



THE ROLE OF FINANCIAL CAPABILITY AS FINANCIAL EDUCATION AND FINANCIAL SATISFACTION MEDIATOR IN INDONESIAN STUDENTS STUDYING IN THE NETHERLANDS

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Abstract

College students have the potential to drive the Indonesian economy. However, the level of student's financial literacy, which is still relatively low, proves that there are still students who have not received financial education. Financial education can have an impact on financial satisfaction, so the role of financial capability is needed to increase this influence. The research was conducted to determine the role of financial capability as a mediator of the influence of financial education on financial satisfaction. The questionnaire was used as a data collection tool which distributed to 100 respondents and then analyzed using the Sobel test to examine mediation. Based on the study results, financial education had a significant effect on financial capability, financial capability had a significant effect on financial satisfaction, and the effect of financial education on financial satisfaction when mediated by financial capability became more significant compared to when not mediated by financial capability on Indonesian students studying in the Netherlands, where the Netherlands is one of the main destinations for Indonesian students to study.

Keywords: financial education, financial capability, financial satisfaction

INTRODUCTION

Satisfaction is the feeling of pleasure or disappointment of an individual after comparing impressions on an expected product with performance or results (Asmuji, 2012). Satisfaction can be seen financially as a part of subjective indicators to measure individual financial well-being (Xiao & Porto, 2017). One aspect of welfare is financial. Meanwhile, based on the results of the 360 Degree Welfare Score Survey, financial factors produce the lowest score of 55.2 compared to other aspects (RO/E-3, 2017). Thus, to achieve financial prosperity, it is necessary to pay attention to financial satisfaction (Joo & Grable, 2004); (Xiao & Porto, 2017). Some researchers say that financial satisfaction is an individual's perception of their financial well-being (Ahmad, Hassan, & Idris, 2017); (Hasibuan, HR, & Lubis, 2017); (Hira & Mugenda, 1998); (Kim, 1999). The richer individuals feel higher levels of financial satisfaction when compared with worse objective conditions. Therefore it can be seen that income and financial satisfaction have a close relationship. Besides, financial satisfaction also has a close relationship with education, where education consists of primary education, secondary education, and tertiary education (Medgyesi & Zolyomi, 2016).

Xiao & Porto (2017) inferred that secondary and tertiary education provides various forms of basic financial education for individuals, where the level of financial capacity can be based on financial education received by each individual. Xiao & Porto (2017) also explained that financial education is assumed to be able to improve the financial capability and welfare of consumers. Huhmann (2014) stated in his conceptual framework that financial education contributes to financial literacy and financial behavior, where financial literacy and financial behavior are factors of financial capability. Xiao & Porto (2017) stated that financial capability as a person's ability in financial matters is used to apply financial satisfaction and achieve financial prosperity. It also involves financial behavior. Financial capability can be measured by five indicators, which are subjective financial literacy, objective financial literacy, desirable financial behavior, perceived financial capability, and financial capability index (Xiao, Chen, & Sun, 2015).

Financial satisfaction can be influenced by financial education received (Xiao & Porto, 2017) and other indicators of financial capability such as financial literacy, financial behavior, and perceived financial capability (Xiao, Chen, & Chen, 2013); (Xiao, Chen, & Sun, 2015); (Coşkuner, 2016). Referring to previous research (Xiao & Porto, 2017), financial education can influence financial satisfaction, and its influence is stronger when mediated by indicators of financial capability. This study aims to determine the role of financial capability in mediating the effect of financial education with financial satisfaction on Indonesian students conducting studies in the Netherlands where the Netherlands is one of the main destinations for Indonesian

students to study, whereby using the object of this study it is possible to give different results from the research objects that have been previously studied.

LITERATURE REVIEW

Financial Education

Financial education is a consumer process in understanding financial concepts and products, financial risks, and opportunities that can develop confidence in making financial information decisions to improve financial well-being (European Economic and Social Committee, 2017); (Lusardi & Mitchell, 2007). Xiao & O'Neill (2016) stated that financial education is all forms of education received by individuals in high schools, colleges, and workplaces regarding basic financial knowledge. Financial education contributes to financial behavior and financial literacy based on the conceptual framework proposed by Huhmann (2014). Financial education is also assumed to contribute to the financial capability of consumers based on statements made in the research of Xiao & O'Neill (2016).

Financial Capability

Financial capability is the ability of individuals to apply financial knowledge and achieve financial prosperity by engaging in financial behavior (Xiao & Porto, 2017). The Financial Services Authority stated that an individual's financial capability can help to make accessible financial decisions, calculate and manage money effectively, manage debt and credit, assess insurance and protection needs, assess risk and return on investment, and understand the financial dimensions, ethics, social, politics, and the wider environment (Johnson & Sherraden, 2007). Financial capability can be measured by five indicators, namely subjective financial literacy, objective financial literacy, perceived financial capability, desirable financial behavior, and financial capability index (Xiao & Porto, 2017).

Financial Satisfaction

Financial satisfaction is an individual's subjective perception of sufficient financial resources (Ahmad, Hassan, & Idris, 2017); (Hira & Mugenda, 1998). While, other notions of financial satisfaction are individual satisfaction with their finances (Hasibuan, HR, & Lubis, 2017); (Kim, 1999). Financial satisfaction can be measured from a personal perspective on their income, management of their finances, meeting their basic needs, their debt, saving, ensuring the availability of money for his future, and determining his life goals (Hasibuan, HR, & Lubis, 2017); (Hira & Mugenda, 1998). Hasibuan, HR, & Lubis (2017) also stated from Porter & Garman (1993) research, that financial satisfaction can also be determined by financial literacy and

financial behavior because it is based on health studies on stress factors related to several issues such as financial gaps, risk management, and employment.

RESEARCH FRAMEWORK

Financial Education related to Financial Capability

Financial education might have a positive impact on financial capability if an individual has received financial education before in high school, college, or the workplace. The level of education can also affect an individual's financial capability. According to the results of previous studies, Xiao & Porto (2017); Xiao & O'Neill (2016) noted that financial education contributes to affect financial capability.

H1: There is a significant influence between Financial Education related to Financial Capability

Financial Capability related to Financial Satisfaction

Financial capability can improve financial well-being, where one measure of financial well-being is financial satisfaction. There are five indicators that can be used to measure financial capability, namely objective financial literacy, subjective financial literacy, desirable financial behavior, perceived financial capability, and financial capability index (Xiao, Chen, & Sun, 2015). Some variables that can affect financial satisfaction are financial literacy and financial behavior (Hasibuan, HR, & Lubis, 2017), where both indicators are part of financial capability (Xiao & Porto, 2017). By having good financial capability, an individual can achieve financial well-being, which means that financial satisfaction is achieved. According to the results of research from Xiao and Porto (2017); Xiao, Chen, & Chen (2013); Ahmad, Hassan, & Idris (2017), showed that financial capability as measured by the indicator has a positive contribution and affects financial satisfaction.

H2: There is a significant influence between Financial Capability related to Financial Satisfaction

Financial Education with Financial Satisfaction when mediated by Financial Capability and compared to when not mediated by Financial Capability

The financial education could contribute and influence financial capability. The financial capability could contribute to and influence financial satisfaction. The results of research conducted by Xiao & Porto (2017) support that financial capability is a strong mediator for financial education towards financial satisfaction. The statement was caused by financial education which is very related to financial capability. Besides, financial capabilities also have a strong influence on financial satisfaction. The result also showed that financial capability acts as a full mediator for financial education towards financial satisfaction.

H3: There is a bigger significant influence between Financial Education on Financial Satisfaction when mediated by Financial Capability when compared to the influence between Financial Education on Financial Satisfaction without being mediated by Financial Capability.

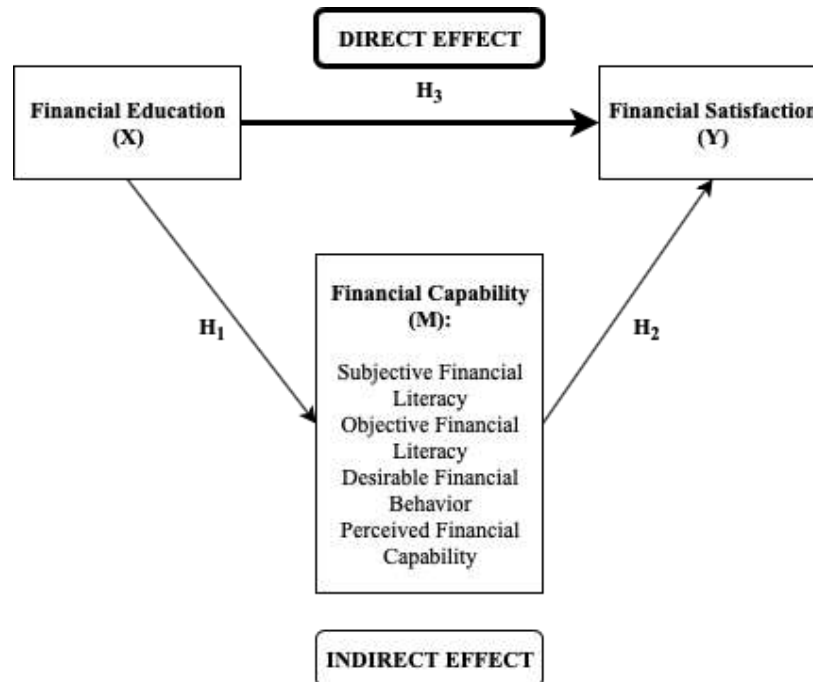


Figure 1 Research Framework

Source: Xiao & Porto (2017)

METHODS

The study adopted a descriptive research design. This research was conducted by distributing questionnaires to Indonesian students who study in the Netherlands. The population of Indonesian students registered in the Netherlands according to the Dutch Indonesian Student Association is 1414 students. The sampling technique used in this study is simple random sampling which must meet the criteria of Indonesian students studying in the Netherlands. The sample calculation used is 100 respondents obtained from the Solvin formula using a margin of error of 10%. This study used the Sobel test to test the role of financial capability as mediator variable in mediating the effect of the relationship between financial education as independent variable and financial satisfaction as dependent variable. This study uses the Sobel test developed by Sobel (1982) for testing the mediation hypothesis. The strength of the indirect effect given the independent variable on the dependent variable through the mediator variable will be tested using the Sobel Test (Ghozali, 2018). Data was analyzed using SPSS.

FINDINGS AND DISCUSSION

Table 1 Descriptive Statistics

No	Variable	Statement	Score	Category	
1	Financial Education	During high school, college, and at work I received financial education	72%	Good	
2		Financial education makes me understand about financial products	85%	Good	
3		Financial education influences how to behave well in the financial sector	90%	Good	
4		Financial education helps me in making decisions about finance	89%	Good	
5		Financial education affects better financial stability	75%	Good	
Financial Education Average Score			82,2%	Good	
Subjective Financial Literacy					
6	Financial Capability	I can assess my overall financial knowledge well	75%	Good	
Objective Financial Literacy					
7		I can understand the meaning of interest rates, i.e. values, rates, prices, or profits from the use of investment funds	85%	Excellent	
8		I can understand the notion of inflation, which is a price increase in general and continuously over a while	93,25%	Excellent	
9		I can understand the meaning of bonds, which are tradeable medium-term and long-term debt instruments.	91,75%	Excellent	
10		I can understand the notion of a mortgage, which is a debt instrument by granting mortgage rights to property and borrowers to the lender as collateral for their obligations.	90,25%	Excellent	
11		I can understand the meaning of shares, which are commercial paper that show the ownership portion of a company.	98,5%	Excellent	
Average			91,75%	Excellent	
Desirable Financial Behavior					
12		I spend no more than monthly income.	81%	Good	
13	I have saved a part of my income for emergencies.	78,25%	Good		
14	I always check credit card statements.	75%	Good		
15	I have set aside money for pension needs.	52%	Poor		
Average			71,56%	Good	
Perceived Financial Capability					
16	I can record daily financial income and expenses.	67%	Good		
17	I can manage finances for my daily needs.	82,25%	Excellent		

No	Variable	Statement	Score	Category
18		I have prepared funds for unexpected needs.	78,25%	Good
19		I can make financial planning to avoid decreased income and expenses in the future.	76,5%	Good
20		I compared financial product offers from different banks.	65,25%	Good
21		I think that it is important following economic development.	84,25%	Excellent
22		I depend on different sources of information about current financial issues (friends, family, spouse, coworkers, internet, bank).	81,5%	Excellent
		Average	76,43%	Good
Financial Capability Average Score			78,68%	Good
23		I feel satisfied with my financial education.	69,25%	Good
24		I feel satisfied that I can manage my finances well every day.	72%	Good
25		I feel satisfied with the savings that I have now.	64,5%	Good
26		I feel satisfied with the assets that I have now	60,75%	Poor
27	Financial Satisfaction	I am satisfied with the income that I am currently earning	65,25%	Good
28		I am satisfied with the amount of emergency money I currently have.	62,5%	Poor
29		I am satisfied with the retirement savings that I have today.	48,25%	Poor
30		I am not satisfied with the debt I currently have.	69,25%	Good
31		I feel satisfied with my current financial condition	70,25%	Good
Financial Satisfaction Average Score			64,47%	Good

Based on the results of the descriptive analysis in Table 1, the overall percentage of Financial Education variables of Indonesian students studying in the Netherlands was 82.2%. This condition states that financial education received by Indonesian student respondents who studied in the Netherlands showed a process of increasing understanding of products, risks, and financial opportunities to be able to determine financial satisfaction is good. This is reflected in the results of a descriptive analysis of the Financial Capability variable of Indonesian students studying in the Netherlands at 78.68%. However, respondents still have lack awareness in future financial planning such as setting aside pension needs. This makes the results of the Financial Satisfaction descriptive analysis of Indonesian students studying in the Netherlands a percentage of 64.47%. Lack of awareness in future financial planning, makes respondents dissatisfied with retirement savings, the amount of emergency money, and assets currently owned.

Table 2 Output Mediation

Variable	Financial Capability			Financial Satisfaction					
	Model 1			Model 2			Model 3		
	coeff	SE	P	coeff	SE	P	coeff	SE	P
Constant	1,9391	0,1682	0,000	1,2695	0,1861	0,000	-0,1879	0,2107	0,3748
Financial Education	1,2596	0,1978	0,000	1,6414	0,2189	0,000	0,6947	0,1920	0,0005
Financial Capability	-	-	-	-	-	-	0,7516	0,0825	0,0000

Based on table 2, we can conclude:

1. The coefficient of financial education on financial capability in model 1 is **1.2596** and p-value < 0.05. The number states that **there is a significant influence between financial education on financial capability on Indonesian students studying in the Netherlands**. These results support previous research, namely Xiao and O'Neill (2016) and Xiao and Porto (2017) that if someone who receives financial education can improve financial capability with the influence of a positive relationship.
2. The coefficient of financial capability on financial satisfaction in model 3 is **0.7516** and p-value < 0.05. The number states that **there is a significant influence between financial capability on financial satisfaction in Indonesian students studying in the Netherlands**. These results support previous research, namely Xiao, Chen, & Chen (2013), Xiao and Porto (2017), and Ahmad, Hassan, & Idris (2017) that someone who has good financial capability contributes to the financial satisfaction felt by that person.
3. The total effect of the financial education coefficient on financial satisfaction directly on model 2 is **1.6414** and p-value < 0.05. Whereas in model 3, the effect of financial education on financial satisfaction is directly at **0.6947** and p-value < 0.05. The figure states that the coefficient of financial education on financial satisfaction in model 3 is lower than in model 2 and there is a significant effect between financial education and financial satisfaction.

The next stage is to find out the indirect effect of financial education on financial satisfaction through financial capability using the Sobel Z Test, which is as follows:

Table 3 Output of Sobel Z Test

Normal Theory Tests for Indirect Effect			
Indirect Effect	SE	Z	P
0,9467	0,1887	5,2193	0,000

Based on table 3, it is known that the indirect effect of financial education on financial satisfaction through financial capability is $1.2596 \times 0.7516 = \mathbf{0.9467}$. This figure is greater than the direct effect of financial education on financial satisfaction in model 3 ($0.9467 > 0.6947$) with a Sobel Z Test value is $\mathbf{5.2193}$ (> 1.96) and p-value < 0.5 . The figure states that there is a bigger significant influence of financial education on financial satisfaction when mediated by financial capability than without mediated financial capability among Indonesian students studying in the Netherlands. It can be concluded that Financial Capability can mediate the influence of Financial Education on Financial Satisfaction with a type of partial mediation. This type of partial mediation indicates that the Financial Education variable has a significant effect on Financial Satisfaction, whether mediated or not mediated by Financial Capability.

CONCLUSION

Based on the results of data processing and discussions conducted with Indonesian students studying in the Netherlands about the role of financial capability as a mediator of financial education and financial satisfaction, researchers can conclude several things following the research questions, namely as follows (1) Financial Education has a significant influence on Financial Capability, (2) Financial Capability has a significant influence on Financial Satisfaction, and (3) The Effect of Financial Education on Financial Satisfaction becomes more significant when mediated by Financial Capability with the type of mediation in Indonesian students studying in the Netherlands.

This research implies that the respondents, Indonesian students studying in the Netherlands should have started to set aside money for planning from an early age such as the need for pension, emergencies, and have assets that can be invested even though the majority of respondents are still aged 18 to 24 years. It is intended to minimize if there is a reduction in income or a large expenditure in the future students already have reserves that can solve these financial problems. Furthermore, it is expected to further increase the recording of income and financial expenditure every day, prepare funds for unexpected needs, make financial planning, and compare financial product offers because it is very helpful in financial management of Indonesian students who will face substantial basic needs when conducting studies abroad when compared to basic needs in Indonesia. The role of the government is also needed from the OJK with the Indonesian Embassy in the Netherlands to make socialization about finance, so that knowledge in terms of management, savings, and financial planning also increases.

Based on its implementation, this study has several limitations, namely time and data collection. Due to time constraints, for the selection of my research object, I got a response from the Dutch Indonesian Student Association, so I chose the object of research is the Netherlands

which has the third most Indonesian students in Europe. Data collection was also carried out online because of overseas research. Online data collection and abroad led to the determination of the sample using the Solvin formula by using a margin of error of 10% which makes the sample size obtained by 100 of 1414 students. For further research is expected to examine in different countries, such as Indonesian students studying in Germany or Britain which ranks first and second most Indonesian students in Europe and also larger sample size.

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