Financial Socialization:
A Cornerstone for Young Employees’

Financial Well-Being

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Abstract

The purpose of this study was to test the relationships between financial socialization, financial knowledge, financial behaviour and financial well-being of Malaysian Young Employees. A total of 391 participants aged between 20 to 40 years participated in the survey via systematic random sampling technique. Data were collected through a self-reporting mode and Pearson correlation coefficients were used in inferential statistics. The findings showed that the frequency of participants observing the behaviour of the socialization agents and interact with them, namely parents at an early stage, positively related to the acquisition of financial knowledge. However, there was no correlation in the acquisition of financial knowledge through observation and interaction with peers. But the study showed that the frequency of observing and interacting with parents and peers in terms of finance had a positive relationship to the acquisition of the financial behaviour of the participants. In addition, the statistics highlighted that there was a positive correlation between financial knowledge, financial behaviour, and financial well-being. In conclusion, this study revealed how the theory of financial socialization is effective in describing the financial well-being of young employees.

Keywords: Financial Socialization, Observational Learning, Financial Interaction, Financial Knowledge, Financial Behaviour, Financial Well-Being
1 Introduction

The concept of financial well-being has received much attention by scholars in recent decades, and gets much attention especially during the global financial crisis that plunged many countries into recession. The crisis affects the overall well-being of all segments in society, including young employees. Issues concerning the financial well-being among them often lead to the debate in society (Ranta 2013). For instance, the impact of debt problems and bankruptcy in Malaysia among these groups are not just discussed in most of the mass media, but also among the hot issues being debated in the House of Representatives (Abdul Basit 2014). Despite the current financial situation shows an increase in the cost of living also affect the financial well-being of young employees in Malaysia (CFBP 2015). However, an understanding of the financial well-being is still limited, while the financial well-being contributes to work productivity (Joo & Garman 1998; Kim & Garman 2004; Kim et al. 2004) and one of the indicators to measure the overall well-being of individuals (Prawitz et al. 2006). Therefore, attention should be given to the factors and mechanisms that contribute to the financial well-being. Thus, a more comprehensive understanding of the financial well-being by focusing on the process of socialization is worth looking at more closely. We need to know the early process of individual financial socialization because it determines the acquisition and developing of financial knowledge, and financial behavior which one of the key factors contribute to future’s financial well-being of individuals (Grinstein et al. 2012). For that reason, financial well-being study should also consider the factor of financial knowledge and financial behavior in determining the factors that contribute to the financial well-being (Zaimah et al. 2012). Empirical evidence shows that most of the financial problems such as increased burden of debt, bankruptcy, and low savings rate is due to the low level of financial knowledge and negative financial behavior among consumers (Lusardi & Tufano 2009; Gutter & Copur 2011; Leila & Laily 2011; Lusardi 2012; Shen et al. 2014). Thus, the causes of young employees faced with financial distress can be identified by understanding the process of shaping the knowledge and behavior by examining the relationship between financial socialization, financial knowledge, financial behavior and financial well-being.

Numbers of studies about financial socialization focus on children's understanding of the world economy of adults (Webley 1996). The majority of studies exploring the financial knowledge among children rather than knowledge acquisition process itself (Furnham 1996). Most of the studies in financial behavior are focused on a sample of university students resulting in a lack of information regarding the practice of financial behavior among young people, who have left school and have worked (Dowling et al. 2009). While the study focused on the financial well-being of young employees in Malaysia is still lacking (Mohamad Fazli & Leila 2013). As suggested by Danes (1994), financial socialization is the process of acquiring and developing values, attitudes, standards, norms, knowledge
and behaviors that contribute to the financial viability and individual well-being. Consequently, studies in financial socialization and financial well-being among young employees in Malaysia is relevant to proceed.

2 Literature Review

2.1 Financial Socialization

Scholars agreed that the socialization process begins in early childhood and continue throughout the life cycle of the individual and most of the financial behavior of adults learned since childhood (Moschis & Churchill 1978; Moschis & Moore 1982; Moschis 1985, 1987). In other words, although the process of socialization is traditionally more focused on children, but this concept is broader because it involves every process when individuals acquire new patterns of behavior and social role in the rest of their lives (Brim 1966). According to Moschis and Moore (1982), the process of socialization refers to the relationship between the individual and the socializing agent and learning process. Most of the previous studies show that individuals acquire financial knowledge and shape financial behavior through interaction with socialization agents like parents and peers during their childhood (Moschis 1987; Churchill & Moschis 1979; Danes 1994). Moschis dan Moore (1978,1982) have defined learning as how individuals acquire the behavior and values of the specific agent of socialization, especially through observation and social interaction. According to Moschis and Churchill (1978), observational learning or modeling involves imitation of the behavior of the agents of socialization. While social interaction or open communication is mechanisms that are not specific and may include a combination of modeling and reinforcement (Moschis & Churchill 1978). Stampfl et al. (1978) refer to the frequency of discussions concerning financial matters as social interaction. In addition, encouragement from the significant person to practice certain skills and norm (Eccles et al. 2013), participation in group discussions or decision-making group and guided financial learning are also categorized as social interaction (Danes & Dunrud 1993, Webley & Nyhus 2006, Whitebread & Bingham 2013).

2.2 Parents and Peers as Socialization Agent

Scholars recognized that parents and peers are the primary socializing agent, plays an important role in shaping the financial knowledge and financial behavior of a person's (Gutter et al. 2010). Each of socialization agent has different functions depending on the stage of the life cycle of individuals and it varies from one individual to the other (John 1999, Sohn et al. 2012). Bowen (2002) has pointed out that parents are the primary source of financial information, followed by peers, who is an additional influence source in the financial socialization. They provide an informal environment in teaching skills and build understanding partnerships of appropriate behavior to children, through this interaction, children acquire information about the financial processes (Danes & Haberman 2007).
Moschis (1984), Ali et al. (2012) dan Schuhardt et al. (2009) have shown how parents greatly influenced the development of financial behaviors of children, either directly or indirectly. They directly influence the communication process such as open interaction by providing clear guidelines regarding financial behaviors. They also influence the behavior of children indirectly by providing opportunities for children to observe their financial behavior (Moschis 1985). Therefore, parents play an important function as a role model in the socialization of children. The importance of the role of parents is described by Rosentreter (2013), parents have at least twenty years to provide financial knowledge before children headed into the job market.

Accordingly, the influence of parents as agents of socialization is very consistent across age groups (Moore et al. 2002). Because early personal finance learning obtained through parents or begin at home (NFCC 2012). However, even parents are the primary agents of socialization among children, friends tend to be the main source of information to them when they reach adolescence age (Moschis & Moore 1980). Thereby peer become an agent of socialization which tends to influence children and become increasingly important as children grow up and have more frequent contact with peers so that they can form a great influence on the teen. Therefore, when a child enters the world of friends and school, many ideas and beliefs are reinforced by those around them (Witt 2000). Furthermore, Abramovitch dan Grusec (1978) have pointed out that behavior of children from age 4 years to 11 years was strongly influenced by the peer, they were found to imitate up to 19 behaviors of peers while played naturalistically for a period of one hour. Making friends also play a major role in the socialization process of children's (Rooij et al. 2007) until their adolescent age (Moschis & Churchill 1978). Apart of that, Moschis dan Churchill (1978) found that there was a positive relationship between the frequency of social learning among adolescents with peers regarding financial matters. More frequently a child interacts with peers, the more acquisition in term of financial knowledge and practicing financial behavior he will acquire. In spite of that, the study found that the greater reliance on the peer, the more time will be spent outdoors. Thus affecting the frequency of adolescents interact with their parents (Gunter & Furnham 1988), so that their interaction with parents tend to decrease. Moschis and Churchill (1978) have suggested that increasing age has a negative correlation with the frequency of social learning with parents about finances but have a positive relationship with peers. Therefore, it is undeniable that peers influence an individual (Bristol & Mangleburg 2005). Although we recognize that parents and peers are agents of socialization that affect the children learn to function as a consumer in the market, we are still not clear with specific roles played by agents of socialization (Shim et al. 2010) in term of acquisition of financial knowledge and financial behavior of individuals.
2.3 Link Between Financial Socialization, Financial Knowledge, and Financial Behavior

The literature review showed that individuals acquire financial knowledge and financial behavior through socialization with agents of socialization. Hilgert et al. (2003) proved that the frequency of observing and interacting with parents and peers in financial matters correlate with the acquisition of knowledge and financial behavior. Early exposure relating to financial concepts give a lasting impression in the financial knowledge and financial behavior (Huddleston et al. 1999, Bernheim et al. 2001). Children tend to learn financial management if more often observe and interact with parents and peers (Gutter et al. 2009) thus promoting children's to practice better financial management (Kim et al. 2011). Even by observing the behavior of savings and investment assets, proved to be an important factor in increasing the savings rate of children (Peng et al. 2007). This because the savings rate was correlated with the saving behavior of parents (Chiteji & Stafford 1999). Financial concepts acquired in the early stages are about spending, saving advantages and priorities between the needs and wants (Solheim et al. 2011, Selcuk 2015). Therefore, socialization process in the early stages of age, a cornerstone to the creation of knowledge and financial behavior that led to the financial well-being of the individual in the future.

2.4 Financial Knowledge

Huston (2010) acknowledged that the terms of financial literacy and financial knowledge are often applied interchangeably in literature and popular media. According to her, despite financial knowledge is an important dimension but have nothing in common with financial literacy. Financial literacy has dimensions of additional applications which show that an individual should have the ability and the confidence to use their knowledge in decision-making. Most scholars define financial knowledge with reference to the basic concepts of financial products. While Kim (2001) refers to the basic knowledge required by human beings to live in modern society. Similarly, Servon and Kaestner (2008) focus on a person's ability to understand and use the concept of financial. Likewise, Jump Start Coalition (2007) defined financial knowledge as the ability to use the knowledge and skills to manage financial resources effectively as financial security for life. Bowen (2002) definition is more concise, understanding of terms and concepts necessary to work every day in the community. While Xiao et al. (2010) associate the financial knowledge with financial behavior. Huang et al. (2013) explain that the financial knowledge refers to an individual's understanding of financial concepts, an indicator of the ability of an individual and is typically used as a measurement or a proxy for financial literacy. Lusardi and Mitchell (2013) focus on the individual's ability to process the economy information and make the right decisions about financial planning, wealth accumulation credit, and retirement. A study by Leila and Laily (2011) in the context of Malaysia defines financial knowledge as an individual's level of knowledge about the concepts, facts and basic
financial information which is the basis of financial. Although Huston (2010) and Remund (2010) concluded that currently no standard instrument for measuring financial knowledge, however, Flynn and Goldsmith (1999) explains there are three (3) different ways to measure and conceptualize financial knowledge, by using objective measurements, subjective assessment, and experience. Scholars usually use the objective measurement of financial knowledge using multiple choice test questions and/or dichotomous questions (Rattray & Jones, 2005). In other words, the objective measurement typically uses knowledge quiz with questions related to specific life domains (Xiao et al. 2014). This approach is common to assess financial knowledge (Cude et al 2013).

Most of the previous studies have found the existence of a positive relationship between financial knowledge and financial well-being (Tamimi & Kalli 2009; Fah et al. 2010; Taft et al. 2013; Murphy 2013). From the economic point of view, some organizations have identified that financial knowledge is essential to improve the quality of life or subjective well-being of their employees (Volpe et al. 2006). Brennan (1998) found that employee who have a higher financial knowledge, tend to have greater efficiency and higher productivity. Thus financial knowledge will help employees to better understand the benefits offered by the organization that can improve their well-being. Furthermore, financial knowledge can help reduce the financial problems of workers and encourage them to be responsible for their own expenses, ultimately improving organizational efficiency (Vitt et al. 2000). Similarly, the high level of financial knowledge among workers can reduce emotional stress and anxiety in the workplace (Kim 2007). That will lead toward the financial well-being of individuals (Vitt et al. 2000; Braunstein & Welch 2002). In fact, there are concerns within the organization that the lack of financial knowledge among employees tends to negatively affect productivity (Garman at al. 1996). This is because the failure to make the right financial decisions can affect productivity in the workplace (Kim & Garman 2003; Volpe et al. 2006). Meanwhile, recent studies also showed that there was a positive relationship between financial knowledge and financial behavior. Individuals who have a high level of financial knowledge tend to practice positive financial behavior. According to Perry and Morris (2005) and Selcuk (2015), individuals who are more knowledgeable about financial matters generally more likely to engage in financial behavior such as expenditure control, budget compliance, bill payments on time, saving and plan for their future. Peng et al. (2007) found a positive correlation between a high level of investment knowledge and a high savings rate among participants. Even participants who scored high in financial knowledge tend to engage in the use of credit cards responsibly (Roob & Woodyard 2011) and using less costly loan (De Bassa Scheresberg 2013). Individuals with higher levels of financial knowledge, tend to engage in the financial plan for the future such as retirement planning and investments in the stock market (Mian 2014). It is clear that the financial knowledge linked with the formation of financial behavior and financial well-being of individuals.
2.5 Financial Behaviour

Garman et al. (1997) and Parotta and Johnson (1998) defines financial behavior as the processes to manage financial resources to achieve financial success in the areas of money management, credit management, retirement planning and financial planning and includes the design, implementation, and evaluation of the financial. Generally, financial behavior covering cash management, expense management, credit management and savings management (Hilgert et al. 2003; Dowling et al. 2009; Xiao et al. 2009, 2014). Ajzen and Fishbein (1980) suggested that the measurement of behavior can be implemented in various ways including through binary variables to establish whether or not a behavior. Additionally, behavior can also be measured using multiple choice, namely to quantify the behavior that has been done or measure the frequency of a behavior. Most studies show that financial behavior will produce positive satisfaction in the financial status and stage of life (Chuan et al. 2011). Huston (2011) acknowledged that positive financial behavior can help individuals to achieve a high level of financial well-being. Similarly, Xiao et al. (2014), suggest a desired financial behavior should generate financial well-being of the individual. Saving behavior is a necessity in accumulating wealth, protect the family from the financial crisis and increasing economic well-being (Lee et al. 2000, Rijckeghem & Ucer 2009). A study by Porter & Garman (1993) and Zaimah et al. (2013) found that worry about debt repayment and meet financial emergencies associated with lower levels of financial well-being of individuals. Otherwise, debt reduction associated with increases in financial well-being (Xiao et al. 2006, Hansen et al. 2008). In fact, expenses that exceed the capabilities and non-performing loans negatively impact the health of individuals (O’neill et al. 2005). If the debt is out of control, it can cause financial hardship and psychological distress (Xiao & Yao 2011). Thus, loan delinquency behavior such as debt payment delay will affect the chances for a further credit in the future adversely affect the financial well-being (Getter 2006).

2.6 Financial Well-being

Generally, financial scholars defined the financial well-being as a person's attitude towards financial status based on objective indicators and subjective perception. The objective indicator is the financial situation of a person such as the size of income, debts, savings and financial aspects, while subjective perception capabilities include a satisfaction with the current financial situation and future financial (Porter 1990, Cox et al. 2009). In addition, Prawitz et al. (2006) defined the financial well-being as a person's feelings about the current financial situation. With the focus on perceptions and feelings about the financial situation and not on income or other assets. Woodyard dan Robb (2012) refers the term of financial satisfaction and financial health as equivalent to the entire financial well-being, which is a reference to the subjective assessment of an individual's personal financial situation which focuses on perception and feelings about their financial
situation. Most scholars described the financial well-being as a multidimensional concept and include comprehensive financial satisfaction, financial situation objectively status, attitude and behavior of a person and can not be evaluated using only a single measurement (Joo 2008). Accordingly, the financial well-being measurement commonly used objective and subjective measurements methods (Joo & Garman 2004; Xiao et al. 2006). Objective Measurement will contribute more tangible evidence and easier to understand (Taft et al. 2013) and designed to evaluate the objects that represent reality (Grable et al. 2013). However, that approach can not provide information on the financial condition of individual perception (Porter & Garman 1993). Instead, Tarft et al. (2013) argued, the subjective approach allows researchers to identify thoughts, feelings, and perceptions about a person's financial status. The assessment linking individual satisfaction with the current financial situation and their future (Zaimah et al. 2013). Even Porter & Garman (1993) proved that the perception regarding the value is the most significant single predictor of the financial well-being of individuals. Positive or negative perceptions of individuals in the financial situation affect the overall subjective financial well-being and subjective measure of the financial domain is important in measuring the financial well-being. This is recognized by Prawitz et al. (2006) that the subjective measure not only examines how the financial situation can be seen, but can meet the requirements that do not be provided through objective measurement. Furthermore, O'Neill et al. (1999) agreed that the subjective measure provides a better explanation to understand a consumer's financial practices, indeed also help the researchers to study consumer perceptions about the financial situation and the response of consumers to its financial condition. Even a subjective measure is relevant because of the increasing focus on the perception of the individual person rather than the objective situation, This is because the two individuals with the same income may experience a different level of financial well-being (Ferrer-i-Carbonell & Gerxhani 2011). Accordingly, Prawitz et al. (2006) have come up with subjective measurement of financial well-being which included several questions related to attitude, behavior, control and confidence in the financial aspects using the instruments Incharge of Financial Distress/Financial Well-being (IFDFW). However, subjective well-being has a positive relationship with job performance (Sirgy et al. 2006). An organization made up of individuals who are positive and satisfied viewed more successful. Similarly, employees who have the higher level of well-being is more productive and firms that have happy employees tend to generate profit and have a higher share price (Diener 2016). Furthermore, employees who are experiencing difficulties in financial issues are likely to affect their effectiveness in the workplace because of the focus on financial worries. These feeling affect the confidence of employee and reduce the concentration at work, increased absenteeism, presenteeism, and tardiness which affecting their productivity and become a major impact on employers (Van Praag et al. 2003; Kim & Garman 2003; Garman et al. 2004). Financial pressures caused serious financial loss to the employer and the state due to the costs of economic and social. (Tsai et al. 2009). Again, the financial well-being of employees is important not only
to the individual but also at the aggregate level, which contributed to the efficiency and economic growth (Ali et al. 2015).

3 Research Purpose and Hypothesis

This study used the Theory of Consumer Socialization (Moschis 1978) as an underpinning theory of the study. By presenting a discussion on how the theory is effective to describe the financial development of young employees. For this reason, The aim of this study was to test the relationships between financial socialization, financial knowledge, financial behaviour and financial well-being of Malaysian Young Employees, with the assumption that if an understanding of the financial development process starting from early socialization can be improved, it can explain the factors that affect the financial well-being of young employees. In particular, the hypothesis of this study are;

H01 There was no significant correlation between observation of parents and peers behavior and financial knowledge.

H02 There was no significant correlation between observation of parents and peers behavior and financial behavior.

H03 There was no significant correlation between financial interactions with parents and peers and financial knowledge.

H04 There was no significant correlation between financial interactions with parents and peers and financial behavior.

H05 There was no significant correlation between financial knowledge and financial behavior.

H06 There was no significant correlation between financial knowledge and financial well-being.

H07 There was no significant correlation between financial behavior and financial well-being.

4 Method

4.1 Participants and Procedure

A total of 391 young employees aged between 20 to 40 years from rural areas involved in this study. Studies used systematic random sampling techniques and data collected through a questionnaire self-reporting mode. Pearson correlation coefficient method was applied. The study was conducted in two districts in a state in Malaysia involving the 7794 list of the sampling frame. Distribution of the
questionnaire involves two phases, in the first phase, 270 participants who were selected as the sample has filled the questionnaire in a youth event organized by youth associations of the area. In the second phase, 270 questionnaires were distributed to samples in collaboration with the local youth association. The average return rate of questionnaires for both the area is more than 75%. All of the participants were young employees who work in rural areas.

4.2 Measures

The instrument consists of five (5) sections, The first section measured the frequency of participants in observing and interacting with parents and peers regarding their financial matter in the early growth until the age of 17 years. There are 20 items that required participants to indicate how frequently they observe and interact with parents and peers in financial matters using a five-point Likert scale 1 (never) to 5 (often). The instrument is adapted based on The Social Learning Opportunities instruments by Gutter et al. (2009) and The Direct Parent Teaching instruments by Shim et al. (2010). Cronbach’s alpha was .89. Alteration of the original instruments in order to meet the specific needs of a study has been done in some previous research. The second section assesses the level of objective financial knowledge among participants with adopting The Financial Knowledge instruments by Mohamad Fazli (2011). The instrument consists of 15 items related to the basic concepts of personal finance. Participants were asked to answer 15 true-false quiz questions. Cronbach’s alpha was .69. The third section required participants to identify their financial behavior practices, modified from the instruments of financial behavior by Hilgert et al. (2003). The instrument consists of 14 items that measure the financial management practices includes cash management, credits, saving and general financial management. Participants were asked to indicate on four-point Likert scale 1(strongly disagree) to 4 (strongly agree). Cronbach’s alpha was .82. The next section assesses the level of financial well-being of participants using Incharge of Financial Distress / Financial Well-being (IFDFW) instrument developed by Prawitz et al. (2006) consisted of 8 items. Cronbach’s alpha for IFDFW instruments was .89. The last section consists of questions related to the demographic and socioeconomic status of participants. The reliability of the instruments in the study showed internal consistency between .69 to .89, indicating good to very high level of internal consistency. According to Kline (2000), an alpha value of 0.69 is acceptable in a study.

5 Research Findings

5.1 Demographic and Socioeconomic Status

The sample was composed of 64% males and 36% females. A total of 74 participants (19 %) is the X generation of individuals born between 1965 to 1980. While the rest from Generation Y, born between 1981 to 2000. Participants aged
between 31 years to 35 years had the lowest (16 %), while participants aged between 20 years and 25 years showed the highest percent (36 %). The remaining aged 26 years to 30 years (33 %). Nearly 80 percent of the participants are non-graduate such as diplomas, skills certificates, community colleges and polytechnics. Besides, participants who have professional qualification only 8.

Employment information indicates a total of 135 participants (35 %) worked in the public sector, 149 participants (38 %) were private sector while the remaining are self-employed. The number of participants who earn below the poverty line (PGK) showed higher trend compared to the participants earning more than RM5001 which is 29 participants. The others are in the range of income between RM831 to RM5000 covers 79 percent of the total participants. In terms of parents’ education attainment, most of the participants (83%) was raised by parents who did not have the qualification of the degree instead of 17 percent of parents who have the tertiary academic qualification.

5.2 Inferential Statistics

Table 1. Pearson Correlation between Observation of Parents Behavior and Financial Knowledge

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<thead>
<tr>
<th>Observation of parents behavior</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
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<td></td>
<td>0.232(**)</td>
<td>0.000</td>
<td>391</td>
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The findings show there is a positive but weak magnitude between observation of parents financial behavior and financial knowledge ($r = 0.232$, $p <.05$), which more frequently observing the behavior of their parents, the higher the score financial knowledge obtained. However, only 5.38 percent of the variance of financial knowledge can be explained by the observation of the parent’s behavior.

Table 2. Pearson Correlation between Observation of Parents Behavior and Financial Behavior

<table>
<thead>
<tr>
<th>Observation of Parent Behavior</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
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<td></td>
<td>0.474(**)</td>
<td>0.000</td>
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The findings show there is a positive and strong correlation between observation of parents financial behavior and financial behavior ($r = 0.474$, $p <.05$), which more frequently observing the behavior of their parents, the higher the score obtained on financial knowledge. A total of 22.46 percent of the variance in financial behavior can be explained by the observation of parents financial behavior.
In addition, there is a positive, but weak correlation between observation of peers behavior and financial behavior ($r = .283$, $p < .05$), which more frequently participants observing the behavior of their peers, are more likely to practice better financial behavior. A total of 8 percent of the variance in financial behavior can be explained by observation of their peer’s financial behavior.

The study also shows there is a positive correlation but weak strength between financial interaction with parents and financial knowledge ($r = .174$, $p < .05$), the more frequent interaction between participants and parents in financial matters, the better of financial knowledge score indicated. However, only 3 percent of the variance in financial knowledge can be explained through financial interaction with parents. Besides, the study revealed that there was no relationship between the observation of behavior and financial interaction with peers in financial knowledge.

The results show a positive and strong relationship between financial interaction with parents and financial behavior ($r = .478$, $p < .05$), which more frequently participants engage in finance matter with their parents, the higher the likelihood of participants to practice positive financial behavior. A total of 22.8 percent of the variance in financial behavior can be explained through financial interaction with parents.
Table 6. Pearson Correlation between Financial Interaction with Peers and Financial Behavior

<table>
<thead>
<tr>
<th>Financial Interaction with Peers</th>
<th>Pearson Correlation</th>
<th>Sig. (2- Tailed)</th>
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<td>.317(**)</td>
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Similarly, there is a positive and moderate relationship between financial interaction with peers and financial behavior (r = .317, p <.05), the increasingly frequent financial interactions between participants with their peers, the participants were more likely to practice the recommended behavior. 10 percent variance in financial behavior can be explained by the financial interaction.

Table 7. Pearson Correlation between Financial Knowledge and Financial Behavior

<table>
<thead>
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<th>Financial Knowledge</th>
<th>Pearson Correlation</th>
<th>Sig. (2- Tailed)</th>
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Statistical analysis shows there is a positive but weak correlation between financial knowledge and financial behavior (r = .194, p <.05), the higher the score of financial knowledge, the more positive financial behavior were practiced. But the variance in financial behaviour can only be explained as much as 3.76 percent by the financial knowledge. This shows that there are other factors can influence the financial behavior other than financial knowledge.

Table 8. Pearson Correlation between Financial Knowledge and Financial Well-Being

<table>
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<tr>
<th>Financial Knowledge</th>
<th>Pearson Correlation</th>
<th>Sig. (2- Tailed)</th>
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Statistics find that there is a positive but weak relationship between financial knowledge and financial well-being (r = .151, p <.05), the higher the score in the financial knowledge, the better they achieved in financial well-being. But the variance in scores of financial well-being can be explained only 2.2 per cent by the financial knowledge. This showed that there were other factors that affect participants financial well-being.
Table 9. Pearson Correlation between Financial Behavior and Financial Well-Being

<table>
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<tr>
<th>Financial Behavior</th>
<th>Pearson Correlation</th>
<th>Sig. (2-Tailed)</th>
<th>N</th>
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<tr>
<td>Financial Behavior</td>
<td>.343(**)</td>
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The analysis shows that there is a positive and medium relationship between financial behavior and financial well-being \( (r = .343, p < .05) \), the higher the score in financial behavior, the better participants achieved in financial well-being. A total of 11.76 percent of the variance in the financial well-being could be explained by financial behavior.

6 Discussion

Analysis of this study proved that financial knowledge can be obtained through the observation and interaction of financial behavior of socialization agent. This finding supports the argument by Jorgenson and Savla (2010) which contrary to most scholars that the financial knowledge can also be obtained through observation other than financial interaction. The findings also indicate that learning through observation and interaction with parents and peers in terms of finance, participants tend to develop financial behavior. This empirical evidence supports the argument of many scholars like Moschis (1987), Danes (1994), Hilgert et al. (2003), Shim et al. (2009), Jorgensen & Savla (2010), Kim et al. (2011) and Mohamad Fazli et al. (2012). A noteworthy finding that parents as agents of socialization are very influential on the development of the children financial world either directly and indirectly starting from the beginning of the growing period. Parental influence is stronger than peers. Therefore, parents need to be more aware of the importance of their role in the formation of financial knowledge and financial behavior of their children. The findings also show that financial knowledge is also related to the formation of the financial behavior of the participants. This supports the recommendations of scholars like Hilgert et al. (2003), Cude et al. (2006), Peng et al. (2007), Shim et al. (2010) and Delafrooz and Paim (2011) that participants who scored higher financial knowledge is also practiced financial behavior in cash management, debt management, savings and investment management. The study also found that there is a positive relationship between financial knowledge and financial well-being, revealed that the participants who received a high score in financial knowledge tend to show a high score in financial well-being (Hogarth et al., 2002; Joo & Grable, 2004). It concordance with suggested by the most scholars that the practice of financial behavior positive related with the better financial well-being (Porter & Garman 1993; Joo & Garman, 1998; Kim et al., 2004; Gutter & Copur 2011). Mohd Fazli and Leila (2013) found that individuals who knowledgeable in personal finance, are likely to achieve higher financial well-being compared to participants who
received a lower level of knowledge. This was demonstrated by a positive relationship between financial behavior and financial well-being of participants. While practicing negative financial behavior tend to get the lower level of financial well-being.

7 Conclusions

Consumer socialization theory (Moschis 1978) is effective in describing the path to achieving financial well-being for the young employees. The process of learning through observation and financial interaction with parents and peers during the early years is able in determining the success of young employees to obtain financial well-being. More importantly, parents need to be aware of the importance of their role in the early stages of the education process of children, trying to model and interact with children in appropriate financial topics as preparing children to function in the world economy of adults. Because their influence is more significant than peers for rural children. In Asian societies, parental influence is very prominent in many aspects of life. They have the authority, responsibility and children are taught to respect their parents (Chao & Tseng). So parents need to take the opportunity to model positive financial behavior to their children because of their enormous influence on children. The financial subject can no longer be considered taboo in society, children should be exposed to more difficult financial topics such as investment and insurance, so they are better prepared for an increasingly wide range of financial products. Although Asia society often assume that the boys should be given priority compare to girls in managing family wealth, as a son would continue the legacy of their parents and will take care of parents in old age, but with the increase of girls who get higher education than their counterpart, therefore financial education should be taught regardless of gender differences. With limited internet facilities in some of the rural areas make it difficult for children to get financial information, making parental responsibility in delivering financial knowledge is critical in the rural area. Parents should bring their children to buy the useful thing at the market by exposing them in the purchase of needs and wants, record purchases by priority so that children know the function of money and learn to be smart shoppers. Similarly, parents need to provide opportunities for children to talk about the importance of financial management. By showing how to manage daily expenses, saving benefit and open a savings account at the bank. Because opening a bank account is the entry ticket to the real world of finance. In the other hand, the young employees should also be aware of the need to have the right financial skills in order to play a more active and responsible regarding their personal finance in the current financial challenges. With limited financial knowledge among parents in rural areas, young employees should strive to interact and model the behavior of their peers who have been successful. Past studies have found that peers are influential in the selection of financial products (Bachmann et al. 1993), therefore young workers need to get the right advice from their peers in making decisions about loans, asset purchases and savings for retirement to avoid the high
cost. In conclusion, apart from the fact that the influence of parents is very important in shaping the basic financial knowledge and financial behavior for young employees in rural areas, peer influence also can not be denied to accommodate the lack of financial knowledge among parents in rural areas. Thus, by having the right financial knowledge and practice positive financial behavior, young employees can obtain financial well-being. This study strengthens the earlier expectations that the theory of consumer socialization can be the cornerstone of achieving financial well-being, especially young employees in rural areas.

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References


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