

The Influence of Financial Behavior on Financial Well-Being Through Financial Satisfaction

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<i>Article Info</i>	<i>Abstract</i>
<p><i>Article history:</i> Received October 27, 2023 Revised April 30, 2024 Accepted May 4, 2024 Available online June 21, 2024</p> <p><i>Keywords:</i> Financial Behavior, Financial Satisfaction, Financial Well-being</p> <p>JEL Classification; G00; G40</p>	<p><i>Good financial behavior will encourage the creation of financial satisfaction and can be a factor that will increase financial well-being. Financial satisfaction can include one's life satisfaction with financial amounts. Financial well-being is the possession of sufficient resources for a comfortable life. This study aims to examine financial behavior that influences financial well-being, both directly and indirectly. The selected population is stock investors. Investors are selected using quota sampling. The data analysis used is path analysis. The results of the study report that financial behavior has a significant effect on financial satisfaction and well-being, but financial behavior does not affect financial well-being. Financial satisfaction mediates the impact of Financial behavior on Financial well-being.</i></p>

INTRODUCTION

The activity of managing finances properly is one of the critical determinants of achieving one's success. A person's financial behavior (FB) will have an effect on achieving financial satisfaction (FS), which will also lead to an increase in economic well-being (FW). Financial well-being can describe a person's economic condition as having sufficient resources to live a comfortable life. Several things can measure FW, for example, the level of income, assets owned, and the amount of debt owned (Iramani & Lutfi, 2021).

Financial well-being can also reflect poverty reduction. Based on data (Badan et al., 2022), the poor population in East Java Province in 2019 was 10.37%; in 2020, it was 11.09%, and again experienced an increase in 2021 to 11.40%. The poor population in East Java Province has continued to increase since 2019. This still shows a need to improve the financial welfare of specific individuals and groups.

Life satisfaction can be determined by various things, one of which is financial satisfaction. Financial satisfaction includes how one views life, wealth, and well-being. There are two categories of financial satisfaction factors, namely personal and environmental. Personal factors include financial knowledge, attitudes toward financial risk, and financial behavior. Meanwhile, financial behavior can be related to socialization (Rohani & Yazdanian, 2021).

Financial satisfaction is everyone's goal, including stock investors. Investing can be in the form of achieving financial satisfaction, indicating financial freedom. Some advantages of investing in stocks are considered one way to achieve financial satisfaction. Investors can get dividends and capital gains from stock investment results, which can be one of the causes of financial satisfaction. For investors, financial satisfaction tends to emphasize personal factors because investor financial satisfaction

is far more influenced by personal attitudes towards risk and return, as well as the accuracy of investment decision-making. However, environmental factors also cannot be ignored because they can play a role in forming these personal factors.

The theory of financial behavior includes psychological aspects that play a role in making financial decisions. Financial behavior also includes a person's behavior toward managing that person's finances. Behavior also includes how personal finance will be achieved (Wangi & Baskara, 2021). Financial behavior can be taking risks that can be controlled and calculated, setting aside income for unexpected expenses, preventing excessive debt ownership, financial planning, avoiding consumptive behavior, and continuously seeking financial management information (Aristei & Gallo, 2021). Financial behavior includes a person's conscious behavior in studying psychology, which will later become the basis for making financial decisions (Santi & Supriadi, 2022). (Foong et al., 2021) states that a person's dynamic lifestyle and lack of knowledge of financial management will make it difficult to manage finances.

This research carried out development in the form of research objects and time. The object of this research is stock investors on the Indonesian Stock Exchange, and the research was conducted in March 2022. At that time, the Composite Stock Price Index gradually increased after the Covid-19 pandemic. The Composite Stock Price Index is even higher than before the Covid-19 pandemic, as depicted in Figure 1. This research wants to know how satisfaction and financial well-being of investors were during the period when the Composite Stock Price Index experienced regular increases, even exceeding the price before the Covid-19 pandemic. 19. The aim of this research is to test whether financial behavior influences financial well-being both directly and indirectly through financial satisfaction.

RESEARCH METHODS

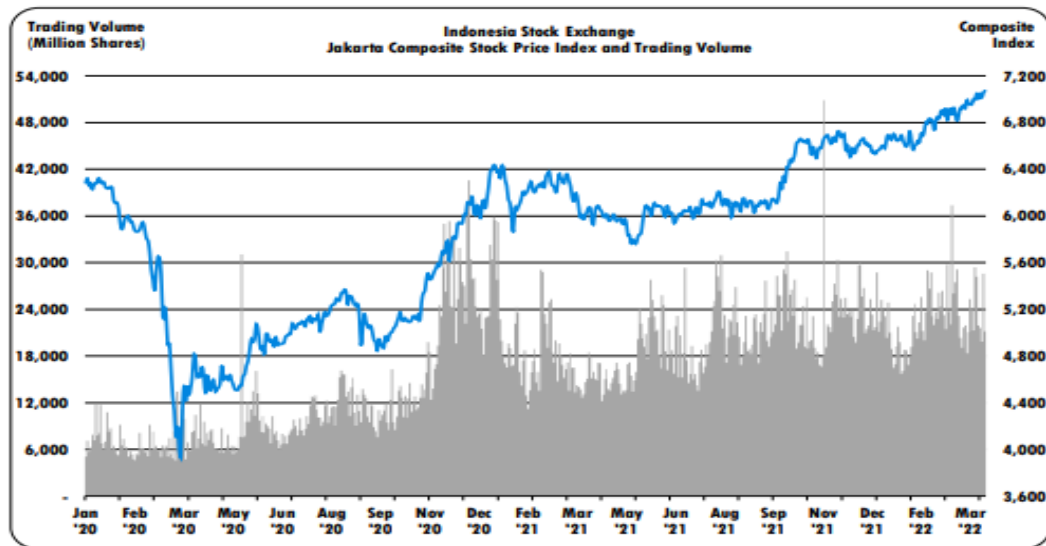
The selected population is stock investors. The respondent already has a share account and has invested in company shares listed on the Indonesia Stock Exchange. Investors are selected using quota sampling, namely selecting a sample with a certain amount according to needs and analysis. The final sample of this study was obtained from 50 samples. The FB variable uses a questionnaire that has been used by (Normawati et al., 2021). The FS and FW variable uses a questionnaire that has been used by (K. et al., 2022). The primary data of this research is in the form of questionnaire answers. The answers from the variable questionnaires examined in this study became the data processed in this research. Data was collected through questionnaire survey data collection techniques. Respondents to this study filled out a research questionnaire in March 2022.

Financial behavior is the independent variable, financial satisfaction is the intervening variable, and financial well-being is the dependent variable. Financial behavior is the way a person behaves in financial management. Behavior also includes how personal finances will be in the future (Wangi & Baskara, 2021). Financial satisfaction can be a person's view of life satisfaction, wealth, and well-being (Rohani & Yazdani, 2021). (Iramani & Lutfi, 2021) states that financial well-being is the financial condition of a person with sufficient resources to finance all his needs and desires. The data is processed with the help of the SMART PLS application. This research was done using path analysis methods.

This study carried out several developments from previous research. The object chosen was stock investors on the Indonesia Stock Exchange, and the research was conducted in March 2022. The Jakarta Composite Index gradually increased after the Covid-19 pandemic. The Jakarta Composite Index is even higher than before the

Covid-19 pandemic, as illustrated in Figure 1. This study wants to determine how investors' satisfaction and financial well-being during the Jakarta Composite Index experienced a periodic increase, even exceeding prices before the COVID-19 pandemic. 19. The research was conducted to test whether FB influences FW directly or indirectly through FS.

Picture 1. IHSG Movement Chart



Source: (Indonesia, 2022)

The focus of this research is investor behavior related to stock investment. The COVID-19 pandemic has caused a change in the behavior of investors, who panicked about a significant decline in value compared to stock prices prior to the pandemic. The phenomenon occurred during the selected research period, when the Jakarta Composite Index experienced a high increase, exceeding the Jakarta Composite Index before the pandemic.

Someone with good financial behavior will get higher financial satisfaction. Generally, Individuals will feel satisfied due to good management and can make purchases according to their wishes. Individuals can also feel satisfied with saving activities. The individual will feel satisfied if the savings results can be collected in large numbers (Arifin, 2018). Good FB will tend to fulfill financial desires and goals. Good FB will enable individuals to manage their finances better, such as managing receipts and expenses, getting used to saving, having financial goals, and achieving them (Farida et al., 2021).

FS can be created from how a person behaves in finances. Someone who can manage FB well, such as managing expenses at the right time and amount, will encourage opportunities to save and make various investments. These savings and investments can be used to create FS for the person. According to the article, a person must improve FB to achieve FS.

H1. FB has a significant effect on FS

Financial behavior relates to how individuals will live in the future, the amount that needs to be saved or invested, and when to retire. Individuals can also consider long-term financial well-being (Eberhardt et al., 2021). Someone needs to instill good financial behavior from an early age and continue improving to achieve financial well-being (K. et al., 2022).

A person with good FB, such as managing finances well, will encourage the creation of financial prosperity. A person can manage finances, both income and expenses, so that income is always sufficient to meet necessary expenses and can even save for unexpected expenses. According to (Luis & Nuryasman, 2020), someone who can make a spending budget can determine priorities in shopping and not make unnecessary expenses to increase their sense of financial security.

H2. FB has a significant effect on FW

FS can affect FW. Financial satisfaction is an essential determinant of perceived financial well-being (K. et al., 2022). When individuals feel satisfied with their finances, they will feel financial well-being. The individual can make expenses and not have to worry about financial risks.

A person's financial well-being reflects that person's financial well-being. Financial satisfaction can eliminate worries about financial difficulties and the inability to meet one's needs. According to (Sinaga Leon, 2022), someone with reasonable financial satisfaction will also have good psychological health. The individual will experience positive affective states such as feeling happiness and well-being.

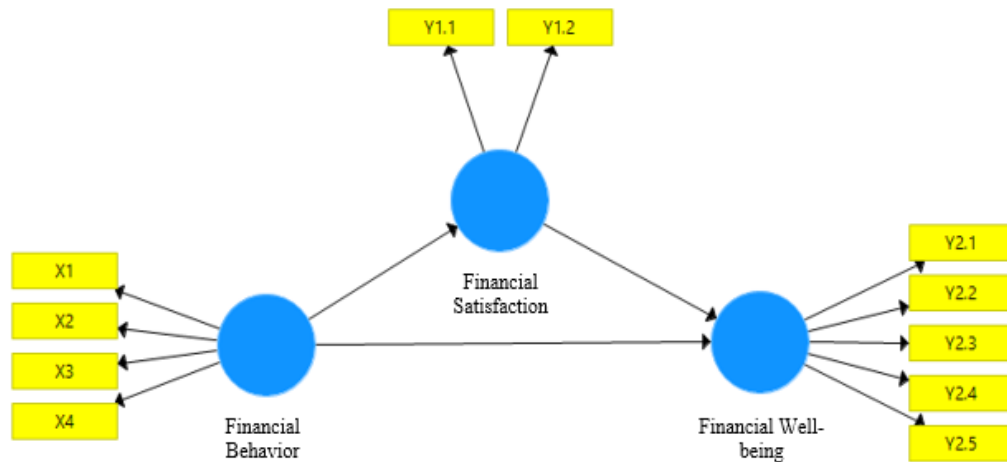
H3. FS has a significant effect on FW

Personality and good financial behavior do not necessarily lead to financial well-being. Therefore, paying attention to the financial satisfaction needed to achieve financial well-being is essential. Individuals will change their financial behavior toward satisfaction and well-being (K. et al., 2022).

Good FB will encourage the creation of FS, which can ultimately reflect achieving financial prosperity. For example, refraining from making unnecessary expenses will encourage the creation of savings or remaining finances for investment. These savings or investments can be used when they are needed, which can result in FS. These individuals also do not need to worry about being unable to meet their future financial needs because adequate finance is available, which reflects FW.

H4. FB has a significant effect on FW through FS

Figure 2. Research Conceptual Framework



RESULT AND DISCUSSION

The data used in this research are answers to questionnaires by the research sample. There are four indicators for FB, two for FS, and five for FW. Testing the outer model includes testing the results of validity and reliability. Testing the relationship between variables and indicators shows that indicators need not be discarded. The indicators for the financial behavior variable are 4, financial satisfaction is 2, and financial well-being is 5. The results of the outer model test are presented in Table 1 and 2.

Table 1. Validity Testing Results

Description	Financial Behavior	Financial satisfaction	Financial Well-being
X_1	0.946		
X_2	0.760		
X_3	0.777		
X_4	0.939		
$Y_{1.1}$		0.909	
$Y_{1.2}$		0.930	
$Y_{2.1}$			0.709
$Y_{2.2}$			0.734
$Y_{2.3}$			0.775
$Y_{2.4}$			0.753
$Y_{2.5}$			0.900

Table 2. Reliability Test Results

Description	CA
FB	0,898
FS	0,817
FW	0,835

For validity testing, all indicators show a value above 0.7. The test yielded the result that this study had good validity. As for the reliability test, the Cronbach's alpha values were 0.898, 0.817, and 0.835. The value is above 0.7, so it can be said that this study meets the reliability aspect.

Testing the inner model aims to determine the effect between research variables, as shown in Tables 3 and 4 and Figure 1.

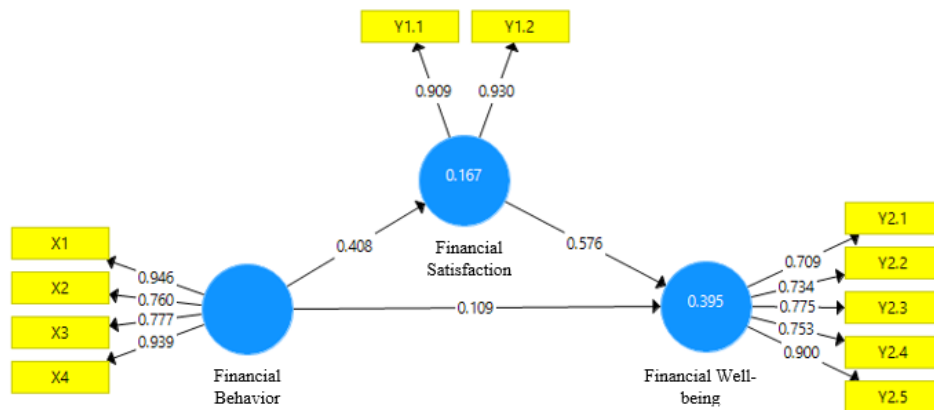
Table 3. Immediate Test Results

Description	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
FB -> FS	0,408	0,438	0,147	2,773	0,006
FB -> FW	0,109	0,137	0,146	0,746	0,456
FS -> FW	0,576	0,570	0,132	4,371	0,000

Table 4. Indirect Test Result

Description	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
FB -> FS -> FW	0.235	0.252	0.109	2.164	0.031

Figure 3. Hypothesis Testing Results



The result of the first test is that FB has a significant effect on FS, namely the P value of 0.006. This value is below 0.05, so in the first test, the result is that FB significantly affects FS. The second test is to examine the effect of FB on FW. The results obtained are the effect of FB on FW with a P value of 0.456. These results show a significance level greater than 0.05, meaning FB has no significant effect on FW. The third test is to test the effect of FS on FW. These results show that the P-value is less than 0.05, equal to 0.000, meaning that FS significantly affects FW. The final test is an indirect test of the FB variable on welfare through the FS variable. The test shows a P-value of 0.031, which is below 0.05. The test results show that FS mediates the effect of FB on FW.

Financial Behavior has a significant effect on Financial Satisfaction.

The first result of the study is that FB has a significant effect on FS. These results are the same as the results of research conducted by (Hasibuan et al., 2018), (Aboagye & Jung, 2018), (Raprayogha & Parmitasari, 2020), (Lee & Dustin, 2021), and (Panjaitan et al., 2022). FB, such as consumptive behavior, saving and investing behavior, loans, protection, and insurance, can impact FS. Individuals who can suppress consumptive and lending behavior and are accustomed to saving behavior and taking insurance will feel satisfied financially. These individuals will be satisfied

with their current financial condition because they do not have to worry about various financial obligations that need to be paid. After all, they feel able to pay them.

Investors with high motivation consistently invest; this condition, as a reflection of good financial behavior, will create financial satisfaction in the future. The research results show that the loan indicator has the highest value among the other indicators. Someone who reconsiders and repeats whether to borrow will show that the person has behaved well in managing their finances. Not taking out a loan will result in someone postponing or canceling expenses to save in the present and not having debts or obligations that need to be paid in the future. This has been proven to affect financial satisfaction. Not taking out loans and postponing or canceling expenses shows that someone is satisfied with their current financial condition.

Financial Behavior does not affect Financial Well-Being.

The results of the two studies show no significant influence between financial behavior and financial well-being. These results do not support research conducted by (Eberhardt et al., 2021). The condition of the COVID-19 pandemic, which is increasingly vulnerable to future uncertainties, can cause investors to behave differently than before the pandemic. Worries about future uncertainties result in investors, as the object of this study, not feeling financial well-being.

Financial behavior may not directly influence financial well-being, but it needs to be influenced indirectly through other variables. The results of this research support research by (K. et al., 2018), which states that financial behavior in the form of self-control has no effect on financial well-being in the form of perceptions of financial security, nor does financial behavior in the form of optimism and financial mindset have any effect on financial anxiety which is also a reflection of financial well-being. This research does not align with research (Sabri et al., 2023) and (Gutter & Copur, 2011).

Financial Satisfaction has a significant effect on Financial Well-Being.

The three studies' results show a significant effect of financial satisfaction on financial well-being. These results support research conducted by (Cho et al., 2007), (Yeo & Lee, 2019), (Ngamaba et al., 2020), and (Foong et al., 2021). Financially satisfied individuals will feel financially prosperous. Individuals who are satisfied with their current financial condition are not worried about various financial obligations that need to be paid because they feel able to pay them. Investors who are satisfied with their financial condition will feel prosperous and sufficient to fulfill all their needs and will not have to worry about the expenses they make. Satisfaction with current financial conditions will positively affect current and future financial well-being and freedom.

Financial satisfaction in this research shows that the indicator with the highest value is satisfaction with the current financial situation. This will impact financial well-being, which has the highest value indicator results in feeling comfortable with the current financial situation. Someone satisfied with the current financial situation will automatically feel comfortable with that financial situation. General financial satisfaction can also reflect financial well-being, such as adequate fulfillment of needs and not being stressed about personal finances and others. Financial Satisfaction mediates the influence of Financial Behavior on Financial Well-being.

The final results of this study proved that the FS mediated the influence of the FB on the FW. FS is proven to bridge the influence of FB on FW. Individuals with good financial behavior will be able to feel financial satisfaction, eventually feeling financial well-being. The results of this study support research (K. et al., 2022).

The results of the second test show that financial behavior does not significantly affect financial well-being, which indicates that financial behavior cannot influence financial well-being directly but needs to be done through other variables. The final test results in this research prove that financial behavior significantly affects financial well-being through financial satisfaction. Good financial behavior will cause a person to feel financially satisfied and can create financial prosperity. For example, suppose someone behaves in saving or investing. In that case, it will result in savings or investment returns that can be used to meet future needs so that the person does not worry about their financial obligations. In the end, this can also impact not feeling stressed about finances.

CONCLUSION

This study obtained the results that financial behavior has a significant effect on financial satisfaction, financial satisfaction has a significant effect on financial well-being, and financial satisfaction mediates the effect of financial behavior on financial well-being, but financial behavior does not affect financial well-being. This study has limitations in the form of a limited number of samples. The results of this research are expected to be input into investor decision-making in everyday investors' lives, which can affect financial satisfaction and, in the end, can also lead to financial well-being. Future research can be carried out under normal conditions, not when the economy is in recession, to reflect the behavior, satisfaction, and financial well-being of the object under study.

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