Financial literacy and saving behaviors affecting the financial planning of new employees

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ABSTRACT

The objectives of this research are 1) to study the factors of financial literacy and saving behavior influence new employee financial planning. 2) To study the factors of financial literacy that influence the saving behavior of new employees. The questionnaire is used as a tool for collecting data and a statistical package (SPSS) is used to analysis the result. The research sample is 410 respondents of a group of people who are just beginning their work in which the exact population from reliable sources are unable to determine, the Cochran (1963) formula is used to calculate the sample size. Regarding to the research's study, saving behaviors can be reclassified into 2 factors: saving allocation and spending control. The results found that financial literacy affects saving allocation and spending control. While savings allocation is the most influential factor in the new employee's financial planning, then spending control factor and financial literacy factor, respectively.

Keywords - Financial literacy, saving behavior, financial Planning, new employee

INTRODUCTION

Personal financial planning is an important component in life. Individuals have different strategies and financial planning as the financial needs in which each age group are different and changing. However, there is important to human beings and planning is the first step that allows people to determine the direction of life. It can be seen that currently working people have an increasing rate of debt. Due to lack of good financial planning and lack of discipline in saving, even if people have income coming in, but there will be a burden on various expenses that occur a lot as well. Until sometimes causing less income than expenditure causing debt conditions, affecting financial management (Kittipat Saenthaweesuk, 2020). Furthermore, personal financial planning and management is an important part of supporting the current government-promoted savings approach. There are financial planning and management enables a person to live happily in society in accordance with the government-sponsored approach to finance which is one of the key factors affecting people, society and the nation. Therefore, the government has resolved to support a plan to develop the people's financial system which is organized as one of the national agenda to build strength in the country's economic system. In addition, the government supports and promotes a system of savings in order to make people aware the importance of financial planning and management, such as saving and spending adequately, etc. Finally, it encourages people to step into retirement with guarantees for their safety, sufficient stability and good quality of life (Fiscal Policy Office, 2020).

Additionally, the conditions promoting the saving, such as reducing luxury expenses, financial literacy and savings, etc. This is a guideline that covers all target groups, including children, youth groups, student groups, new employees, the private or government officers, informal groups, corporate groups, community finance, elderly groups, unemployed and the general public. Therefore, promotion approached is led to the study of factors that promote adequate savings or spending as well as financial planning is also one of the essentials. Because of this importance, this research is interested in study on financial literacy and saving behaviors affect new employees' financial planning. To expected to be useful in planning and developing financial planning in order to be useful in formulating guidelines for personal financial management of people.

Literature and Theory

2.1. Personal financial planning concept

Financial planning is a process where needs and goals change over the course of an individual's life. However, real financial goals are not age-related, but rather economic factors during recession or unemployment. Whether a person is 25, 45 or 65 years old, special attention should be paid to financial planning. Other factors that affect individual financial planning are changing jobs, getting married, having children, and relocating (Arintorn Udomchien, 2018). In additional, financial planning is the process of evaluating, creating and implementing an individual's financial plan to achieve the financial goals that each individual wants to achieve under individual conditions. For personal finance planning and management refers to the effective organization of a person's finances by knowing how to properly source and spend money that will bring good results and achieve goals (Phichittra Numnum, 2014).

2.1.1. Basic concepts in managing personal finances

Montana Kongkaew et al. (2014) discussed 4 basic concepts of personal financial planning and management as follows:

1) Security, each person has different risks or may not be equal.

2) Stability, spending not more than income received, not spending more than necessary and not creating non-performing debt such as buying expensive products via credit card.

3) Growth, when able to manage finances to be stable for spending when needed that can spend money to create wealth.

4) Protection and management, after successful investments, the next thing to do is to maintain a sustainable level of security.

2.1.2. Financial planning process

Financial planning process can be divided into 4 steps as follows:

1) Set financial and lifestyle goals by having a goal in life that determine the life direction in each age range.

2) Studying information related to financial planning that is the study of information about finance, spending behavior, age range and responsibilities that hinders financial planning to reduce obstacles.

3) Make a financial plan that allow to analyze their own spending behaviors more clearly.

4) Implement and review financial plans when the financial plan is implemented. It might be seen that there may be problems and obstacles then always review the plan to review spending behavior.

2.2. Savings and saving plan concepts and theories

Saving means income when deducting expenses, there is a portion that remains. The portion of the remaining income that is not being used is called savings. Savings generally only occur when the individual earns more than spending. This may be done by trying to increase income by doing more work. Part-time job to earn extra income or improve the work to be more efficient with higher incomes, etc. In addition, expenses should be reduced by knowing the necessary and appropriate expenses to make savings which has the following savings guidelines:

1) Practice good savings by creating a personal cash budget. This will know how much money that have left in savings each month.
2) Make a budget of income and expenses to know how much money that have left to save.
3) Put that part of the savings to the bank. The savings account should be opened separately from the general spending account and this account should not be easily withdrawn.
4) Income received from savings such as interest received should be reinvested to make the savings grow even more.
5) Invest the savings to find benefits in the right way to be safe and create the most benefits.

2.3. Financial literacy concept

2.3.1. Definition of Financial Literacy

Financial literacy refers to skills and knowledge that enables an individual to manage financial resources efficiently and complete information. Including earning money, saving, investing, budgeting, income and expenses debt management and financial planning (Sarinee Achawanantakul, 2020). Moreover, it means knowledge and understanding of basic economics and finance, including knowledge of interest Inflation and risks. This is considered a factor that affects financial behavior (Arunee Nusit, 2014).

2.3.2. Measuring Financial Literacy

The measure of financial literacy in this research is measured by using a questionnaire that improved from the questionnaire consisting of: Interest knowledge, Inflation knowledge and risk knowledge. It is a guideline for creating measurements according to the researcher's requirements.

Related Works or Discussion

This research study financial literacy and financial behavior that affect financial planning of new employees. To study the factors of financial literacy and saving behavior affecting financial planning of new employees and financial literacy factors influencing the saving behavior of new employees. The knowledge of finance has been studied extensively. However, the researchers are unable to conclusions about the factors affecting individual financial planning and management. According to Lad-Sa-Ard et al. (2018) found that financial literacy in which the education level and self-control influenced the attitudes leading to the individuals saving behavior of new employees in the Lao People's Democratic Republic. Kongkittingam (2015) found that the income, expenditure, luxury expenditure, government stimulation and financial planning knowledge are key factors in housing savings. Ronapat (2018) studied the financial management of university students and found that students spent higher than saving which related to Sahunan (2018) found that the monthly income level of students was related to their own financial planning and management. Moreover, Paukmongkol (2017) concluded from a study on financial literacy of people in Pathum Thani province that personal factors such as gender, age, occupation, status social etc. does not affect financial literacy, financial behavior and farmers ‘s financial attitudes. However, Onbuddha et al. (2018) found that among the sample of farmers, there is no difference in household financial planning and management when categorizing the samples by gender of household members. Rattanadumrongaksorn & Ngerndee (2018) interviewed 46 respondents on the financial skills of border traders and found that their knowledge, understanding, expertise, financial attitude and confidence are important skills for border traders.

Mukda Kowhakul (2016) study on personal financial management affecting saving behavior of population in Bangkok and metropolitan area. The results of the study on saving behaviors of most of the sample group has the most savings model which have a deposit account with a commercial bank (Both savings and fixed deposits) Whereas, the highest proportion of savings to income each month is not defined, save with the rest of average monthly. Therefore, personal financial planning in term of personal finances managing knowledge and understanding, personal finance management styles and personal finance management planning are associated with all aspects of saving behavior. Except for personal financial management purposes that have no relationship with the decision-makers in saving and factors affecting personal finance management that are not related to the period of savings.

Methods

This research study on financial literacy and saving behaviours affecting financial planning of new employees. Quantitative analysis is used as research study by using questionnaires to collect data.

3.1. Population and sample

The population used in this study is people who started working or students who graduated and entered a new job or new employees. Since the exact population and proportion of the population is unknown from reliable sources, the maximum variance size has been determined is $p = 0.5$ and $q = 0.5$ with 5% error at the 95% confidence by using Cochran formula (Cochran, 1963). The sample size is calculated that is 384.16, or 385 sample sizes. However, the sample size determination in this study is increased to 410 sample sizes to prevent mistakes. There may be occurred by answering inaccurate and incomplete questionnaires.

3.2. Research tools

Questionnaire is tools used to collect data in which the question is created from concepts and related research. The questionnaire is divided into 4 parts as follows:

Part 1, the basic financial literacy test which consisted of Interest knowledge, Inflation knowledge and knowledge of risks by using questions that measure financial comprehension.

Part 2 Information about new employee's saving behaviours. It is an opinion on the saving behaviours of the sample group.

Part 3 Financial planning information of new employees, it is an opinion on financial planning of the sample group.

Part 4 Personal data of Respondents, it is a questionnaire about demographic information such as gender, marital status, occupation, age, education level, income. working period.

3.3. Data analysis

The data are analysed by using descriptive and quantitative method. It is divided into parts as follows: (1) Descriptive statistic such as frequency, percentage, mean and standard deviation and (2) Inferential statistic.

Results

This research aims to study financial knowledge and saving behaviors affecting financial planning of new employees. By using questionnaire for collecting data from 410 samples and analyzing the data by using a statistical package. It can be divided the presentation of the data analysis results into the following sections:

4.1. Analysis result

4.1.1. Demographic data of the sample size

The demographic characteristics result showed that 225 females representing 55.15%, 185 males representing 44.85%. There are 275 respondents (68.90%) are the most aged 20-25 years and 342 respondents or 83.41% are single. In term of occupation, employees at private company are the most with 262 people, representing 63.90% then 70 respondents (17.07%) are trading or personal business or self-employed. Bachelor's degree or equivalent is 216 people (52.68%) which is the most sample then master's degree or equivalent are 178 people (43.41%). For income, there are 186 people (45.37%) have income between 15,000-30,000 baht and 102 people whose income is less than 15,000 baht (24.88%).

4.1.2. Financial literacy data of the respondents

There are most respondents that answered correctly in items 1-4. As for item 5 regarding the relationship between prices and interest rates, the respondents answered correctly and incorrectly in similar proportions. However, the sample group has good financial knowledge ($\bar{x}$ = 3.91 and S.D. = 1.09).

4.1.3. Saving behavior of the respondents

In terms of saving behavior, it found that the sample group has a high opinion level on their behavior as follows:

1. Income is allocated for savings before spending.
2. Divide the income received in proportion for saving.
3. The income is divided into savings every month.
4. Expenditure is controlled to be less than income.
5. Consistently saving financial.
6. Have a goal of saving amount.
7. Financial Saving to buy the necessities need.
8. Keep savings for future essential expenses.

And the amount determination to be used each day is moderated.

4.1.4. Financial planning information

The respondent’s opinion on the financial planning knowledge of new employees. There is a plan to financial saving for sickness and the debt repayment planning is at high level.

4.1.5. The relationship between financial literacy and behavior saving analysis

The variables analysis result found that the saving behavior is correlated, and it is highly appropriate to analyze the common components. According to Bartlett's Test of Sphericity, Chi-Square (df = 21) is 1650.805 and Sig is 0.000, indicating that the co-component analysis is appropriate for the saving behavior of new employees. Besides, factor analysis of saving behavior is resulted in two factors as allocating savings and spending control. When the 2 factors are statistically analyzed by using a linear regression analysis, it is found that financial literacy has a positive effect on savings allocation and spending control. But the financial literacy is influenced the saving allocation among working age groups only 1.2% and an influence on spending control only 2.1%.

Additionally, financial literacy relationship test for allocating savings and controlling expenses with financial planning for new employees showed that financial literacy factors with savings allocation and spending control have a positive impact on new employee financial planning. Savings allocation factor has the most positive effect on financial planning of new employees (42%), then spending control factor and financial literacy factor 41% and 14%, respectively. These three factors can be used to explain the financial planning of new employees by 41.4%.

Conclusion and Future Work

The research's result of the study financial literacy and saving behaviors affecting financial planning of new employees which after reviewing relevant literature in the past data, collection and analysis. The results of the research can be summarized as follows.

5.1. Research results summary and discussion

This research study found that financial literacy for savings allocation and spending control have a positive impact on the financial planning of new employees. Although financial literacy has little impact, financial literacy is an important skill and knowledge that helps individuals manage their financial resources in terms of saving allocation and expense control. Paying effectively will enable individuals to achieve their goals at every stage of their lives. It is also a driving force behind the new employee's financial planning behavior with a clear form of lifestyle planning and savings plans for new employees.

Financial planning for new employees is something that a person should begin to practice when they start earning from work in order to build wealth and stability in life from an early age. Furthermore, good financial planning for new employees will lead to a comfortable life in the future. In addition, a person's knowledge and understanding of finances such as inflation, compound, financial products, etc., will lead to behavioral savings and spending control, which is important for new employees' financial planning. This makes financial planning more effective and helps individuals manage their finances in a more systematic way.

5.3. Suggestions

In order to gain insights into the financial planning of new employees, qualitative research data collection, such as in-depth interviews, should be used to further clarify the findings. Additional, factors such as liability factors should be studied to determine the factors that affect the financial planning of new employees. To propose useful ideas for planning and development for the government to push policies to raise awareness of the importance of financial planning for new employees.

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