Financial Literacy
Section B was used to gather data from the self-efficacy of respondents in the fourth part of the questionnaire. The self-efficacy scale adopted by Tan and others was used in this section (2015). The answers were evaluated on the Likert scale of five points.

Financial Self-efficacy
Section C was used to gather data from the self-efficacy of respondents in the fourth part of the questionnaire. The self-efficacy scale adopted by Tan and others was used in this section (2015). The answers were evaluated on the Likert scale of five points.

Financial Behavior
Section D was used to gather data from the self-efficacy of respondents in the fourth part of the questionnaire. The self-efficacy scale adopted by Tan and others was used in this section (2015). The answers were evaluated on the Likert scale of five points.

RESULT

Table 1: Pearson's Correlation Coefficients between financial literacy, self-efficacy with financial behavior

Variables	Pearson Correlation (r)	p
Financial literacy	.535**	.000
Financial self-efficacy	.644**	.000
Financial behavior	.586**	.000

Significant: ** $p < 0.01$, * $p < 0.05$

Pearson's correlation coefficient has been used to analyze if there would be a link between a financial literacy and self efficacy to financial behavior. A positive relationship between self efficacy, financial literacy, and Financial behavior (r=0.644, n=202, p=0.000) has been identified according to the results of the correlation between Pearson on the above table. The higher result indicated financial self efficacy out of among this three.

Table 2: Regression Results analysis for the financial behavior

Construct	*B*	*SE B*	β
Financial Literacy	0.307	0.054	0.337**
Financial self Efficacy	0.460	0.059	0.464**

Note. $R^2 = .13$ ($p < .01$) $^{**}p < .01$

The regression results of the study for the two factors are displayed in Table 2, and clarified 46% of the variance of financial behavior. Table 2 Beta values show the percentage of independent variables that are involved in describing the dependency variable, and the significant value can describe regardless of whether as well as seem the impact of independent variables on the dependent variable prediction.

CONCLUSIONS

The most interesting result shown that self-efficacy has significant effect on financial behavior. We have also noted that self efficacy was defined a belief of individual to perform and organizing the task in order to accomplish his financial goals. Most respondents said that self-efficacy increased their self-confidence in managing their finances. Subsequently, they will have an awareness to act in a wise financial decision to achieve financial welfare. This study suggests exploring the contribution of self efficacy in further research. The different measurement of financial self efficacy enables to give a different evidence. Research and Limitations since this data set is use to conduct this restricted study; financial literacy measures are only questioned that exposure from numerous different source materials to financial literacy. For instance for future research, may test in different sample situation like secondary, college and government sector. This study is using cross sectional study in future research scholar may try to use longitudinal study to gain accurate data set and analysis. Financial self efficacy is important due to it will give individual motivation in managing their hard earn money carefully. Throughout there they will take initiative enhances their financial knowledge. There will be a positive input when individual are in high self efficacy and produce a good financial behavior that will benefit for them in future in preparing their emergency savings funds when they facing financial crisis. That will make easier to policy maker also if they have high self efficacy, they will plan carefully their spending, saving, loan by paying debt on time.

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