Determinants of Financial Satisfaction in the Community in Garut Regency

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Abstract

Garut Regency is a district that has 5 independent villages, where independent village communities have various incomes. High income does not guarantee prosperity and satisfaction in finances. Financial satisfaction is a subjective measure of financial well-being and indicates the level of satisfaction that individuals feel with regard to various aspects of their financial condition and income. Not only income is a measure of financial satisfaction (Financial Satisfaction) of an individual, but it can be seen from financial knowledge (Financial Knowledge), financial behavior (Financial Behavior) and experience since childhood (Childhood Consumer Experience). The purpose of this research is to find out what are the determining factors that affect financial satisfaction (Financial Satisfaction) in the community in Garut Regency. The results of this study indicate that Financial Knowledge and Financial Behavior have an effect on Financial Satisfaction, while Childhood Consumer Experience has a significant effect on Financial Satisfaction.

Keywords: *Financial Satisfaction, Financial Knowledge, Financial Behavior, Childhood Consumer Experience.*

Introduction

Effective and efficient financial management is an action to achieve financial goals in the future. Everyone must have financial goals for a more prosperous and independent life, as well as the fulfillment of all needs and wants in their lives. Previous research has examined the factors associated with financial satisfaction. According to Toscano, *et al*., (2006) income is identified as an important determinant of financial satisfaction. According to Pavot and Diener (2008) the price of goods is increasing without being balanced by the ability to increase income, so managing finances properly is a very important thing to achieve financial *satisfaction*. The achievement of financial satisfaction is a determinant in obtaining a level of happiness in life. This is because individual happiness in general can be caused by many factors outside of income, but income is the main factor for financial satisfaction.

There are times when financial difficulties are not only caused by low income levels, but can also be caused by mistakes in managing finances. For this reason, adequate financial knowledge is needed to avoid financial problems. According to Halim and Astuti (2015) *Financial Knowledge* is the ability to understand, analyze, and manage finances to make the right financial decisions to avoid financial problems. According to Wicaksono and Divarda (2015) *Financial Behavior* or financial behavior studies how humans actually behave in a financial determination, especially studying how psychology affects financial decisions, companies and financial markets. Research conducted by Herdijono and Damanik (2016) states that the financial behavior of the Indonesian people who tend to be consumptive gives rise to various irresponsible financial behaviors such as lack of savings, investment, emergency fund planning and budgeting for the future.

This is in line with research conducted by Kholillah and Iramani (2013) related to impulsive spending practices so that often individuals with sufficient income still experience financial problems. According to Joo and Grable (2004), people who have positive *Financial Behaviors* such as comparing prices for expensive purchases, paying debt bills on time, and planning monthly finances will affect a person's level of financial satisfaction. Meanwhile, a person who is late in paying credit will be fined which will make the person feel dissatisfied with their financial condition. In contrast to research conducted by Xiao (2015) that *Financial Behavior* has a negative effect on *Financial Satisfaction*, because individuals who have better *Financial Behavior* do not necessarily produce higher *Financial Satisfaction* but there are other factors such as financial knowledge and demographic factors that are able to produce *Financial Satisfaction* higher.

According to Falahati, *et al*., (2012) *Childhood Consumer Experience* is a child's experience related to financial activities provided by parents. One example is having a discussion with parents about money. *Childhood Consumer Experience* is measured by age. The earlier a child is when gaining financial experience, the more financial knowledge the child has to be used in managing finances well. Good financial management will also have a good impact on financial conditions, so that *Financial Satisfaction* is met. *Childhood Consumer Experience* can help children to better understand how to manage and make the right decisions regarding finances.

In this study, the researcher took some of the people of Garut Regency who met the criteria as research subjects. Garut Regency is an area whose population reaches more than 2.6 million people. Garut Regency has the third largest population after Bandung and Sukabumi Regencies. However, the Human Development Index (HDI) of Garut Regency ranks third and last in West Java Province out of 27 regencies/regencies in West Java. The poverty rate in Garut Regency is still quite high because the per capita income of Garut Regency is still below the average answer rate of almost 21%. The average income of West Java Province is 11 million per capita per year, while Garut Regency is only 8 million per capita per year. With this problem becoming a big problem, so that poverty in Garut Regency is 8.9%, because of that there are still many people in Garut Regency who feel that their financial satisfaction is not achieved.

The income earned by the people in Garut Regency is diverse and uncertain expenses are also a problem for the people of Garut not only those with small incomes but also for people with large incomes still have problems in their finances, according to Hasibuan & Lubis (2017), income is a reference measure. *measure in Financial Satisfaction*, where high-income individuals are more inclined to have high satisfaction. But looking at the statements of the respondents of the Garut community, for those with high incomes, there are still those who do not feel financial satisfaction because of the large expenses they spend. Whether it's spending for personal needs, family or debt.

In addition, not a few people in Garut have high incomes, their expenses are not too large but they do not get financial satisfaction. And not all those with small incomes do not get financial satisfaction. Of course, there is a gap between the opinions of experts and the fact in the field that not all high income will obtain high *financial satisfaction* either. A person or individual is said to be satisfied in the financial field if the person's subjective standards are in terms of finances. To get the issues or problems that exist in the object of the research, the researcher conducted an initial survey of 30 people in the Garut Regency area. Data was obtained that 5 people have an income of less than Rp.2,000,000,- per month, 6 people have an income between Rp.2,000,000,- to Rp.5,000,000,- per month, 7 people have an income between Rp.5,000,000,- to Rp.9,000,000,- per month, 9 people have an income between Rp.9,000,000,- to Rp.15,000,00,- per month and 3 people have an income above Rp.15,000,000,- per month. In addition, the researcher conducted interviews with some of the people of Garut who have higher education, be it D3, S1 or S2 graduates, they have financial knowledge that is said to be quite knowledgeable compared to elementary / junior high school and high school graduates. The following is a summary of the interview results:

Table 1.1
Financial Knowledge Interview Results

No	Education	Financial literacy
1	S2	moderate
2	SMP	less
3	SMA	Moderate
4	SMA	less
5	SMP	moderate
6	S1	less
7	S1	less
8	S1	moderate
9	SD	less
10	SMP	moderate
11	S2	moderate
12	SMP	moderate
13	S1	less
14	SMA	less
15	SMP	moderate

From the table above, some of the people who have higher education graduates still feel dissatisfaction with their finances due to their many needs and there are mistakes in managing their finances, even some of these people have experienced mistakes in investing even though these people have more knowledge than they are elementary or junior high school or high school graduates. Any lack of attention to financial knowledge will have an impact on the lack of well-being because good financial management can determine better planning and decision-making.

High income cannot be a benchmark for whether the people of Garut Regency are satisfied with their financial condition. Inadequate financial knowledge about loans, investments, and financial management itself will also have an impact on a person's financial satisfaction. Unhealthy financial behavior such as consumptive behavior, not being able to manage the financial budget properly, lack of saving habits, not making investments for the future, uncontrolled use of credit cards, and delaying paying bills will be triggers for a decrease in a person's level of financial satisfaction. Not gaining financial experience as a child will also be a factor causing financial problems in the future.

Literature Review

This financial behavior is beginning to be known by various parties, especially academics, who put forward psychological aspects of investment.; with various writings for the development of financial behavior and a book Beyond Greed and Fear (Manurung, 2012).

Behavioural finance is a science that studies how humans take an action in the decision-making process in investing in response to the information they obtain. In addition, investors do not always behave rationally and do not deviate and are able to be modeled quantitatively.

Behavioural finance theory is not only always rational but also influenced by irrationality, namely psychology. Each individual develops different psychological behaviors that will result in them taking certain actions against an event. This behavior affects the way a person filters information in making decisions. Wrong emotional behavior carried away in investment decisions will have a very negative impact on wealth. If, the decisions made have an impact that is not in accordance with expectations, it can cause a decrease in *financial satisfaction*. Often individuals behave irrationally and make systematic mistakes over their forecasts (Lexikawa, 2009).

The relationship between income and individual happiness has been one of the most discussed subjects in the literature on subjective well-being (SWB) since its inception in the 1970s. At that time, the contribution by the economy was still relatively small although the results were significant. Research was started by Van Praag, Kapteyn and Hagenaars in the so-called Leyden School. "It is assumed that satisfaction with income is synonymous with well-being". Leyden School focuses on financial satisfaction (Toscano, Amestoy, and Rosal, 2006) According to Diener (2003), subjective is the scientific term for happiness. The use of the term welfare is subjective, not happiness in terms of avoiding confusion, because happiness can have a double meaning depending on each human being (Diponegoro, 2006). Diener and Myers, and a number of social psychologists call subjective well-being the "science of happiness". According to Diener, subjective well-being can be defined as cognitive and affective evaluation of life.

Subjective well-being theory describes a combination of positive affection and life satisfaction in general that differs from one individual to another (Darokah and Diponegoro, 2005). Financial satisfaction cannot be solely explained by each individual's income but there is a psychology that is different for each individual. According to Hira and Mugenda (1999), financial satisfaction is a general description in predicting life satisfaction, as a measure of subjective *well-being*. Financial satisfaction is a subjective evaluation of satisfactory or unsatisfactory financial conditions (Long, Viet, and Diep, 2016).

Financial Satisfaction is an overall component of life satisfaction and well-being (Plagnol, 2011). states that financial satisfaction is related to the overall psychological well-being that a person feels. Financial satisfaction is a situation regarding the level of satisfaction with personal financial conditions.

According to Wicaksono and Divarda (2015) *Financial Behavior* studies how humans actually behave in a financial determination, especially studying how psychology affects financial decisions, companies and financial markets. The two concepts that are clearly outlined state that financial behavior is an approach that explains how humans invest or relate to finance is influenced by psychological factors.

According to Marsh (2016), *Financial Knowledge* refers to what individuals know about personal finance issues, which is measured by their level of knowledge of various personal finance concepts. *Childhood Consumer Experience* is a child's experience or since childhood that has a relationship with financial activities given by parents such as having personal savings, receiving pocket money, and discussing financial matters (Sabri, Cook and Gudmunson, 2012). Parents have an obligation to their children to provide knowledge and experience that can determine character and make the right decisions in achieving happiness.

Research Methods

This research is an explanatory research with a quantitative approach. Explanatory research explains the position of the variables studied and the relationship between one variable and another. The data used in this study are primary data and secondary data. Primary data obtained through questionnaires distributed to the community in Garut Regency. Secondary data is a source that does not directly provide data to researchers, can be obtained through documents, books, research results, and others. Secondary data has generally been collected by data collection institutions and published to the data user community so that it can be accessed through the internet, such as the population of Garut Regency, BPS Garut Regency. To determine a sample from a very large population, in this study the research sample uses Cohen's reference, Because in this study there are 3 independent variables and 1 independent variable, the sample required is at least 113 with a significant level of 5 percent and a minimum R-square value of 0.10. The research to the community in Garut Regency uses the *Partial Least Square* (PLS) method, this is because the data is not distributed normally even though the number is more than 200 respondents. The purpose of using PLS is to predict constructs built from several variables (Cassel, 1999; (Monecke & Leisch, 2012), in addition to this PLS model is a model that is able to explain complex structural models.

Results and Discussion

In testing the validity and reability of this study, 130 respondents were conducted. Validity tests are divided into two types that start with validity tests. After conducting the Validity Test, it can be found that all statements are valid, with an outer loading score of more than 0.6. The next step in validity testing is seen from the cross loading value. Prior to the bootstrapping model evaluation, the R-Square values were evaluated as follows:

Table 1.2
R-Square Value

Variable	R Square
CCE	**0,222**
FB	**0,731**
FK	**0,717**

Source: Data Processed by the Author

In the table above, it can be seen that the Childhood Consumer Experience variable affects Financial Satisfaction by 0.222 or 22.2% The r-square value of 0.222 indicates that the prediction model is categorized as weak. It is also known that the Financial Behavior variable affects Financial Satisfaction by 0.731 or 73.1 percent while the rest is influenced by other factors that are not carried out in this study. An r-square value of 0.731 indicates that the prediction model is close to the "good" category. Then in the variable Financial Knowledge affects Financial Satisfaction by 0.717 or 71.7 percent, the prediction model is categorized as close to good. After the evaluation of the indigo r-square, an evaluation was carried out on the q-square value or the predictive relevance value.

Table 1.3
Q-square value

Variable	SSO	SSE	Q^2 (=1-SSE/SSO)
FK	600.000	267.719	0,554
FB	750.000	643.771	0,142
CCE	600.000	249.506	0,584
FS	910.000	750.884	0,175

Source: Data processed by the author

Based on the table above, it can be seen that the square value of the prediction error in the Financial Behavior variable is 643,775 with an average prediction of 750,000. Therefore, it can be known that the Q-square value in the Financial Behavior variable of 0.142 is greater than 0 so that it can be interpreted that Financial Behavior (exogenous construct) has predictive relevance. The Financial Knowledge variable has a square value of error in predicting of 267,719 with an average prediction of 600,000. The resulting Q-square value of 0.554 is greater than 0 so that it can be interpreted that Financial Knowledge has predictive relevance. The Childhood Consumer Experience variable has a prediction error square value of 249,506 with an average prediction of 600,000. The resulting Q-square value of 0.584 is greater than 0 so that it can be interpreted that Childhood Consumer Experience has predictive relevance. The Financial Satisfaction variable has a prediction error square value of 750,884 with an average prediction of 910,000. The resulting Q-square value of 0.175 is greater than 0 so that it can be interpreted that Financial Satisfaction has predictive relevance. Furthermore, an analysis was carried out on the Research Model Fit which was based on the standardized root mean square residual (SRMR) value below 0.08 (Henseler et al., 2014), the Normed Fit Index (NFI) value above 0.90 (Byrne, 2013) and the Theta rms value below 0.12 (Henseler et al., 2014; Lohmöller, 1989).

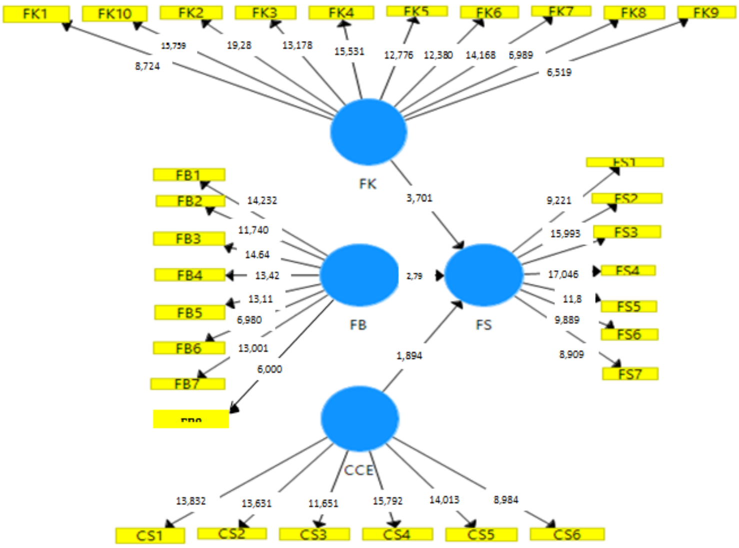
Table 1.4
Model Fit

	Value
SRMR	0,078
NFI	0,467
Rms.theta	0,147

Source: Data Processed by the Author

The value in table 4.23 shows that the research model is quite good when viewed from the SRMR, which is 0.078 which is below the value of 0.08. Meanwhile, when viewed from the NFI value of 0.467 which is below 0.90 and the Rms Theta value of 0.144 which is above 0.12, it states that the research model is not good. In evaluating the structural model or inner model, bootstrapping and testing are carried out on the hypothesis that was formed previously. After this is done, the results of bootstrapping can be seen in the following image.

Figure 1.1
Boostrapping Results



Source: Data Processed by the Author

To find out the relationship between variables more clearly, the results of the calculation can also be seen as follows:

Table 1.5
Table of Relationships Between Variables

Relationship Between Variables	Original Sample (O)	T Statistics(|O/STDEV|)	P Values	Information
CCE-> FS	0,125	1,885	0,060	Insignificant
FB-> FS	0,305	2,730	0,007	Significant
FK->FS	0,343	3,862	0,000	Significant

Source : Data Processed by the Author

$$Y=0.343X1+0.305X2+0.125X3+e$$

The Regression Equation has the following meanings:

Financial Satisfaction increased by 0.343 if Financial Knowledge increased by 1 unit. Financial Satisfaction increased by 0.305 if Financial Behavior increased by 1 unit. Financial Satisfaction experienced an increase of 0.125 if Childhood Consumer Experience increased by 1 unit. The relationship between the Financial Behavior variable and Financial Satisfaction showed a significant relationship with a value of 0.305. Every increase in the Financial Behavior variable can increase Financial Satisfaction by 30.5 percent and Based on the results of the hypothesis test of the influence *of Financial Behavior* on *Financial Satisfaction*, having a significance value of 0.000 is less than 0.05, then the *Financial Behavior* variable has a significant effect on *Financial Satisfaction*. Therefore, it can be concluded that the *Financial Behavior* variable has a positive and significant effect on *Financial Satisfaction* and it shows that Behavior moderately affects financial satisfaction in the community in Garut Regency. This result is in line with the research conducted by Robb and Woodyard (2011) that *Financial Behavior* has a positive and significant effect on *Financial Satisfaction*. The higher and better the financial behavior that a person has in treating, managing, and using his financial resources, of course, he will be able to produce good financial decisions as well and will feel satisfied with his financial condition.

The relationship between the Financial Knowledge variable and Financial Satisfaction showed a significant relationship with a value of 0.343. Any increase in the Financial Knowledge variable can increase Financial Satisfaction. 34.5 percent and Based on the results of the hypothesis test of the influence *of Financial Knowledge* on *Financial Satisfaction*, having a significance value of 0.000 is less than 0.05, then *the Financial Knowledge* variable has a significant effect on *Financial Satisfaction*. Therefore, it can be concluded that the *Financial Knowledge* variable has a positive and significant effect on *Financial Satisfaction and* this shows that Knowledge quite affects financial satisfaction in the community in Garut Regency. This result is in line with research conducted by Joo and Grable (2004) that *Financial Knowledge* has a positive and significant effect on *Financial Satisfaction*. People with a high level of *Financial Knowledge* tend to have different perceptions and ways of judging than ordinary people, and understand their financial condition more accurately so that they tend to be satisfied with their financial condition..

Based on the results that have been described, there is no significant relationship between the Childhood Consumer Experience variable and the Financial Satisfaction variable. This means that the experience since childhood of the people of Garut Regency does not affect their financial satisfaction. Because of other factors, one of which is social influence. The significance value of 0.060 is greater than 0.05, so the Childhood Consumer Experience variable has a significant or sufficient effect on Financial Satisfaction. This result is not in line with research conducted by Falahati, Sabri, and Paim (2012) that Childhood Consumer Experience has a positive and significant effect on Financial Satisfaction. The results of the study show that Childhood Consumer Experience is measured based on age. The earlier a person is when he or she gains financial experience from his parents, environment, and education, the more financial knowledge an individual will have to be able to use it in managing finances in the future better and will also have a good effect on his financial condition, so that Financial Satisfaction is achieved in the future.

The people of Garut Regency, especially in the Mandiri Village area, have the characteristics of hard workers, but some of the people still feel a lack of welfare even though their income is quite large, it is due to the disproportionate expenditure or other reasons. According to the data from interviews with some of the independent village communities who have a fairly large income, almost the same as other individuals, it is because of their high desire, lack of gratitude and in terms of lifestyle, support and social goals. According to the theory of subjective well-being, satisfaction and well-being of a person are religion and spirituality, social relationships with others, genetics, personality, goals and social support.

Conclusion

The results of this study aim to find out and analyze how much influence *Financial Knowledge*, *Financial Behavior*, and *Childhood Consumer Experience* have on *Financial Satisfaction* in the Garut Regency Community. In this study, it is concluded as follows:

1. *Financial Knowledge* has a positive and significant effect on *Financial Satisfaction* in the People of Garut Regency. The relationship between the variables Financial Knowledge and Financial Satisfaction has an original sample value of 0.343 which indicates a positive relationship. Any increase in the Financial Knowledge variable can increase Financial Satisfaction by 34.3 percent. This means that high Financial Knowledge will increase Financial Satisfaction in the Community in Garut Regency.
2. *Financial Behavior* has a positive and significant effect on *Financial Satisfaction* in the people of Garut Regency. The relationship between the Financial Behavior variable and Financial Satisfaction has an original sample value of 0.305 which

indicates a positive relationship. Any increase in the Financial Behavior variable can increase Financial Satisfaction by 30.5 percent. This means that high Financial Behavior will increase Financial Satisfaction in the Community in Garut Regency.

3. *Childhood Consumer Experience* has no effect and is not significant on *Financial Satisfaction* in the Garut Regency Community. the relationship between the variables Childhood Consumer Experience and Financial Satisfaction has an original sample value of 0.125 which indicates a positive relationship. Any increase in the Childhod Consumer Experience variable can increase Financial Satisfaction by 12.5 percent. This means that a high Childhood Consumer Experience will not increase Financial Satisfaction in the Community in Garut Regency.
4. *Financial Knowledge, Financial Behavior, and Childhood Consumer Experience* simultaneously have a significant effect on *Financial Satisfaction* in the people of Garut Regency.

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