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Multidimension Of Family Financial Management Effectiveness

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Abstract

The purpose of this study is to provide a literature review on various aspects of family financial management and to determine the most effective aspects of financial management in managing family finances. The method used in this study is to use the method of literature study / study of the literature. This research examines 50 scientific articles from reputable international journals. Financial management from the aspects of financial knowledge, financial culture, financial need, financial literacy, and financial barriers that have been studied by previous researchers is quite complex. However, what needs to be prioritized for families or households to learn is financial management from the aspects of financial knowledge and financial culture, because these two aspects play the most role in the effectiveness of family financial management. Financial obstacles are indeed a negative aspect for financial management, because we are required to be more able to adjust and meet financial needs that are not appropriate (at a minimum).

Keywords: *Financial Management, financial knowledge, financial culture, financial need, financial literacy, financial barriers.*

INTRODUCTION

Financial problems are a crucial problem in the life of a person or family (Kartikasari & Muflikhati, 2016). Economic stability in the family is one of the factors that determines happiness in the family, because the income is not enough, but because the family is not wise enough to spend money or income. Therefore, in order for the family to be stable, it is necessary for the family to plan a budget and develop certain attitudes that support the realization of family economic stability, including openness between husband and wife in financial matters because in the family there is no "your money" or "my money". there is only "our money." Another attitude related to the implementation of the family financial plan is the attitude of discipline in carrying out what has been planned. Family background, family values and culture influence the way one thinks about money and manages money.

For someone who is married and has a family, his need for money will increase, because previously the money he owned was only used for his own interests. With a family, he also has to bear the needs of his family, both household consumption needs, husband/wife or needs of children if the family already has children. To be able to achieve one's life goals must regulate the income that will be issued, these expenses must be regulated so that later the desired goals are achieved. Needs in the family are not only in the form of urgent short-term needs or routine expenses such as monthly expenses, children's school funds and other routine costs, but when viewed in more detail there are other needs in the family that are often not given much thought, namely the need for long term that must be met in the future or the future.

Knowledge of financial management is very important even now, it is not only needed by companies, industry, trade and so on. But it is imperative for families to manage finances, because it is necessary to realize that in a household there are husband and wife and children who are small business units who really need to manage finances in order to be able to manage their household finances. Firmansyah et al. (2021) said that in an effort to avoid family problems caused by finances, wives must improve financial literacy.

Sebagai mahluk sosial, manajemen keuangan keluarga tidak dapat dipisahkan dari peran serta dampak baik internal maupun eksternal keluarga. Para peneliti sebelumnya telah banyak melakukan penelitian tentang manajemen keuangan, di antaranya manajemen keuangan keluarga yang diteliti berdasarkan financial knowledge, financial culture, financial need, financial literacy, dan financial barriers (Albrecht & Hamels, 2021; Aprilia, 2017; Hasler et al., 2023; Jain, 2022; Larson et al., 2021; Lusardi & Mitchell, 2014; Shao, 2014; Ye et al., 2011; W. Zheng et al., 2010). Kelima aspek manajemen keuangan ini memiliki hasil yang beragam sehingga perlu dipetakkan kembali kemudian dikaitkan dengan manajemen keuangan keluarga atau rumah tangga.

Based on this explanation, the purpose of this research is to provide a literature review on various aspects of family financial management and to determine the most effective aspects of financial management in managing family finances.

METHOD

The method used in this study is to use the literature study method, where this research only focuses on providing family financial management with five financial aspects, namely financial knowledge, financial culture, financial need, financial literacy, and financial barriers with the hope that the results of this study can assist in building new empirical studies, new research directions in the future, and can broaden understanding of this concept. This literature study method provides a synthesis of the findings of qualitative and quantitative research methods. This research examines 50 scientific articles from reputable international journals.

RESULTS AND DISCUSSION

ASPECT OF FAMILY FINANCIAL MANAGEMENT – LITERATURE STUDY

1. Financial Knowledge

Financial knowledge has been defined by many authors, so that the definition of financial knowledge varies. Among them (C. Zheng, 2022), (Blount et al., 2023), (Fujiki, 2020), (Martins et al., 2022), (Chen et al., 2023), (Ruiz-Palomo et al. , 2023), (Aristei & Gallo, 2021), and (Vieira et al., 2020). (Chen et al., 2023) defines financial knowledge including three aspects. The first refers to understanding financial concepts, the second considers the level of financial knowledge as a proxy for financial literacy, the third financial knowledge is also interpreted as understanding financial concepts, managing money properly for various uses, and overcoming financial problems. According to (Martins et al., 2022) said that financial literacy measures "how well a person can understand and use information related to personal finance".

Financial knowledge is one of the three pillars of financial literacy, which includes, in addition to financial knowledge, financial attitudes and financial behavior (Vieira et al., 2020). Financial knowledge can identify the risks and benefits of each transaction (C. Zheng, 2022). In the process of financial regulation, Japan even uses consulting services through financial institutions and experts (Fujiki, 2020).

Factors influencing financial knowledge and behavior include socioeconomic status, educational level, cultural and societal norms, access to financial resources, and personal attitudes and beliefs (Ruiz-Palomo et al., 2023).

(Aristei & Gallo, 2021; Blount et al., 2023) suggests that in terms of financial knowledge, women's financial performance is lower than men, this is due to their lower financial security, less ability to handle unexpected financial difficulties.

2. Financial Culture

Kroeber and Kluckhon (1967) in (Csorba, 2020) define the concept of culture as follows: Culture consists of patterns, explicit and implicit, from and for behavior acquired and transmitted by symbols, which are the distinctive achievements of human groups, including their embodiment in artifacts; The essential core of culture consists of traditional (i.e. historically inherited and selected) ideas and especially the values attached to them. By non-material culture, we mean the set of subjective values, attitudes, beliefs, orientations and fundamental assumptions that influence behavior, behavior, and relationships of people. the key elements of non-material culture will help decision makers to recognize and identify these building blocks, and utilize them in their efforts to achieve their goals.

Financial culture is also a definition that integrates the cultural values of a community and can find interdependencies between its characteristics and the quality of the community's financial decisions (Csiszárik-Kocsir et al., 2016). According to Süge (2010), financial culture includes everything that helps people find their way in financial matters and can create comfort.

In addition, financial culture can be defined as understanding and knowledge of financial principles needed to make financial decisions and products that affect financial well-being. Financial culture refers to knowledge about money and financial products that people can apply to financial choices to make decisions about managing their finances (Makdissi et al., 2020).

Breuer and Salzmann (2012) analyze the extent to which a household's financial portfolio is determined by culture. They found that the proportion of households distributing their resources between bank savings, government securities, other securities, insurance and other financial options is largely determined by their national culture.

Financial culture – like any other culture – can basically be acquired through socialization. However, an important part of it is school-based education, and academic achievement is also possible in this field. analysis of characteristics such as values, beliefs, norms, and attitudes is very important for financial culture analysis. The development of a financial culture is of the utmost importance (Zsótér, 2018). He examines and explores financial culture from five aspects, namely the phenomenon of financial behavior, financial attitudes, financial well-being, time perspective and ability to delay gratification.

3. Financial Need

Financial need is a condition that describes a person's personal financial needs in a company (Aprilia, 2017). Maslow's hierarchy of needs only proposes that human needs must be satisfied at a lower level, at least partially, before moving to higher needs. At a lower level of needs are physiological needs related to the satisfaction of behaviors related to survival, such as food and hydration. For our purposes, the day-to-day matters of households, such as the ability to pay for current living expenses and credit card payments or debt, will have priority in their financial assessment over issues related to their safety (i.e. retirement).

In research conducted by Shao (2014) found that between financial needs and institutional assistance for undergraduate students is not significant, this is because the state and most institutions ignore financial needs.

Kiymaz & Öztürkkal (2019) also in the results of their research found that the variable needs of Health, Housing, LivingStd, and LivingExp are all statistically significant and have positive coefficients on their financial well-being. Household day-to-day worries including inability to meet short-term expenses including health care, daily living expenses (food and utilities), and inability to maintain existing standard of living are very significant factors in explaining their subjective financial well-being. We also find that having sufficient income in retirement and the ability to find a job in the future are positively related to subjective financial well-being. Finally, when household income comes from work, rental property, family, and retirement, they feel more financially secure.

4. Financial Literacy

Financial literacy, one of the two pillars of the financial system, refers to a set of skills and knowledge that enables a person to make decisions based on their understanding of finance (Jain, 2022). The urgency to overcome the lack of financial literacy is increasingly evident with the outbreak of the Coronavirus which requires physical distancing. As a result, stepping into cyberspace emerges as a last resort regardless of the availability, adequacy and access to the necessary infrastructure. The sudden switch to online payments especially for a money-driven economy paved the way for financial fraud. The Global Findex report estimates the number of unbanked adults at around 1.7 billion.

Financial literacy is important. Lower financial literacy is associated with increased time spent worrying about personal finances. After controlling for income, education, and key demographic information, people who are more financially literate were found to be more likely to be financially resilient, plan for retirement, and feel unconstrained by debt (Hasler et al., 2023).

Widdowson and Hailwood argue that Financial Literacy consists of four components: 1) basic math skills to estimate interest rates and profits; 2) an understanding of the risks and returns of financial decisions such as spending, investing and leverage; 3) the ability to understand basic financial concepts, such as risk and return, availability of different financial products, diversification and time value of money; 4) the ability to seek professional help, know what questions to ask, and understand advice. This study examines the level of financial knowledge of retirees and how retirees use this knowledge to make financial decisions (Noviarini et al., 2023). Lusardi (2008) argues that financial literacy begins with financial knowledge and understanding, which supports the development of financial skills and perceived knowledge, and subsequently financial behavior, experience and financial knowledge.

Financial literacy studies are of the view that the knowledge and skills accumulated with higher financial literacy increase human capital (Bialowoski et al., 2021) and therefore the ability to make better financial decisions. These studies generally show a positive correlation with decision making, such as retirement planning, wealth accumulation, alternative investments/portfolios and less debt, cost of debt or debt anxiety (Noviarini et al., 2023).

Money management and financial literacy are important for the older population because they have limited ability to continue working past retirement. They must manage their wealth and avoid costly financial mistakes to ensure adequate retirement funds. Lower levels of financial literacy among older people (Lusardi & Mitchell, 2014) indicate that they lack financial knowledge and decision-making skills and are prone to financial errors, fall victim to fraud, are more likely to hold debt in retirement, show more anxiety about their level of debt and not being financially ready for retirement.

5. Financial Barriers

Research conducted by (Albrecht & Hamels, 2021) found that the limited ability of households owning a house to finance renovations is the main barrier in this regard, although a comprehensive quantitative assessment of this barrier remains completely unavailable in the literature so far. The results therefore suggest that around half of all households will not be able to finance renovating their homes towards 2050 energy performance levels, regardless of whether households need to do the renovation all at once 'tomorrow', or divide the total renovation project into multiple steps spread over time. In addition, a large number of households face quite extreme shortages in terms of their financing capabilities.

Jatrana & Crampton (2020) in their research concluded that due to financial constraints, some people repeatedly cannot afford to pay for visits to doctors and dentists, and are therefore prone to experiencing increasingly damaging effects on their health. Also in research conducted by (Larson et al., 2021) found that privately insured families have seen substantial growth in high deductible plans in the last decade. Families with HDHPs, especially those without HSAs, have more financial barriers to care. (Subramanian et al., 2019) also revealed that for women with breast cancer, 53.8% reported that they had to give up treatment because of costs. About a third have had to delay or stop treatment and cannot afford the medication they are prescribed. Others report that they missed follow-up appointments or tests. Therefore, the cost of treating breast cancer in Kenya creates a significant barrier to access which will impact the quality of patient care and increase the morbidity and mortality from this disease.

CONCLUSION

The aspects of financial knowledge, financial culture, financial need, financial literacy, and financial barriers that have been studied by previous researchers turn out to have quite complex discussions. However, what needs to be prioritized for families or households to learn is financial management from the aspects of financial knowledge and financial culture, because these two aspects play the most role in the effectiveness of family financial management. Financial obstacles are indeed a negative aspect for financial management, because we are required to be more able to adjust and meet financial needs that are not appropriate (at a minimum).

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