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The Influencing Factors of Financial Satisfaction by Moderating Financial Literacy

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A B S T R A C T

One of the areas most affected by this pandemic is the financial sector, starting from finance in the macro (world) scope to the micro (family) sphere. The family finance sector is the basic support for the country's economic progress. Micro-scale financial policies are primarily aimed at underprivileged families in the form of direct cash assistance. This study aims to determine the effect of financial distress and domestic debt on financial satisfaction with financial literacy as a moderator. This research was carried out on lecturers and education staff at Hasyim Asy'ari University Tebuireng Jombang, using quantitative methods. Hypothesis testing using PLS-based SEM, with a research sample of 50 respondents. The results of this study state that 1) Financial distress influences financial satisfaction; 2) Domestic debt is not proven to influence financial satisfaction; 3) Financial literacy influences financial satisfaction; 4) The interaction between domestic debt and financial literacy has no effect on financial distress; 5) The interaction between financial distress and financial literacy has no effect on financial satisfaction.

INTRODUCTION

The pandemic period which has been running for approximately 2 years has had a very significant impact in various fields. One of the areas most affected is the financial sector, ranging from finance in the macro (world) scope to the most micro sphere, namely the family. The family finance sector is the basic support for the country's economic progress. Various policies in the economic and finance sectors have been issued by the government in order to maintain economic sustainability for the Indonesian population. Micro-scale financial policies are primarily aimed at underprivileged families in the form of direct cash assistance. These financial policies are realized in accordance with the theme of the 2021 state budget and revenue expenditure draft (RAPB) as conveyed on the social media of the Ministry of the Economy.

Raprayogha (Raprayogha & Rusnawati, 2020)resulted in research that hedonistic lifestyle has a significant influence on financial behavior, financial behavior has a positive and significant influence on financial satisfaction, and financial behavior mediates the effect between hedonism lifestyle and financial satisfaction. Meilinda(Meilinda et al., 2018)results that financial attitudes, personality and financial satisfaction have a significant influence on financial literacy. Meanwhile, financial behavior and income have no significant effect on financial literacy. Yulinar(Yulinar et al., 2019)get the results of research that financial literacy has a significant effect on financial satisfaction. Gender does not have a significant effect so that gender is not a moderating variable of financial literacy on student financial satisfaction in the city of Palembang. Likewise Hardina(Hardina, 2019) obtained the results of research that financial literacy has a positive effect on financial satisfaction.

The various results of research concerning financial satisfaction have sparked the curiosity of the authors to re-examine Financial Satisfaction, but this time with Financial Distress and Domestic Debt variables, and using Financial Literacy as a moderator. The research was carried out in one of the private universities in the Jombang area which was also affected by the pandemic situation which currently imposed restrictions on activities on a certain scale, so that learning was carried out online.

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Financial Satisfaction

Financial satisfaction is synonymous with satisfaction with the income received. The determinant of financial satisfaction in the United States is income mediated by individual financial aspirations(Plagnol, 2011). Furthermore, the financial satisfaction of adults is higher than that of young people. Financial satisfaction is also based on the amount of debt and assets. Financial satisfaction can be influenced by several factors. Gender has an influence on the level of satisfaction, knowledge and practice of finance(Robb, C.a, & Woodyard, 2011). Financial satisfaction is related to the level of financial well-being and good financial condition. Financial Satisfaction describes the difference between one's desires and the actual financial situation(Coşkuner, 2016). A person with sufficient income to meet the necessities of life will be satisfied with his financial condition(Sheng, Maecus SJ, Tan Kian Kiak, 2013). According to Hardina(Hardina, 2019), the assessment of financial satisfaction can be done objectively or subjectively. An objective assessment is to look at the financial condition in real terms. Subjective assessment is an assessment from within each individual in terms of financial condition. Financial satisfaction can be assessed separately, namely based on objective only or based on subjective only, or together.

Financial Distress

According to Lilianda (Lilinanda, 2015) Financial distress or better known as financial difficulties is a condition in which a company experiences financial difficulties. Financial distress begins when a company is unable to meet payment schedules or when cash flow projections indicate that the company will soon be unable to meet its obligations(Brigham, EF, 2003). According to Widhiari and Merkusiwati(Widhiari & Aryani Merkusiwati, 2015)defines financial distress as a condition of inability or difficulty to pay the company's obligations to creditors. Gunawan, et al(Gunawan, B. Pamungkas, R and Susilawati, 2017)interpreting financial distress or financial difficulty is the stage of decreasing the financial situation faced before bankruptcy was experienced. Financial distress also often occurs in companies that are no longer able or fail to fulfill debtor obligations due to insufficient or lack of funds to resume business operations.

Domestic Debt

Prinsloo (Prinsloo, 2002) Debt generally (including household debt) refers to obligations or responsibilities that arise from borrowing money or taking goods or services, called "credit", i.e. tying oneself in an obligation to pay later. A debt contract is an important part of a debt agreement between one person or organization and another. A debt contract states the terms of the loan, interest payments and repayments that the borrower must provide as collateral. A loan (debt contract) is also a simple contract of extraordinary nature, whereby one person lends something to another with the promise that it will be repaid in the future, with certain compensation in the form of interest borne by the borrower. Khan in Herijanto(Herijanto, 2014) argues that household debt generally arises from consumption needs for urgent daily needs and for creditors is an effort to help people, so it is social.

Household debt often occurs when expenses are greater than income, so there is an attempt to meet the lack of income by looking for alternative loans or debt, which have consequences for repaying the debt. According to Lewis in Heripson(Heripson, 2017) mentions that there are several reasons why households enter into a debt circle, including:

a. Changes in economic and financial conditions
b. Social identity related to materialism has become a common thing among people who make distinctions in knowledge and preferences in appearance, accessories, clothes purchased, cars driven which indicate their social status.
c. Simplicity of the economy and demographics is an explanation of financial difficulties, being a single parent, low income makes life more difficult
d. The typology shows that young people with low incomes, may find themselves in debt, involved in financial difficulties, myopia, financial phobia, materialism and belief in that debt can buy happiness.

Barba & Pivetti (Barba & Pivetti, 2008)that the push for a higher standard of living and social recognition, as well as the imitation of the upper class are taken into account, these conditions are most

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likely to contribute to an increase in consumer debt, not only by people whose real income is fixed, but also by people whose real wages and salary is not fixed. According to Kunt, et al in Heripson(Heripson, 2017)stated that other reasons for borrowing are to buy a house, renovate a house, use a credit card, education, health, insurance, food, drink, clothing, buying a vehicle, household appliances, entertainment, weddings. Meanwhile, according to research by Aboagye and Jung(Aboagye & Jung, 2018), the types of loans that are often chosen are mortgages, student loans, auto loans, medical debt. Loans are generally provided by financial institutions, but the most common sources of loans are family and friends, borrowing from shops, employers, and private lenders.

Financial Literacy

Financial literacy includes many aspects that need to be measured. Financial literacy has developed in recent years and is getting more attention, especially in developed countries. The term financial literacy is the ability of an individual to make decisions in terms of personal financial arrangements. According to the Financial Services Authority (2013), which states that by definition literacy is defined as the ability to understand, so financial literacy is the ability to manage funds owned so that they develop and live more prosperously in the future, OJK states that the important mission of the financial literacy program is to provide education in the field of finance to the people of Indonesia so that they can manage finances intelligently, so that the lack of knowledge about the financial industry can be overcome and the public is not easily fooled into investment products that offer high returns in the short term without considering the risks. To ensure public understanding of the products and services offered by financial service institutions, the national financial literacy strategy program has launched three main pillars. First, promoting education programs and national financial literacy campaigns. Second, in the form of strengthening financial literacy infrastructure. Third, talk about the development of affordable financial products and services.

RESEARCH METHOD

This research is a quantitative research with a positivism approach. The independent variables are Financial Distress (X1), Domestic Debt (X2), and Financial Literacy as both Moderating Variables and X3, while the dependent variable is Financial Satisfaction (Y). The research took place at Hasyim Asy'ari University, Tebuireng, Jombang. The object of this research is the effect of financial distress and domestic debt on financial satisfaction with financial literacy as a moderator.

Operational Definition

Financial satisfaction is related to the level of financial well-being and good financial condition. Financial Satisfaction describes the difference between one's desires and the actual financial situation(Coşkuner, 2016).Gunawan, et al (Gunawan, B. Pamungkas, R and Susilawati, 2017)interpreting financial distress or financial difficulty is the stage of decreasing the financial situation faced before bankruptcy was experienced. Prinsloo(Prinsloo, 2002)states that debt generally (including household debt) refers to obligations or responsibilities that arise from borrowing money or taking goods or services, called "credit", i.e. binding oneself in an obligation to pay later. The Financial Services Authority (2013) states that by definition literacy is defined as the ability to understand, so financial literacy is the ability to manage funds owned so that they develop and live more prosperously in the future.

Data Source

The type of data in this study is primary data obtained by several techniques, namely literature study, observation, and questionnaires. The research hypothesis was tested using PLS-based SEM through several tests, namely convergent validity, discriminant validity, and reliability tests. Determination of the number of samples according to Arikunto(Arikunto, 2013), if the subject is less than 100 it is better to take all. Conversely, if the subject is greater than 100, it can be taken between 10-15% or 20-25%. Researchers set the limit of respondents for this study at 25% x 200 = 50 respondents, taking into account the limited research time and so that the population is sufficiently represented.

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Data Collection Techniques

The instrument used in data collection is a questionnaire. The technique of calculating data from the questionnaire uses a Likert scale. The research hypothesis testing was carried out using PLS-based SEM, which was carried out in the following steps:(Yamin, 2011):

1. Designing a structural model (inner model), researchers formulate a model of the relationship between constructs
2. Designing a structural model (outer moderation), researchers define and specify the relationship between latent constructs and indicators whether they are reflective or formulative.
3. Constructing a path diagram, the main function of building a path diagram is to visualize the relationship between indicators and their constructs and between constructs which will make it easier for researchers to see the model as a whole.
4. For model estimation, there are 3 weighting selection schemes in the model estimation process, namely factor weighting scheme, centroid weighting scheme, path weighting scheme
5. Goodness of fit or model evaluation, including evaluation of measurement models and evaluation of structural models
6. Hypothesis testing and interpretation with parameters and rule of tumbs from Chin & Todd (Chin & Todd, 1995); Werts et al (1974) in (Salisbury, WD, Chin, WW, Gopal, A., and Newsted, 2002); (Abdillah, W., 2015)

RESULTS AND DISCUSSION

Results

Measurement Model Evaluation

Below is the display of the smartPLS output:

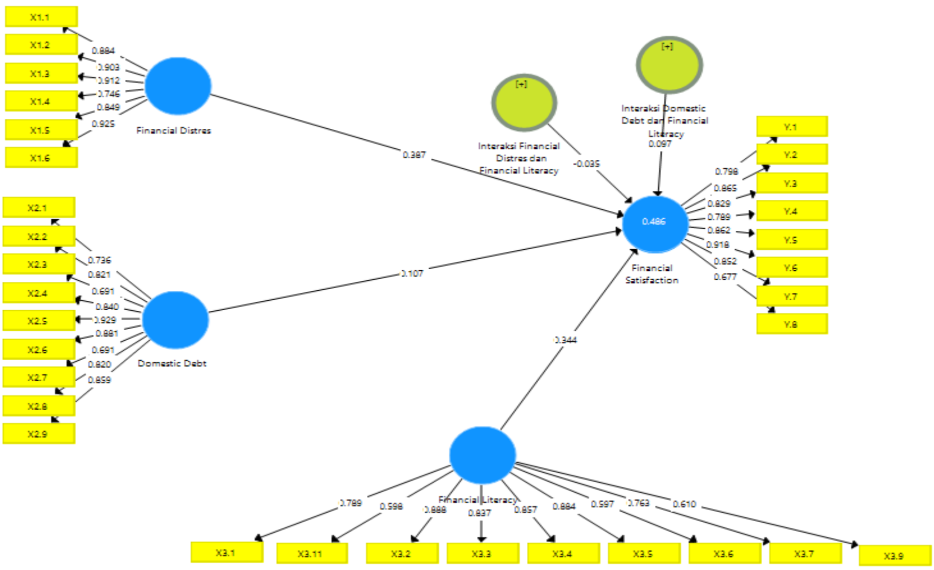

Figure 1. SmartPLS output

Source: data processed by researchers

The loading factor shows how much the indicators relate to each construct. The diagram shows that each indicator has a loading factor of more than 0.40 according to the rule of thumbs in the opinion of Vinzi et al.(Vinzi, VE, 2010), this shows that there is a good relationship between the indicators and each construct.

The second check of convergent validity is to look at the value of Cronbach's alpha and composite reliability. The smartPLS data processing produces the following:

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Table 1. Cronbach's Alpha Calculation Results and Composite Reliability

	Cronbach's Alpha	Rho_A	Comp. Reliability	AVE
Domestic Debt	0.934	0.942	0.945	0.659
Financial Distress	0.936	0.944	0.950	0.760
Financial Literacy	0.909	0.926	0.926	0.589
Financial Satisfaction	0.934	0.957	0.945	0.683
DD and FL Interaction	1,000	1,000	1,000	1,000
Interaction of FD and FL	1,000	1,000	1,000	1,000

Source: data processed by researchers

Cronbach's alpha and composite reliability values are above 0.7, according to the rule of thumb (Chin & Todd, 1995); Werts et al (1974) in (Salisbury, WD, Chin, WW, Gopal, A., and Newsted, 2002); (Abdillah, W., 2015) can be interpreted that the measure of each construct is highly correlated.

The third check of convergent validity is to see the AVE value. From the table above, it can be seen that the AVE value for all constructs is above 0.5. Following the rule of thumbs source from (Chin & Todd, 1995); Werts et al (1974) in (Salisbury, WD, Chin, WW, Gopal, A., and Newsted, 2002); (Abdillah, W., 2015) that the AVE value above 0.5 is highly recommended and the table of SmartPLS calculation results in this study shows that convergent validity is met.

The next examination is the discriminant validity by comparing the AVE roots with the correlation between constructs. Correlation between constructs obtained the following results:

Table 2. Calculation Results of Correlation Between Constructs

	DD	FD	FL	FS	int. DD and FL	int. FD and FL
Domestic Debt	0.812					
Financial Distress	0.398	0.872				
Financial Literacy	0.728	0.386	0.767			
Financial Satisfaction	0.528	0.547	0.597	0.827		
DD and FL Interaction	0.113	-0.150	0.112	0.072	1,000	
Interaction of FD and FL	-0.108	0.011	-0.286	-0.112	0.434	1,000

Source: data processed by researchers

According to the table above, the AVE root for each Domestic Debt construct is 0.812 which is higher than the correlation between DD*FD (0.389), DD*FL (0.728), DD*FS (0.528), DD*Interaction1 (0.113), DD*Interaksi2 (-0.108). This is also evident in other variables so that it can be concluded that all the variables Domestic Debt, Financial Distress, Financial Literacy, Financial Satisfaction, Interaction 1, and Interaction 2 have met the requirements of good discriminant validity.

Structural Model Evaluation

After the inspection of the measurement model is fulfilled, the next step is to examine the structural model. This examination includes the significance of the path relationship and the value of R Square (R2) in order to determine the results of the structural model evaluation, especially the significance of the moderating variable. The value of R Square has the aim of knowing how much the independent variable (exogenous) affects the dependent variable (endogenous). From the results of the SmartPLS calculation, R Square can be obtained:

Table 3. R Square Calculation Results

	R Square	adj. R Square
Financial Satisfaction	0.486	0.427

Source: data processed by researchers

R Square value of 0.486 means that the construct variable Financial Satisfaction is explained by the construct of Domestic Debt, Financial Distress, Financial Literacy and its interaction with the moderate model is close to good according to the rule of thumbs Chin, 1998 in (Ghozali, I. Latan, 2012) by 48%, the remaining 52% is explained by other variables not included in this study.

Table 4. Hypothesis Calculation Results

	Original Sample	Average Sample	Std. Dev	T Stat	P values
DD → FS	0.107	0.114	0.190	0.566	0.571
FD → FS	0.387	0.415	0.185	2.096	0.037
FL → FS	0.344	0.350	0.159	2.167	0.031
DD and FL Interaction	0.097	0.149	0.137	0.708	0.479
Interaction of FD and FL	-0.035	-0.066	0.149	0.234	0.815

Source: data processed by researchers

The rules of thumb for the support of a research hypothesis are: (1) if the coefficient or direction of the variable relationship (indicated by the original sample value) is in line with the hypothesis, and (2) if the t statistic value is more than 1.64 (two-tiled) or 1.96 (one-tiled) and the probability value (p-value) is less than 0.05 or 5%. In this study, according to the results of the calculations in table 4, it can be seen that there are two supported hypotheses, namely Financial Distress on Financial Satisfaction (0.037) and Financial Literacy on Financial Satisfaction (0.031). So it can be concluded that Financial Distress has an effect on Financial Satisfaction and Financial Literacy has an effect on Financial Satisfaction.

Discussion

Hypothesis 1: Financial Distress affects Financial Satisfaction

The first hypothesis that Financial Distress has an effect on Financial Satisfaction has been proven to be in accordance with the results of the SmartPLS calculation. This is relevant to the research of Archuleta, Kristy L in(Archuleta et al., 2013) in his article which says that financial satisfaction is an integral component of overall life satisfaction and well-being (Plagnol, 2011). Norvilitis et al. (2003) demonstrated that perceived financial well-being is related to one's overall psychological well-being. Financial satisfaction is an integral component of all life satisfaction and well-being. In addition, Norvilitis also shows that financial well-being is related to one of the overall psychological well-being. In harmony with it Chalise and Anong(Chalise & Anong, 2017)found that overspending increased the likelihood of financial distress during the recession, whereas being in good health, having income certainty, and above average risk tolerance lowered the odds of financial distress. Overspending can increase the likelihood of financial distress during a recession, whereas in good health, you can have income certainty, and above-average risk tolerance can reduce the likelihood of financial distress.

Lack of ability to manage income and expenses often triggers family conflicts. Inconsistency in braking tertiary needs causes financial management as it is, as stated by Indriyani (Indriyani, 2019) that family financial management often runs sloppily and without a plan. Good financial management can actually reduce the risk of conflict that occurs in the household. Whatever the income, at least it must be balanced with the expenses. This phenomenon does not only occur in families who do not have a fixed income, but those with fixed incomes often experience the same thing. Not only those who have a background in economics or finance, those with an accountant background also admit that it is still difficult to manage finances, and often minus. Especially during a crisis like the current one, which makes all parties have to really tighten their belts and maintain household financial stability so as not to experience financial difficulties that lead to financial satisfaction, so as to maintain household financial health.

Hypothesis 2: Domestic Debt has an effect on Financial Satisfaction

Furthermore, the second hypothesis that Domestic Debt has an effect on Financial Satisfaction was not proven. This is not in line with that of Sina, Peter Garlans(Sina, 2020)which revealed that family

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debt from the current pandemic conditions had an impact on family financial satisfaction which was increasingly felt heavier. This condition has the opportunity to repeat itself and keep repeating itself with the less income, the worse the family's financial condition. Likewise Aidha, Cut Nurul et al(Aidha, 2020)argues that if the proportion of household consumption that relies on debt continues to increase, it will eventually reach a saturation point and purchasing power will decrease when households that are already in debt are no longer able to borrow to finance consumption so that satisfaction in household finances decreases drastically. Hunt (Hunt, 2015)confirms that debt entanglement has an effect on the economy, especially when there is a recession. According to Hunt, financial pressure from the behavior of households that have high debt will exacerbate the impact of the recession. Households that have a high debt-to-income ratio are more sensitive to income shocks, so they are forced to withhold consumption. This decline in household consumption will also have an impact on the post-COVID-19 economic recovery process which is more difficult (Tiftik & Guardia, 2020).

In line with the research produced by Rusdini et al (Rusdini, 2021), Aboagye & Jung (Aboagye & Jung, 2018), and Seay & Asebedo (Seay et al., 2015)who said that debt had no significant effect on financial satisfaction. This cannot be separated from the influence of the location where this research was carried out, namely among Islamic boarding schools that have strong attachments to sharia principles. So that this research is relevant to the results of research from Nugroho, Moh. Agus(Nugroho, 2019)said that debt was the last alternative, not the first when household finances were unstable. Financial management with the corridor of fulfilling benefits can reduce the risk of household financial instability, by making family financial planning that aims to achieve falah (prosperous world and the hereafter).

Hypothesis 3: Financial Literacy has an effect on Financial Satisfaction

The third hypothesis which states that Financial Literacy has an effect on Financial Satisfaction has been proven, according to the results of calculations using SmartPLS. Many studies concerning financial literacy related to financial satisfaction have been carried out and produced various hypotheses. Adiputra, I Gede(Adiputra, 2021) resulted in research that Financial literacy has a positive and significant effect on financial satisfaction, According to Chen and Volpe (Chen, H., & Volpe, 1998), financial literacy is knowledge to manage finances in financial decision making (Rio & Santoso, 2015). Financial literacy is used to make financial decisions that will have an impact on financial conditions that affect financial satisfaction. In line with the research of Ku Ahmad, Ku Ahmisuhait(Ahmisuhaiti et al., 2017)that financial literacy is positively associated with financial satisfaction. This shows financial literacy with the understanding of basic money management skills such as living within a budget and handling credit and debt is very important, and it is a factor that increases the financial satisfaction among young workers.

It is different with the research produced by Mukhafi, Cicik Mahfudah (Mukhafi, 2020) and Rusdini, Dinda Arfiana (Rusdini, 2021)who argues that there is no influence of financial literacy on financial satisfaction. In addition, Kirbis et al(Kirbi, I. ., & Gali, 2016), Yap et al (Yap et al., 2018), and Rusdini et al (Rusdini et al., 2020) which states that financial literacy has no effect on financial satisfaction. The results of the study are in line with the Theory of Planned Behavior which underlies financial literacy through information factors. Information will underlie a person in making decisions. However, each respondent has a different level of understanding, so it will lead to a different decision for each respondent. The good or bad level of financial literacy possessed by respondents will affect financial satisfaction, because financial satisfaction measures a person's level of satisfaction with one's financial condition and situation. The level of satisfaction will vary between respondents. This can be due to differences in the characteristics and backgrounds of respondents that should be taken into account such as differences in gender, age, level of education that has been taken, the amount of salary earned so that the results do not provide a true picture. In this case, it is necessary to take action from the government by providing guidance or training to increase financial literacy to the community which is expected to grow financial welfare in a better direction and achieve financial satisfaction. The better he understands, the better he acts.

Hypothesis 4: Interaction between Domestic Debt and Financial Literacy has an effect on Financial Satisfaction

From the results of the SmartPLS calculation, it can be seen that the interaction between Domestic Debt and Financial Literacy has no effect on Financial Distress. This is in line with research conducted by Rusdini, Dinda Arfiana(Rusdini et al., 2020)that income, debt, and financial literacy do not show any influence on financial satisfaction. Similar to research from Mukhafi, Cicik Mahfudah(Mukhafi, 2020)who think that not everyone who is financially literate will apply financial knowledge well, so that debt that is interacted with financial literacy does not affect the level of financial satisfaction. Contrary to the theory of the Theory of Planned Behavior which underlies individuals in making decisions with careful consideration and rational thought. The practical implication in this study is that the interaction of financial knowledge skills and debt decisions does not always result in financial concerns. Some respondents did choose to go into debt because they were forced to because of urgent financial conditions to meet their needs, causing financial worries. In addition, some of them are in debt because they are tempted by the rewards given which actually lead to financial satisfaction because they feel they have been thrifty or saving, for example cashback and discounts for certain credit card holders that have successfully attracted respondents. This condition makes some respondents who have debt still have financial satisfaction with a fairly large source of income and not because they are forced but because of personal and voluntary desires.

Hypothesis 5: The interaction between Financial Distress and Financial Literacy has an effect on Financial Satisfaction

The results of the SmartPLS calculation for the interaction between financial distress and financial literacy have no effect on financial satisfaction. This result is not in line with the research results of Ku Ahmad, Ku Ahmisuhait (Ahmisuhaiti et al., 2017)which shows that financial literacy and its interaction with financial difficulties can increase satisfaction from their current financial situation. The implications of these findings are not in line with the Theory of Planned Behavior which is the background of a person in making decisions with rational considerations and thoughts. The practical implication of research is that respondents sometimes also have conditions where they cannot think rationally because of the problems they face so they tend to waver when making decisions. Psychological conditions and information obtained related to a financial product greatly influence the decision-making process. Subjective Well Being theory also explains that individual satisfaction can be measured subjectively by the individual. The level of literacy or knowledge possessed by a person is not able to guarantee someone to act or behave properly, especially in managing their finances. It can be said that someone with a high level of financial literacy is not necessarily able to reduce the sense of alertness and concern in managing finances in the future, so it is not certain that financial management will be successful.

CONCLUSIONS

1) Financial Distress influences Financial Satisfaction, indicating that well-managed family finances can actually reduce the risk of conflict in the household. The amount of minimum income must have a balance with expenses. Financial satisfaction is an integral component of all life satisfaction and well-being.
2) Domestic Debt has not been proven to have an effect on Financial Satisfaction, it is most likely that this is influenced by the location of the study which is in an Islamic boarding school environment which considers thatFinancial management with the corridor of fulfilling benefits can reduce the risk of household financial instability, by making family financial planning that aims to achieve falah (prosperous world and the hereafter), so that debt is used as the last alternative, when household finances are unstable.
3) Financial Literacy has an effect on Financial Satisfaction, in line with*Theory of Planned Behavior*that the good or bad level of financial literacy owned by respondents will affect financial satisfaction. The government needs to provide guidance or training to improve financial literacy programs for the community in the hope of growing financial welfare in a better direction.
4) The interaction between Domestic Debt and Financial Literacy has no effect on Financial Distress, this indicates thatFinancial knowledge skills and debt decisions do not necessarily result in financial worries. Not everyone who is financially literate will apply financial knowledge well, some respondents are in debt because they are tempted by the rewards given which actually lead to financial satisfaction because they feel they have saved.
5) The interaction between financial distress and financial literacy has no effect on financial satisfaction, A person with a high level of financial literacy is not necessarily able to carry out good financial management so that it also cannot provide certainty and satisfaction in his family's finances.

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