

A Meta-Analytic Study of the Relationships between Financial Literacy and both Financial Behavior and Well-Being

Hyesun Hwang¹, Hyung In Park², Sujin Han¹

¹Department of Consumer Science, Convergence Program for Social Innovation, ²Department of Psychology | Sungkyunkwan University | South Korea

Many of the risks that humans could confront are related to the finance sector. In this study, we tried to give insights about financial literacy and well-being dealing with upcoming risks in a changing market.



INTRODUCTION

Background

- The complexity of the financial markets faced by individual consumers is increasing, individual consumers' effective decisions in well-informed states have become critical to improving their financial well-being.

Previous Research

- Focused on consumers' financial knowledge regarding financial products of concepts.
- Mainly adopted objective knowledge, which is closely to a specialized cognitive ability.

This Study

- Examined the relationships between **financial literacy** (objective and subjective) and both **financial behavior and well-being** by conducting systematic meta-analyses of consumer studies research.
- Reviewed previous studies of consumer financial literacy and analyzed the moderating effects of objective/subjective literacy and cross-sectional/longitudinal data.

METHODS

Data Search, screening, and coding

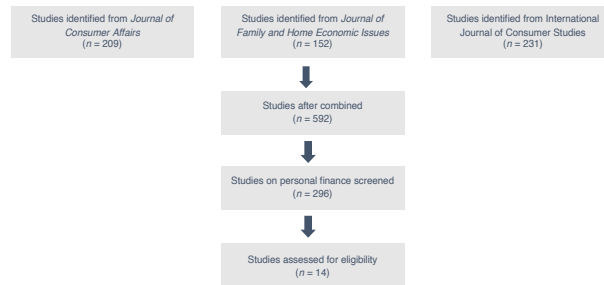


Figure 1. Flow Diagram

In Figure 1, we visualized the process of sorting out the data we needed in meta-analyses. Below are the details provided for each step in the diagram.

- Search**
 - Searched all articles included a keyword **"literacy"** in **"anywhere"**
 - A total of **592 articles** were collected published on or before **July 29, 2020**.
- Screening**
 - Initial work: Narrowed down to **296 articles** that concerned **personal finance**.
 - Final work: Produced a total of **14 articles** reported at least one indicator of **behavior, well-being, or both**.
- Coding**
 - Two people independently coded each of the 14 studies.

Summary of Studies Included

- Nationality of Participants
 - Canada, China, India, Malaysia, Poland, and the United States
- Predictors
 - Both objective and subjective literacy (eight studies)
 - Objective literacy only (four studies)
 - Subjective literacy only (two studies)

Data Analysis

- Conducted meta-analyses using Schmidt and Hunter's (2015) method

RESULTS

Results of Meta-Analyses

Relationship	n (k)	ρ	SD_{ρ}	95% CI _L	95% CI _U	10% CV	90% CV	% Variance	r	SD_r
Objective knowledge										
Desirable behavior	68392 (11)	.33	.12	.26	.40	.18	.48	1.53	.29	.10
Well-being	37522 (4)	.16	.03	.13	.20	.12	.21	10.80	.14	.03
Subjective knowledge										
Desirable behavior	57993 (9)	.40	.10	.33	.46	.27	.52	2.31	.32	.08
Well-being	27280 (2)	.48	.01	.46	.49	.47	.48	70.47	.42	.01
Cross-sectional behavior										
Overall knowledge	56213 (6)	.48	.10	.40	.56	.35	.61	1.61	.41	.09
Objective knowledge	67292 (10)	.34	.12	.26	.41	.19	.48	1.57	.29	.10
Subjective knowledge	56893 (8)	.40	.09	.34	.47	.29	.52	2.54	.32	.08
Longitudinal behavior										
Overall knowledge	1262 (2)	.14	.00	.14	.14	.14	.14	100.00	.12	.00
Objective knowledge	1262 (2)	.11	.00	.11	.12	.11	.11	100.00	.09	.00
Subjective knowledge	1262 (2)	.10	.00	.10	.10	.10	.10	100.00	.09	.00
Two predictors	57748 (8)	.25	.03	.23	.27	.22	.28	18.49	.24	.03

Further Findings

- The literacy type (subjective and objective) moderates the relationships between financial literacy and behaviors.
- The relationship between objective knowledge and behaviors was significantly weaker than the relationship between subjective knowledge and behaviors ($z = -.15.64, p < .001$).
- Individuals' factual knowledge itself is not sufficient to produce well-trained behaviors.

CONCLUSIONS

Conclusion

- This study investigated consumers' **financial literacy, behavior, and well-being** through a **systematic meta-analyses**.
- Since **financial well-being** is a key element of human life, the theme of consumer empowerment to reinforce financial well-being has implications for **improving consumers' rights and quality of life**.
- This study consolidated existing findings regarding the degree to which financial **literacy is related** to consumers' desirable financial **behaviors** and financial **well-being**.
- The results highlight the fact that inculcating **proper knowledge accelerates financial outcomes** and individuals' **financial well-being**.
- Findings from the study reinforce the existing research that financial **literacy is a key contributor to consumers' economic empowerment**.