

**RELATIONSHIP BETWEEN FINANCIAL LITERACY AND ITS COMPONENT: A
RESEARCH ON WORKING WOMEN**

Abstract

For developing countries, Malaysia is in need of working women in helping to improve the country's economy. Thus, it is of immense need for our economy to take into consideration the fact that where and how working women are spending or investing their funds. For appropriate utilization of funds, working women need to be financially literate. Financial literacy is the convergence of financial, credit and debt management and the knowledge that is necessary to make financially responsible decisions. This paper is conducted to assess the correlation between financial literacy and its component (financial education, financial attitude, financial behavior and financial knowledge). Data processing of this study using a pearson correlation with the number of samples 35 respondents. The data are quantitatively analyzed through Statistical Packages for Social Science (SPSS). According to the findings, financial literacy does not have a significant relationship with financial knowledge, however financial education, financial attitude and financial behavior together have a significant relationship with financial literacy.

Keywords: *Financial Literacy, Working Women, Correlation*

INTRODUCTION

Malaysia's economic growth in recent years has been very encouraging when compared to the gloomy world economy. However, what has become the society's annoyance is that good economic growth is unable to overcome the rising cost of living. Economic growth reaching more than five percent is still insufficient to ensure a comfortable life, not only in large cities like Kuala Lumpur, Penang or Johor Bahru, but also rural residents are also facing a narrowing of life (The Star, 2017). The increasing in income that is not in line with the rising cost of living is

31 squeezing the Malaysians today. The knowledge on financial literacy is required even though it
32 is not mandatory. This knowledge will help Malaysians to survive even in unconvincing
33 economic conditions.

34 Financial literacy is the convergence of financial, credit and debt management and the
35 knowledge that is necessary to make financially responsible decisions. A lack of financial
36 literacy is not only an issue in developing economies but also people in developed or advanced
37 economic countries fail to demonstrate a strong knowledge of financial principles in order to
38 understand and negotiate the financial matters, manage financial risks effectively and avoid
39 financial difficulties (Xu & Zia, 2012). Financial literacy is a combination of financial
40 knowledge, attitudes and behaviors. These three things are the key of financial literacy for
41 making informed decisions and for solving financial problems (Adriana & Valenzuela, 2017). A
42 more complicated definition would be awareness, knowledge, skill, attitude and behavior,
43 necessary to sound financial decision-making and ultimately achieving individual financial well-
44 being. The definitions itself speaks that financial literacy involves not only the knowledge
45 aspect but also using that knowledge to behave accordingly.

46 The levels and influences of financial literacy are of immense need for employers, policy
47 makers, educators, etc. Thus, it is important to identify barriers and suggest solutions for the
48 growth of its (Lusardi and Tufano, 2009). The level of financial literacy is low among adults
49 (Lusardi A., Olivia S. Mitchell and Curto V., 2010). Around the world researches conducted by
50 researchers and Programme for International Student Assessment (PISA) revealed that the
51 financial literacy levels are low among individuals thus they are not making appropriate use of
52 financial services and instruments available in the market. Individuals saves less for their future,
53 takes unwise decisions and are loaded with the debt (Mitchell,O.S., 2011). Such sort of behavior
54 is prevalent amongst youth, students (Lusardi A., Olivia S. Mitchell and Curto V., 2010).

55 Based on previous study, the socio demographic factors are influence the financial literacy of
56 individuals such as gender, age, marital status and financial decision-making process (Agarwalla,
57 Barua, Jacob & Varma, 2013). Lusardi & Mitchell (2007) revealed that women tend to report
58 lower financial literacy than men. Lusardi and Tufano (2009) support that male is more financial
59 literate than females and the respondents who are divorced, widowed and separated has a low
60 level in financial literacy.

61 In working world, financial problems have clear negative consequences on a worker's health and
62 job performance. Many researchers have found that financially troubled employees do bring their
63 financial related stress to work and hence affecting the productivity, organization's overall profit
64 figure and also the work culture in the long run. There is a significant relationship between
65 financial problems and stress related illnesses. Financial stress or strain occurs when individuals
66 are unable to meet their financial responsibilities and one of the most significant causes of
67 workers' stress is personal finance (Kim & Garman, 2006). Therefore, financial problems and
68 stress affect not only an employee's personal and family life but is also a cost to the employers.

69 Financial education, financial behavior, financial knowledge, financial attitude are the
70 components of financial literacy. But, not all the components will affect the financial literacy
71 among working women. Thus, this study was conducted to assess the correlation between
72 financial literacy and its component (financial education, financial attitude, financial behavior
73 and financial knowledge).

74

75 **METHODOLOGY**

76 The purpose of this preliminary study is to assess the correlation between financial literacy and
77 its component (financial education, financial attitude, financial behavior and financial
78 knowledge). The data will be used for this study is primary data and the convenience sampling
79 were used in order to collected the data via self-administered questionnaire to 35 working
80 women. The set of questionnaires consists of 37 items of financial literacy. The working women
81 responses towards questionnaire were illustrated in semantic scale from 1 to 5. The working
82 women has express their extent to which they agree with the statement on five-point scale from 1
83 which is strongly disagree until 5 which is strongly agree. The data collected were analyzed
84 using Pearson correlation by utilizing Statistical Package of Social Science (SPSS).

85 **RESULT AND FINDINGS**

86

Demographic	Status	Frequency	Percentage
Age	20 – 29 years old	13	37.1
	30 – 39 years old	14	40
	40 – 49 years old	5	14.3

	50 – 59 years old	3	8.6
Status	Single	17	48.6
	Married	18	51.4
Race	Malay	30	85.7
	Chinese	3	8.6
	Indian	2	5.7
Occupation	Private	22	62.9
	Government	13	37.1
Salary	RM 1,000 – RM 2,999	13	37.1
	RM 3,000 – RM 4,999	11	31.4
	RM 5,000 – RM 6,999	6	17.1
	RM 7,000 – RM 8,999	4	11.4
	More than RM 9,000	1	2.9

87

Table 1: Descriptive Statistics

88 The result of the descriptive statistics of the respondents presented in Table 1. When the
89 demographic characteristics of the participants are concerned, 13 of the working women who
90 answered the questionnaire were age between 20 until 29 years old (37.1%), 30 until 39 years old
91 (14, 40%), 40 until 49 years old (5, 14.3%) and 50 until 59 years old (3, 8.6%). It is seen that
92 48.6% of the 35 respondents are single (n = 17) and 51.4% married (n = 18) which is a regular
93 distribution. Most of the respondents are Malay (85.7%), while Chinese (8.6%) and Indian
94 (5.7%). 62.9% of the respondents are working in private sector while 37.1% of the respondents
95 working in a government sector. Salary distribution was 37.1% (n = 13) in the RM 1,000 until
96 RM 2,999 salary group, 31.4% (n = 11) in the RM 3,000 until RM 4,999 salary group, 17.1% (n
97 = 6) in the RM 5,000 until RM 6,999 salary group, 11.4% (n = 4) in the RM 7,000 until RM
98 8,999 salary group and 2.9% (n=1) in the more than RM 9,000 salary group.

99

100

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.892	.893	25

101

Table 2: Reliability Statistics

102

103 The researchers should use Cronbach's alpha to increase the accuracy and validity of their
 104 decisions suggested by Tavakol and Dennick (2011). According to Bland and Altman (2002),
 105 Cronbach's alpha is the best summary measure for testing the content validity. The range of
 106 Cronbach's alpha normally is between 0 and 1. Joseph and Rosemary (2003) suggest that the
 107 Cronbach's alpha value above 0.7 is considered as a good value to carry forward. Based on Table
 108 2, the Cronbach's alpha value is 0.892 which is greater than 0.7 hence the questionnaire can be
 109 considered as the reliable.

110

Correlations		
		Financial Literacy
Financial Education	Pearson Correlation	.434**
	Sig. (2-tailed)	.009
	N	35
Financial Attitude	Pearson Correlation	.472**
	Sig. (2-tailed)	.004
	N	35
Financial Behavior	Pearson Correlation	.675**
	Sig. (2-tailed)	.000
	N	35
Financial Knowledge	Pearson Correlation	.193
	Sig. (2-tailed)	.266
	N	35
Financial Literacy	Pearson Correlation	1
	Sig. (2-tailed)	
	N	35
**. Correlation is significant at the 0.01 level (2-tailed).		

111

Table 3: Correlations

112 This study sought to establish correlation between the dependent variable which is financial
 113 literacy and each of the independent variable which are financial education, financial attitude,
 114 financial behavior and financial knowledge. Correlation is a statistical technique employed to
 115 show the strength of pairs of variables is used to examine the association between the
 116 independent variable with the dependent variable. The correlation test was conducted at the 5%
 117 level of significant with a 2-tailed test. The findings illustrated in Table 3 above show that,
 118 financial literacy have a positive and significant association with financial education, financial
 119 attitude and financial behavior. Otherwise, there is no significant association between financial
 120 literacy and financial knowledge.

121
122 The correlation coefficient for financial literacy against financial education is 0.434 with a
123 significance value of 0.009 which is less than 0.05 at the 5% level. The coefficient for the
124 association between financial literacy and financial attitude is 0.472 with a p-value of 0.004
125 which is also less than 0.05. From the table also, the correlation coefficient for the association
126 between financial literacy and financial behavior is 0.675 with a p-value of 0.000 less than 0.05
127 depicting a significant correlation between the variables. For the correlation coefficient for
128 financial literacy and financial knowledge is 0.193 and its show that there is no significant
129 correlation between the variables since the p-value is 0.266 which is more than 0.05.

130 131 **CONCLUSION**

132 Working women comprises of major portion of workforce, therefore it is essential for them to be
133 financially literate. As concluded by this study, financial education, financial attitude and
134 financial behavior are the variables that significantly positive correlated with the financial
135 literacy among working women. It can be concluded that government should focus more on
136 financial education first in order to confirm that working women in Malaysia are financially
137 literate.

138 139 **REFERENCES**

- 140 Adriana B. V. A & Valenzuela J. R., 2017. "Financial Literacy: Gaps Found Between Mexican
141 Public and Private, Middle, and High-School Student."
- 142 Agarwalla, S. K., Barua, S. K., Jacob, J., &Varma, J. R. (2013). Financial Literacy among
143 Working Young in Urban India. Indian Institute of Management Ahmedabad, WP, (2013-
144 10), 02.
- 145 Bland, J. M., & Altman, D. G. (2002). Validating scales and indexes. *Bmj*, 324(7337), 606-607.
- 146 Gliem, R. R., & Gliem, J. A. (2003). Calculating, interpreting, and reporting Cronbach's alpha reliability
147 coefficient for Likert-type scales. Midwest Research-to-Practice Conference in Adult, Continuing,
148 and Community Education.
- 149 Kim, J., Sorhaindo, B., & Garman, E. (2006). Relationship between financial stress and
150 workplace absenteeism of credit counselling clients. *Journal of Family and Economic*
151 *Issues*, 27(3), 458-478.

- 152 Lusardi, Annamaria, and Olivia S. Mitchell (2007), "Baby Boomer Retirement Security: The
153 Role of Planning, Financial Literacy, and Housing Wealth," *Journal of Monetary*
154 *Economics*, 54, pp. 205–224.
- 155 Lusardi, A., & Tufano, P. (2009). Debt literacy, financial experiences, and over indebtedness.
156 National Bureau of Economic Research.
- 157 Lusardi, A., Mitchell, O. S., & Curto, V. (2010). Financial literacy among the young. *Journal of*
158 *Consumer Affairs*, 44(2), 358-380.
- 159 Mitchell, O. S. (2011). Managing Risks in Defined Contribution Plans: What Does the Future
160 Hold? Growing Old: Paying for Retirement and Institutional Money Management After the
161 Financial Crisis.
- 162 Tavakol, M., & Dennick, R. (2011). Making sense of Cronbach's alpha. *International Journal of*
163 *Medical Education*, 2, 53.
- 164 Xu, L., & Zia, B. (2012). Financial literacy around the world: an overview of the evidence with
165 practical suggestions for the way forward. World Bank Policy Research Working Paper,
166 (6107).

167