TO STUDY THE MEDIATING COMPONENTS OF FINANCIAL WELL-BEING IN SOME CITIES OF GUJARAT

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Abstract

The purpose of this research is to assess the degree of financial literacy among young entrepreneurs as well as the impact of these factors on their financial behavior. This research used a survey methodology in addition to multiple regression analysis and descriptive analysis of the data to determine the degree of financial literacy. The study's findings indicate that young pioneering company entrepreneurs have intermediate financial literacy, that their financial conduct is not influenced by their level of financial literacy, and that their financial attitude influences their financial behavior of Gujarat .

Keywords: Financial literacy, financial attitude, financial behavior, young pioneering business entrepreneurs, business start-up.

1.0.Introduction :

Based on a study done by the Financial Services Authority on the level of financial literacy in 2016, which only achieved 29.66%, the Indonesian population's financial literacy index is still categorized in the low group. According to Klapper, Lusardi, and Oudheusden (2015), the average percentage of financial literacy in 2015 was 33%. According to the financial literacy index, there is still a lack of financial literacy in both developed and developing nations, including Indonesia. Because it is still below average, the level does not assist the nation's economic growth (Akmal & Saputra, 2016).

In an Indonesian poll of 100 citizens, the Financial Services Authority found that 96.70% of respondents said they had financial aspirations. These financial objectives, however, cannot be matched to the financial situation of the Indonesian people. This is due to the fact that they are still focused on immediate requirements, such as surviving and achieving their basic necessities (17.68% and 49.11%, respectively). Positive financial behaviors like saving and budgeting were employed in an effort to reach financial objectives, but this effort has not been successful because the percentage of people who are confident in their ability to save and prepare a budget respectively only reached 33.66% and 30.70% of the total 75.29% and 42.13% of those who claim to do so.

The initiative was released by the Financial Services Authority under the term Indonesian National Financial Literacy Strategy. This programme aims to assist those in the community who were previously financially literate in achieving financial wellness by having adequate financial wellbeing. The core audience for the Indonesian National Financial Literacy Strategy programme is not only the general population, but also students who make up a tiny portion of the Indonesian community and individuals who engage in economic activity (Herawati, 2015). Even though more and more students are starting companies nowadays, there hasn't been any financial literacy studies for students who have done it yet.

Students should be assisted in implementing and managing their daily finances via informal and formal instruction through family education and education at higher education institutions, such as by putting away pocket money to save, financial planning, and tracking spending (Basal & Derman, 2016 and Mien & Thao, 2015). However, recognizing and improving students' financial literacy has not yet developed into a reliable predictor of their financial choices, causing their financial attitudes and conduct to diverge from their degree of literacy (Suryanto, 2017). Due to poor planning, a wasteful way of living, and unsustainable purchasing habits, students nowadays struggle with their allowances often running out before the end of the month (Wardani, Susilaningsih, & Sangka, 2017). Personal financial conduct is a function of financial attitudes, according to Marsh (2006) and Herdjiono & Damanik (2016). People who react foolishly to financial difficulties also often exhibit bad financial behavior. People with bad financial attitudes may behave in ways that prevent them from having financial security, for as by overspending and failing to stick to a budget (Listiani & Kurniawati, 2017). Poor financial habits are brought on by a variety of factors, including poor financial management and inefficient consumption habits, claims Suryanto (2017). Students who are also entrepreneurs are used in this study (who hereinafter in this study will be called young pioneering business entrepreneurs). The focus of this study—young, pioneering company owners—became what set it apart from earlier studies on financial literacy. Furthermore, in the context of this study, young pioneering business entrepreneurs are students who are purposefully encouraged to become entrepreneurs, meaning they have a legitimately operating firm.

The aim of this research is to assess and gauge the financial literacy of young, innovative company owners. The next stage is to determine if financial knowledge and attitude have an impact on young, innovative company owners' financial behavior. The necessity of this research stems from the fact that young, innovative company entrepreneurs must be financially literate in order to manage their start-up businesses effectively and ultimately advance to superior entrepreneurs.

2.0.Literature Review :

Financial Capability and Financial Satisfaction - The association between consumer financial capability and financial satisfaction was examined (Jing Jian Xiao, Cheng Chen, Fuzhong, 2013) and it showed positive association. The findings suggested that the desirable financial behavior increases. Financial Wellness of Adults 18 – 30 - A comprehensive model was developed by (Leann G.Rutherford, 2010)which assumed that young adults' financial wellbeing was a function of objective determinants as income, credit card debt and healthcare coverage using financial ratios and combination of those ratios.Education and saving: The long term effect of high school financial mandates - A paper by (Bernhein, 2001) which linked required high school education in personal finance to higher level of savings decade later in the middle age. The paper was designed to measure financial literacy and financial behavior. They interviewed college student who make their own financial decision and also a little evidence showed increase in financial literacy and improve in financial behavior. Consumer Financial Capability and Financial Satisfaction - (Jing Jian Xiao, 2013) In the study examined that association between consumer financial capability and financial satisfaction was measured by three sets of variable which is perceived financial capability, financial literacy and financial behavior. The result indicated a positive association between financial capability and financial satisfaction. Fiancial Literacy, Financial Behaviour and Downstream Fiancial Behaviour – The studies about financial literacy and education on financial behaviours showed mixed evidence.(Daniel Fernandes, John G. Lynch, Richard G. Netemeyer) However, new studies continued to show that financial education has positive effects on consumer financial behaviour and welfare. Much of the previous research has focused on financial behaviour, no previous research has looked at the association between financial awareness and financial well-being. To fill this gap, this study will investigate: The focus of the study is to examine financial awareness, financial behaviour, financial skill which contributes to decision making, which then will contribute to financial satisfaction. The study will aim to demonstrate that financial awareness may have both direct and indirect
influence on financial well-being and provide multiple benefits for consumer who receives it. According to the description given, financial literacy is a set of actions designed to raise people's financial understanding about financial goods and services, advantages, and features, enabling them to make choices and minimise financial risks. According to Ulfatun et al. (2016) and Chen & Volpe (1998), there are four ways to gauge financial literacy. these of financial literacy in the areas of personal loans, savings, insurance, and investments.

Financial Attitude is a reaction to one's own financial activity that takes the shape of a declaration of "like" or "dislike," "helpful" or "not beneficial" (Potrich et al., 2016). According to Mien & Thao (2015), a person's financial attitude may affect how they manage their finances through investing, saving, and even spending money. Financial attitudes will also influence how someone spends, hoards, and spends money wastefully (Furnham, 1984). Financial conduct, as defined by Potrich et al. (2016), is behaviour that demonstrates sound judgement in managing pocket money in line with goals and financial fulfilment. Financial conduct is the individual's duty in managing money with available resources to satisfy personal requirements and fulfil aspirations, according to Nababan & Sadalia (2013) and Sari (2016).

3.0.Objective :

[1]This study is to aim to determine the level of financial well-being measuring financial Awareness of gujarat

[2]To examine the relationship between financial attitude and financial well-being of gujarat.

[3]To study the demographic characteristics and its association with financial well-being.

4.0.Hypotheses of the study

H0: Financial literacy has no effect on financial well-being

H1: Financial literacy has effect on financial well-being

H0: Financial Behaviour has no effect on Financial Well-being

H1: Financial Behaviour has effect on Financial Well-being

H0: Financial Skill has no effect on Financial Well-being

H1: Financial Skill has positive on Financial Well-being

4.0Methodology :

This research approach makes use of questionnaire-based data gathering techniques. Students who are starting businesses, often known as young pioneering business entrepreneurs, are sampled using a purposive sampling approach. Young entrepreneurs who have pioneered a company for at least a year and who are also the owners of start-up companies who are still operating their businesses meet the sample requirements. The following are the operational definitions of variables.

Table 1. INDICATORS FOR INDEPENDENT AND DEPENDENT VARIABLE OF GUJARAT

Independent Variable	Definition	Indicator
Financial Literacy (X1)	Individuals' ability to effectively handle and utilise their finances (Lusardi & Mitchell, 2014; Yushita, 2017).	Financial literacy indicators include understanding of personal money, savings and loans, insurance, and investments (Chen & Volpe, 1998; Ulfatun et al., 2016).
Financial Attitude (X2)	According to Potrich et al. (2016), financial attitudes are reactions that take the shape of assertions of likes or dislikes and are either helpful or not in relation to a person's financial conduct. Personal choices	Financial attitude indicator (Potrich et al., 2016): It is crucial to keep spending under control. It's crucial to routinely save money. Compare service benefits is crucial. It's critical to have a reserve money, It's crucial to have a budget and objectives.Financial BehaviorIndicator (Potrich et al.,2016)
Financial Behaviour(Y)	that demonstrate solid money management habits (Potrich et al., 2016)	timely bill payment, habits of recording music, Controlling \sfinances, Savings habits, owning emergency funds

Two data analysis are used in this research. To confirm the validity of the study, researchers first performed validity and reliability tests. The researcher used descriptive analysis in the first phase. At this step, the 20 questions from Chen & Volpe (1998) and Ulfatun et al. are used to gauge financial literacy (2016). The estimated right answer is multiplied by 100%, divided by the total number of questions, and then given a score of 1 for correct questions and a score of 0 for incorrect questions. Three financial literacy criteria will be generated as a consequence of tese computations, namely:

1.High, if the financial literacy rate exceeds 80%.

2Moderate, if the financial literacy rate is between 60% and 80%.

3.Low, if the financial literacy rate is less than 60%.

Additionally, the researcher performed multiple regression after doing the traditional assumption test to make sure the model could be used to this study. Multiple regression is the approach used for data analysis..

$$Y = a + b1X1+b2X2+ \mathcal{E} \qquad (1)$$

Y : Financial Behaviour

a : Constant X1: Financial Literacy

b : Regression coefficient

X2: Financial Attitude

Ɛ : Standard error

5.0.Results and Discussion :

The study's 150 or so young, avant-garde company owners received questionnaires. There were 136 surveys that could be processed since they were returned. Validity and reliability were evaluated by the researcher. The Pearson Correlation may be used to assess the validity test. The measuring scale is said to be valid if the correlation has a significant value of >0.05. (Sugiyono, 2015: 203). All indicators are legitimate if they are all greater than 0.05. Next, the researcher performed a reliability test, and it was deemed dependable when the Cronbach alpha value was larger than 0.6.

Table 2. LEVEL OF FINANCIAL LITERACY OF YOUNG PIONEERING BUSINESS ENTREPRENEURS OF GUJARAT

Category	<60%	60-80%	>80%	Information
Financial Knowledge		76%		Moderate
Savings and Loans	44%			Low
Insurance		63%		Moderate
Investment		76%		Moderate

Savings and loans fall into the low group according to Table 2, whereas financial awareness, insurance, and investment go into the moderate category. Financial literacy among new businesses is generally modest (65%). Financial literacy, according to Mabyakto (2017), demonstrates a person's independence, wisdom, and effective asset management. Financial conduct may benefit from increased financial knowledge. Because of the previously attained financial education component, the financial literacy category is not considered to be poor. According to Basal & Derman (2016), family education and academics may unwittingly assist children in developing their financial literacy and applying financial habits including saving, financial planning, and keeping track of their costs and income.

Young, innovative company owners are aware of the value of sound financial management. They are aware that effective money management will support both their short- and long-term financial planning. They are also familiar with the idea of revenue and expense. They define income as all of the money they make and put towards sustaining their daily lives and businesses. Spending is related to necessities and is not driven by desires. They are highly interested in sound financial management since it will help their company succeed even though they are still in college and already have a functioning firm.

Young, pioneering company owners are aware that savings are computed using compound interest, which means that if they save their money, their outcomes will be greater. They are also familiar with several kinds of savings accounts, such deposits and saves. When they have the benefit of their business, which they subsequently save in the banking system, understanding of these savings products grows. Deposits and savings are among the things they comprehend best since they are more likely to utilize them often.

Young, pioneering company owners comprehend insurance as a method of risk management that involves shifting risk from one party to another. They also comprehend the idea of premiums, or the amount of money that the insured is required to pay each month in order to participate in insurance. While they lack company insurance, the majority of young, innovative business owners have personal insurance. They have life insurance and unit linkages, which are forms of insurance meant to reduce their own risks. Consequently, they are aware of the components of insurance.

Young, innovative company owners are aware of the notion of investment, specifically the kind of money or investment that may be used for future benefit. Their understanding of investing is mostly acquired from financial disciplines that provide extensive instruction, followed by information they learn from their peers. According to Wagner (2015), improving student literacy via education at the university level may assist students' grasp of finance, particularly investing and insurance. As a result, they are also familiar with financial tools like stocks and mutual funds. Some of them have made stock and mutual fund investments.

After examining the reliability and validity, the researcher performed a conventional assumption test. The one-sample Kolmogorov-Smirnov test is used to test for normality, and a value of 0.062, which is higher than 0.05, indicates a normal distribution. The Glejser Test's heteroscedasticity test yields scores for financial literacy and financial attitude of 0.067 and 0.139, respectively. There is no heteroscedasticity since the significance values are bigger than 0.05. (Ghozali, 2018). The VIF score is larger than 1, and the multicollinearity test indicates that there is no multicollinearity.

The researcher ran a multiple regression test after passing the conventional assumption test. The value of the F Test findings is 0.00. It is less than 0.05 in size. As independent variables, financial attitude (X2) and financial literacy (X1) both have an impact on financial behaviour. The following table displays the T-test findings.:

Table 3. RESULTS OF T-TEST

Variable	t	Sig
Financial Literacy	1,581	0,124
Financial Attitude	6,563	0,003

According to table 3, the following are the effects that each independent variable has on the dependent variable:

Financial conduct is affected by financial literacy (X1) in the following ways: (Y). With a significance level of 0.113, the positive t value is 1.592. Since this number is bigger than 0.051, it can be concluded that financial literacy has no impact on personal finance decisions. While the t value of 6.574 with a significance value of 0,000, which is less than 0.051, indicates that financial attitude effects financial conduct, the financial attitude (X2) variable on financial behavior (Y). The variation of financial behavior may be described by the variance of financial attitude and financial literacy, according to the adjusted R square value of 24.4 percent.

Financial literacy has little impact on the financial conduct of new businesses. According to Herdjiono, Damanik, and Setiawati & Nurkin's (2016) and Herdjiono, Setiawati, and Nurkin's (2017) studies, financial literacy knowledge does not influence an individual's financial behavior because it has not been demonstrated that people with high or low financial knowledge engage in good or bad financial behavior. As a result, a company startup's financial conduct does not automatically improve as a result of its financial literacy, and the opposite is also true for a business pilot's financial behavior: Research from the past (Yushita, 2017) supports Lusardi & Mitchell's (2014) assertion that financial literacy is the capacity and financial knowledge that people possess to manage their finances and utilize money in order to enhance their quality of life and avoid financial issues. The results of the descriptive analysis demonstrate that both short- and long-term planning may benefit from sound financial management. According to this study, a company startup has high personal financial management skills, which may assist with both short- and long-term financial planning. However, respondents' knowledge of the advantages of saving, particularly for future requirements, is relatively poor. Mabyakto et al. (2017) assert that those with financial understanding have yet to demonstrate that anybody can effectively manage their financial resources. Individual behavior may also be impacted by variables other than education level, such as laziness and manner of life. In addition to being intelligent and clever, someone with effective financial management will also be disciplined in their financial planning, which is helpful in sustaining individual finances over the short and long terms. According to Suryanto (2017) and Margaretha & Pambudhi (2015), having more financial knowledge does not always translate into people being able to handle their money wisely. These people may find it difficult to manage their personal costs, which prevents them from saving money. According to Sari (2015), in order to increase their ability to manage their money, someone has to be taught how to save via family education.

Business startups' financial conduct is influenced by their financial mentality. The findings of this study corroborate those of Herdjiono & Damanik (2016), Potrich et al. (2016), and

Setiawati & Nurkhin (2017), all of which found a correlation between financial attitude and conduct. This suggests that because people's opinions about money are a good predictor of their financial conduct, financial attitudes have a positive influence on financial behavior.

Financial attitudes, according to Potrich et al. (2016), are reactions expressed as "like" or "dislike" expressions, and their utility is connected to a person's financial conduct. The most prevalent financial attitude in this survey is an individual's attitude towards managing their money, particularly when it comes to managing unexpected bills. It turned out, however, that many said they thought it was pretty unimportant to stick to the budget that had been created. They believed that sticking to a budget was not necessary for new businesses. A healthy financial attitude, when appropriately implemented, will have a favorable influence on financial behavior, such as financial management, financial control, and budgeting, according to Listiani & Kuraniawati (2017) and Nababan and Sadalia (2013).

6.0.Conclusion :

The typical young pioneering company owner comes into the medium group for financial literacy, which means that they have a broad understanding of personal finance topics including savings and loans, insurance, and investments. The first hypothesis is not supported since financial literacy does not significantly affect young pioneering firm entrepreneurs' financial behavior. The second hypothesis is accepted because financial attitude has a substantial impact on young pioneering company entrepreneurs' financial conduct.

The time allotted by respondents to complete the questionnaire is the study's restriction. Other financial literacy metrics and other study factors may be included in later studies. Other analyses, such as those of the service, commerce, and manufacturing sectors, may also discriminate between the different company kinds of young, pioneering business owners.

7.0.Acknowledgement :

I am appreciative that my guide and god have provided me with such a significant chance to grow in my life.

8.0.References :

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