Jurnal Bisnis, Ekonomi, Manajemen dan Kewirausahaan

| ISSN (Online) 2797-1988 | ISSN (Print) 2797-2003 |

DOI: https://doi.org/10.52909/jbemk.v4i2.186

Contribution of Financial Experience in Improving the Financial Well-Being of the Surabaya Society: The Role Of Financial Behavior as a Mediator

Nadella Putri Shintani[1], **Rr. Iramani**[2], **Lutfi**[3]
[1] Hayam Wuruk Perbanas, Indonesia
[2] Hayam Wuruk Perbanas, Indonesia

Corresponding Author: iramani@perbanas.ac.id.[1]

Abstract: ***Purpose***: *This study aims to examine the effect of financial experience on the financial well-being of Surabaya people. In this study, it also examines the role of financial behavior as mediating the relationship between financial experience and financial well-being.* ***Methods***: *This study uses a causality design because it aims to explain the effect of exogenous variables on endogenous variables. This research is primary research because it uses primary data obtained by survey method. The sample size was one hundred and twenty-five people in Surabaya who were taken using purposive technique. To test the hypothesis, Partial Least Square was used by utilizing WarpPLS software.* ***Results***: *The results found in this study are* financial experience is proven to have a direct or indirect effect through financial behavior on financial well-being. It can be concluded that high financial experience will improve financial well-being. Another result obtained is that financial behavior is able to partially mediate the effect of financial experience on financial well-being.

Implications: *The implication is that Surabaya people are advised to increase their financial experience so that their financial well-being increases. High financial experience supported by good financial behavior will make a person have a high perception of financial well-being because of a sense of satisfaction or not being depressed about their financial condition.* ***Additional materials***: *There are two table, one figure and seventeen references.*

Keyword: Financial Experience, Financial Behavior, Financial Well-Being

INTRODUCTION

Financial well-being is a topic in finance that is highly relevant to research today. Financial well-being is a condition in which a person has control over daily finances, can overcome financial problems, is on track towards their financial goals, and has the financial freedom to make choices that can make them enjoy life. Financial well-being also reflects the financial status in which a person or family has sufficient resources to live a comfortable, financially healthy, happy, and worry-free life (Iramani & Lutfi, 2021). One of the factors that influence financial well-being is individual financial behavior.

Financial experience indicates how much a person has used financial products, such as savings, deposits, credit, capital market instruments, insurance, mutual funds, and other financial products (Hogarth & Hilgert, 2002). Experience in terms of managing finances is necessary for future survival and is a very valuable and important learning so that financial decision making can be structured. Therefore, adequate financial experience is needed to achieve financial well-being. The results of Iramani & Lutfi's research (2021) show that financial experience has a positive effect on financial well-being.

The second factor that influences efforts to improve financial well-being is the aspect of financial behavior. Manurung (2012) defines financial behavior as studying how humans behave in a financial determination. Financial behavior relates to a person's financial responsibility related to how finances are managed. Individuals and families who have good financial behavior can improve their financial well-being. Therefore, the better a person's financial management, the better the level of financial well-being that person has. This is also supported by the results of the Iramani & Lutfi (2021) study which shows that financial behavior has a positive effect on financial well-being.

Financial behavior can influence financial well-being based on financial experience. People with good financial behavior tend to have higher levels of financial well-being. According to Purwidianti & Mudjiyanti (2016) and Ameliawati & Setiyani (2018), a person's financial behavior tends to improve with greater financial experience. When individuals exhibit good financial behavior, it becomes easier for them to achieve financial well-being. This is further supported by the findings of the Iramani & Lutfi (2021) study, which indicates that financial behavior can mediate the impact of financial experience on financial well-being.

The financial condition of Surabaya City, a large metropolitan city in East Java, deserves special attention. High local revenue allows the government to provide better public services, such as education and health, which directly contribute to the quality of life of the community. Based on BPS data (2023) Surabaya City as a regional business and trade center, has a high regional income, namely GRDP at current prices by business field of 715294.71 billion rupiah. Meanwhile, based on BPS data (2023) the open unemployment rate (TPT) in Surabaya City is quite high at 6.76%. TPT (Open Unemployment Rate) is the percentage of the number of unemployed to the total labor force. Meanwhile, the labor force is the working-age population (15 years and over) who work or have a job but are temporarily unemployed, and unemployed. On the other hand, a low unemployment rate reflects good economic health, where more individuals have jobs and stable incomes. This matters because high unemployment can lead to economic instability, reduce people's purchasing power, and increase reliance on social assistance (Smith & Johnson, 2020).

Based on the gap research described above, this research aims to re-examine the relationship between financial experience, financial behavior and financial well-being. This research really needs to be carried out on the people of Surabaya who incidentally have high financial experience. The novelty in this research is that financial behavior is included as a mediating variable in the financial well-being model for the people of Surabaya.

METHOD

This research uses a quantitative approach because it focuses on collecting numerical data and statistical analysis to answer research questions and test hypotheses. This study uses a causality design because it aims to explain the effect of financial experience (exogenous variable) on

financial well-being (endogenous variable). The population of this research is the people of Surabaya. The sample was taken using purposive sampling where the criteria were: 1) Surabaya residents, 2) monthly income at least equivalent to the minimum wage of Surabaya city. The number of respondents was one hundred and twenty-five people. Data collection was carried out using a survey method, namely by distributing questionnaires both online and offline.
The variables observed in this research include: 1) financial well-being as an endogenous variable (Y), 2) financial experience as an exogenous variable (X) and 3) financial behavior as a mediating variable (Z). Research variable indicators are measured using an interval scale, namely a Likert scale. The research instrument was tested for validity using loading factors and AVE, while reliability was tested using Cronbach alpha. The indicator is proven valid for measuring variables if the factor loading values are at least 0.5. The research instrument is proven to be reliable if the Cronbach alpha value is more than 0.6. To test the hypothesis that will be tested in this research, Partial Least Square (PLS) is used through the following stages: 1) evaluating the outer model, 2) evaluating the inner model and 3) testing the hypothesis. The research hypothesis will be accepted if the $p_{value} < 0.05$.

RESULTS AND DISCUSSION

In this section, the results of the research will be described which include respondent profiles, validity and reliability test results as well as the results of data analysis obtained using PLS.

Respondent Profile

Respondents in this study consisted of 125 people from Surabaya. Based on age. The majority of respondents were aged 20-30 years, which is 84%, the rest were aged 30-50 years. This can be explained that the respondents in this study were people from Surabaya who were still working and earning an income. The last education of the respondents was mostly undergraduate, which was 57%, the rest were high school and postgraduate. The majority of respondents worked in the private sector, which was 80%, the rest were civil servants and entrepreneurs

Validity and Reliability Result

Table 1 presents a summary of the results of the validity and reliability tests of the data obtained in this study.

Table 1. Validity and Reliability Result

Variable	Indicator	Item	Loading Factor	Composite Reliability	Cronbach's Alpha
Finnacial well-being	Finnacial stress	FWB1	(0.704)	0.888	0.842
	Finnacial satisfaction	FWB2	(0.836)		
	Financial convenience	FWB3	(0.864)		
	Financial worries	FWB4	(0.775)		
	Financial trust	FWB5	(0.731)		
Financial experience	Banking product experience	FE1	(0.625)	0.812	0.700
	Pension fund experience	FE2	(0.799)		
	Insurance product experience	FE3	(0.687)		
	Capital market product experience	FE4	(0.764)		
Financial behaviour	Periodically set aside funds for savings	FB 1	(0.762)	0.841	0.763
		FB2	(0.731)		

Periodically set aside funds for investment		
Financial control	FB3	(0.636)
Funding allocation for emergency funds	FB4	(0.765)
Funding allocation for pension funds	FB5	(0.686)

Sources : survey result, data processed

Based on Table 1, it can be seen that the loading value of all indicators is more than 0.5. This can be explained that all indicators of each variable are proven valid. The Cronbach alpha value of all variables is more than 0.6. This can be explained that the data obtained in the study are reliable.

Hypothesis Testing Results

The purpose of this study is to examine the influence of financial experience on financial well-being both directly and indirectly through financial behavior. The complete test results are presented in Table 2.

Tabel 2. Hypothesis Testing Results

Variable relationship	Coefficient	P-Value
Direct Effect		
FE→ FWB	0.235	<0.01
FB → FWB	0.163	0.031
FE → FB	0.547	<0.01
Indirect Effect		
FE→ FB→ FWB	0.089	0.028
R-Square of FB	0.299	
R-Square of FWB	0.118	

Sources : survey result, data processed

Remark : FE = financial experience; FB = financial behaviour; FWB = financial well-being

Based on Table 2, it can be seen that financial experience has a direct effect on financial well-being with pvalue <0.01. Furthermore, financial experience has an effect on financial behavior (p_{value} <0.01) and financial behavior has an effect on financial well-being (p_{value} = 0.03). This can be explained that financial behavior mediates the effect of financial experience on financial well-being. This is also proven by the indirect effect of financial experience on financial well-being where p_{value} = 0.028. The Rsquared value of financial well-being is 0.118. This can be explained that the contribution of financial experience to financial well-being directly is 11.8%, the remaining 88.2% is influenced by other variables outside the model. The small Rsquare value indicates that the model found in this study is classified as a weak model. The relationship model of financial experience, financial behavior and financial well-being found in the research is presented in Figure 2 below:

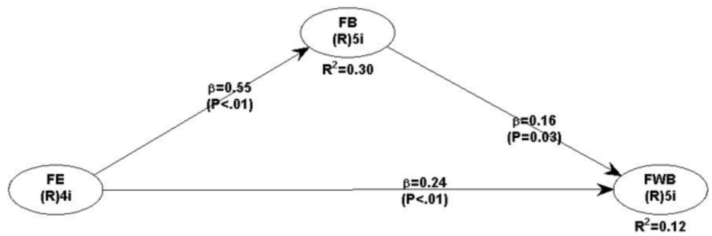

Figure 2 : The relationship model of financial experience, financial behavior and financial well-being

Sources : survey result, data processed

DISCUSSION

The influence of financial experience on financial well-being

Financial experience shows the extent to which a person has used financial products, such as savings, deposits, credit, insurance, mutual funds, pension funds and various other financial products (Hogarth & Hilgert, 2002). Good financial experience will improve financial well-being. The results of the first hypothesis test in this study, namely H1, can be supported, which successfully proves that financial experience has a positive effect on well-being. The more savings accounts or deposits or mutual funds a person has, the more comfort and satisfaction a person has with their financial condition. Owning insurance will also make a person feel calm about the security of the assets they own. The results of this study are in line with the results of a study conducted by (Sabri et al., 2024). Someone who has experience in managing money, such as managing savings, investments, and credit, has a better perception of financial well-being. These results also support the results of previous research conducted by Brilianti & Lutfi (2020). Financial experience will help someone manage their finances better. Someone with a lot of financial experience is better able to manage their assets and income to improve their financial well-being. Finally, the results of this test also support the results of the study by Iramani & Lutfi, (2021) which successfully proved that financial experience has a positive effect on financial well-being

The role of financial behavior as a mediator of the effect of financial experience on financial well-being

Based on the test results, it is proven that financial behavior affects financial well-being. The results of this test are in line with research conducted by Mokhtar & Husniyah, (2017) which states that financial behavior has a positive and significant effect on financial well-being. This is also supported by Iramani & Lutfi's research, (2021), which also proves that financial behavior has a positive effect on financial well-being. A person's good financial behavior is also determined by the financial experience that a person has, as the results of the Iramani & Lutfi study, (2021). The test results presented in Table 2 also prove that financial experience affects financial behavior. These results support studies conducted by (Purwidianti & Mudjiyanti, 2016); (Ameliawati & Setiyani, 2018) and (Brilianti & Lutfi, 2020). Thus it can be explained that financial behavior is able to mediate the effect of financial experience on financial well-being.

CONCLUSION

Based on the analysis and discussion described in the previous section, it can be concluded that financial experience is proven to have a direct or indirect effect through financial behavior on financial well-being. It can be concluded that high financial experience will improve financial well-being. Another result obtained is that financial behavior is able to partially mediate the effect of financial experience on financial well-being.

The financial well-being model found in the study is still weak. Therefore, for future research, it is recommended to examine a more comprehensive financial well-being model by completing variables other than the variables that have been studied, for example financial knowledge, financial attitudes, locus of control or others.

REFERENCES

Ameliawati, M., & Setiyani, R. (2018). The Influence of Financial Attitude, Financial Socialization, and Financial Experience to Financial Management Behavior with Financial Literacy as the Mediation Variable. *KnE Social Sciences*, *3*(10 SE-Articles). https://doi.org/10.18502/kss.v3i10.3174

Brilianti, T. R., & Lutfi, L. (2020). Pengaruh pendapatan, pengalaman keuangan dan pengetahuan keuangan terhadap perilaku keuangan keluarga di kota Madiun. *Journal of Business and Banking*, *9*(2), 197. https://doi.org/10.14414/jbb.v9i2.1762

Hogarth, J. M., & Hilgert, M. A. (2002). Financial Knowledge, Experience and Learning Preferences: Preliminary Results from a New Survey on Financial Literacy. *Consumer Interest Annual*, *48*(1), 1–7.

Huston, S. J. (2010). Measuring Financial Literacy. *Journal of Consumer Affairs*, *44*(2), 296–316. https://doi.org/https://doi.org/10.1111/j.1745-6606.2010.01170.x

Iramani, R., & Lutfi, L. (2021). An integrated model of financial well-being: The role of financial behavior. *Accounting*, *7*(3), 691–700. https://doi.org/10.5267/j.ac.2020.12.007

Joo, S. (2008). *Personal Financial Wellness BT - Handbook of Consumer Finance Research* (J. J. Xiao (ed.); pp. 21–33). Springer New York. https://doi.org/10.1007/978-0-387-75734-6_2

Luis, L., & MN, N. (2020). Pengaruh Pengendalian Diri, Literasi serta Perilaku Keuangan Terhadap Kesejahteraan Keuangan. *Jurnal Manajerial Dan Kewirausahaan*, *2*(4), 994. https://doi.org/10.24912/jmk.v2i4.9883

Manurung, A. H. (2012). Teori Perilaku Keuangan (Behaviour Finance). *Economis of Management*, *41*(4), 1–13.

Mokhtar, N., & Husniyah, A. R. (2017). Determinants of financial well-being among public employees in Putrajaya, Malaysia. *Pertanika Journal of Social Sciences and Humanities*, *25*(3), 1241–1260.

Nababan, D., & Sadalia, I. (2012). Analisis Personal Financial Literacy dan Financial Behavior Mahasiswa Strata I Fakultas Ekonomi Universitas Sumatera Utara. *Jurnal Ekonomi Media Informasi Manajemen*, *1*(1), 1–16.

Purwidianti, W., & Mudjiyanti, R. (2016). Analisis Pengaruh Pengalaman Keuangan Dan Tingkat Pendapatan Terhadap Perilaku Keuangan Keluarga Di Kecamatan Purwokerto Timur. *Benefit, Jurnal Manajemen Dan Bisnis*, *1*(2), 141–148.

Sabri, M. F., Anthony, M., Law, S. H., Rahim, H. A., Burhan, N. A. S., & Ithnin, M. (2024). Impact of financial behaviour on financial well-being: evidence among young adults in Malaysia. *Journal of Financial Services Marketing*, *29*(3), 788–807. https://doi.org/10.1057/s41264-023-00234-8

Setiawan, H., & Iramani, R. (2023). *Financial Well-Being Model for Bank Employees : the Role of Financial Behavior as a Mediator*. *26*(2), 67–81. https://doi.org/10.14414/jebav.v26i2.3948

Setiyani, R., & Solichatun, I. (2019). Financial Well-being of College Students: an Empirical Study on Mediation Effect of Financial Behavior. *KnE Social Sciences*. https://doi.org/10.18502/kss.v3i11.4026

Statman, M. (2008). What Is Behavioral Finance? In *Handbook of Finance*. https://doi.org/https://doi.org/10.1002/9780470404324.hof002009

Yulianti, N., & Silvy, M. (2013). Sikap Pengelola Keuangan dan Perilaku Perencanaan Investasi Keluarga di Surabaya. *Journal of Business and Banking*, *3*(1), 57–68.

Zulfiqar, M., & Bilal, M. (2016). Financial Wellbeing is the Goal of Financial Literacy. *Research Journal of Finance and Accounting*, *7*(11), 94–103. www.iiste.org