

The Effects of Financial Knowledge and Financial Management in Objective and Subjective Financial Satisfaction

This study examines the relationships between financial knowledge, financial management, and objective and subjective financial satisfaction. Data used were taken from 331 households surveyed in Seoul and Kyeonggi-do, Korea. The results showed that the households with more financial knowledge tended to do more with both financial management planning and financial management implementation. The households doing more financial management implementation were found to have more subjective financial satisfaction, and those doing more financial management planning were found to have more objective financial satisfaction than others. Also, a positive relationship was found between objective financial satisfaction and subjective financial satisfaction.

**Dongpil Cho, Sangmyung University¹
Se-Jeong Yang, Sangmyung University²**

Introduction

With an unstable economic status brought about by rapid changes in economic environments, the widespread concerns of family financial management in Korea has drawn attention. Many books about containing financial management skills and financial management knowledge have been published so far. Researchers in the field have also shown increasing interest in these issues. Most researches have focused on the relationship between financial management and subjective financial satisfaction (Lown & Ju, 1992; Kim, 1999, etc.). But few studies have focused on the effect of financial knowledge on financial satisfaction, and no study was found that considered financial satisfaction as the two separate categories of subjective and objective financial satisfaction. The purpose of the present study is to examine the relationships between financial knowledge, financial management, and objective financial satisfaction and subjective financial satisfaction.

Variables and Models

The operational definitions for the four major variables were developed. Financial knowledge was measured by the number of right answers to 20 questions regarding income, tax, expenditure, credit, savings, insurance, etc. Financial management was adopted by an average of 5 likely scales on 20 questions regarding financial management. Subjective financial satisfaction was the average of satisfaction in the six financial categories of income, expenditure, savings, insurance and emergency funds, debts, and retirement planning. Objective financial satisfaction was the number meeting the standards on the 7 financial ratios of expenditure/income, financial assets/expenditure, debts/assets, monthly debt payment/income, investment assets/assets, monthly insurance/income, and financial assets/assets.

The models for the studies were as follows:

- Financial Management = f (financial knowledge, other family characteristics)
- Objective financial satisfaction = f (financial knowledge, financial management, other family characteristics)
- Subjective financial satisfaction = f (financial knowledge, financial management, other family characteristics)

Data and Analysis

The data used in the study were taken from 331 households surveyed in Seoul and Kyeonggi Do, Korea. The Average age of the householders was 38.1 and the average household size was 3.4. The average monthly income was 3,625\$. Among the sample households, 38.4% were employed-wife households, and

58.0% of householders had white-collar jobs. The data analysis was done using the SAS-PC program. Various statistical techniques were utilized, such as frequency, One-way Anova, and multiple regression analysis.

Results

Descriptive and Anova analyses

The average score on financial knowledge was .554, which meant that the ratio of right answers by the respondents was 55.4%. The highest scores were about basic financial knowledge, while people had lowest scores on tax and credit. The results of the Anova analysis showed that older respondents had better financial knowledge than younger respondents. With more assets, the households tended to have more financial basic knowledge about tax and insurance.

The households with fewer members were found to have more financial knowledge on credit/debts. The results also showed that the households with more financial knowledge tended to do more in both financial management planning and implementation than others. The average for financial management was 3.4 out of 5. Financial management planning was 3.35, which was somewhat lower than the 3.48 on financial management implementation. The average for objective financial satisfaction was 5.1 out of 7. The average for subjective financial satisfaction was 2.91 out of 5.

Regression analyses

The results of multiple regression analysis showed that the households with more financial knowledge tended to do more in both financial management planning and financial management implementation, after other variables were controlled. The households with more financial knowledge did not have any relationship with objective financial satisfaction, and even had a negative relationship with subjective financial satisfaction. The households doing more financial management implementation were found to have more subjective financial satisfaction, and those doing more financial management planning were found to have more objective financial satisfaction than others. Also, a positive relationship was found between objective financial satisfaction and subjective financial satisfaction.

References

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1Graduate student, Department of Consumer and Housing Studies

2Associate Professor, Department of Consumer and Housing Studies