During COVID-19, impact of subjective and objective financial knowledge and economic insecurity on financial management behavior: Mediating role of financial wellbeing

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The purpose of this research is to look into financial management behavior during the COVID-19. Without a doubt, financial knowledge is an important, but in the COVID-19, the majority of people are experiencing economic insecurity, which is regarded as unique contribution when testing financial management behavior. Furthermore, Pakistan is an Islamic country, so, financial knowledge, is further subdivided into objective, subjective, and Islamic financial knowledge, with financial wellbeing serving as mediating variable. Pakistan has a diverse population of respondents, this model was tested on university students in Pakistan between the ages of 20 and 40, with the majority of respondents experiencing job and food insecurity as a result of COVID-19. The research employs a two-stage method, PLS-SEM, for reliability checking via composite reliability and average variance extract, and discriminant validity checking via HTMT ratio. According to the findings, Islamic financial knowledge as positive, and other financial knowledge as negative, and economic insecurity (food and job insecurity) also has negative and significant impact on students’ financial management behavior. Financial well-being significantly acts as a bridge between independents and dependent variables. The findings imply that financial knowledge has a significant impact on financial management behavior. Policymakers and administrators should improve information disclosure while promoting financial education in order to foster trust and responsible financial conduct among people.

KEYWORDS
COVID-19, economic insecurity, financial management behavior, financial well-being, Islamic financial knowledge, objective and subjective financial knowledge

1 | INTRODUCTION

Financial decision-making is considered a vital issue for students, business people, and investors in various ventures. During the pandemic, globally, financial management activities are observed tremendously decline. According to Bapat (2020), Economists and financial advertisers of financial services concentrated on strengthening domestic financial decision-making and money planning behavior. Therefore, financial knowledge (Grable et al., 2020; Robb & Woodyard, 2011; Tang & Baker, 2016) and economic insecurity (Anderson & Pontusson, 2007; Gaunt & Benjamin, 2007; Witte, 1999), both have an essential role while management of financial behavior is taken into account. This study’s main concern is contributing to the literature using financial knowledge (subjective and objective financial knowledge), which is under research (Lind et al., 2020). The primary goal of this study is to contribute to the literature by combining objective and subjective financial knowledge as well as Islamic financial knowledge, with economic insecurity which is less common when financial management behavior is investigated.
Moreover, food insecurity and job insecurity are the main contributions of this study to its economic insecurity dimension, which previously cumulatively under reach, according to Usman and Khan (2012). In this regard, Islamic financial understanding grew, so, in this regard, Islamic financial knowledge (basic idea and borrowing concept) entertained in this study. In contrast, financial management behavior is taken into account. The failure to apply what has been learned can account for the poor relationship between organized finance and financial expertise. Conversely, households have the lowest financial education because they have not read financial journals or magazines (Nielsen, 2008). Dutch research have been conducted to show that households dependent on financial newspapers, magazines, books, and the Internet have a higher degree of necessary financial information (Von-Eije & Megginson, 2008). Shim et al. (2015) showed that the dependence on informal financial services is not just financial education linked to healthy economic trends. When people search for the information they are dealing with a specific problem, this information is more valuable and meaningful. Voyeranoff (1990) indicated direct employment and financial status, while subjective indicators include employee expectations and financial status responses.

Cognitive, economic insecurity often refers to estimating lost jobs’ potential, whereas the affective component refers to a person's emotional response to insecurity evaluations (Anderson & Pontusson, 2007). Instability factors range from individual characteristics (e.g., personalities, education, gender, and age) to macroeconomic factors like unemployment or employment (Witte, 1999). Job insecurity and food insecurity was related to financial stress (J. B. Turner et al., 1991), which significantly influence the behavior of financial management. Financial stress can increase job insecurity, which aggravates financial stress (Gaunt & Benjamin, 2007; J. B. Turner et al., 1991). Despite intensive discussions regarding shifts in the labor force and insecurity in the economic study (Ferrie, 2001). Few studies have explored the relationship between job insecurity and adults’ financial well-being and associated financial stress (Gaunt & Benjamin, 2007; J. C. Turner, 1991). Therefore, a more complex investigation is needed to combine job uncertainty, food insecurity, financial well-being, and financial stress on financial management behavior. This also indicated financial well-being as variable conditions and a segregated structure from financial stress or other psychological frameworks. Financial well-being is characterized as a condition whereby an individual has income security and freedom for choice in the present and future financial situation (CFPB, ). Financial stress is a mixture of financial factors, such as immediate payments and physical and emotional responses (Grable et al., 2015).

Furthermore, the change in financial well-being between different economic and demographic categories calls for more study on the roads and the effects of financial well-being (CFPB, ). Simultaneously, several efforts have been made to understand households’ financial well-being and financial stress through financial therapy and planning (O’Neill et al., 2006) and financial knowledge on financial well-being (Shapiro & Burchell, 2012), financial fear is also a psycho-social condition that demonstrates an undesirable approach to significant involvement or financial behavior (Gaunt & Benjamin, 2007; Grable et al., 2015; Voydanoff, 1990). The literature indicates a connection between financial and financial anxiety (Archuleta et al., 2020; Shapiro & Burchell, 2012). Competency finance is one component of financial conduct examined in a broader context (Gambetti & Giuberti, 2012). Fear was also associated with saving behavior. These findings are meaningful because the investment is one way of protecting people in the future. Robb and Sharpe (2009) Fear was also associated with saving behavior. These findings are meaningful because the investment is one way of protecting people in the future. In a national sample of households with low and moderate revenue, Hayhoe et al. (2012) found that people with lesser distress tend to better financial management (spending, financial objectives).

Many studies have also shown that financial awareness is correlated with financial conduct (Borden et al., 2008; Robb & Woodyard, 2011). Financial knowledge is typically evaluated in the literature objectively or subjectively (Huston, 2010). Though conceptually distinct, objective, and subjective knowledge, measures tend to be empirically linked (Carlson et al., 2009). According to Alawadi et al. (2003), a test that asks a person to subjectively show their awareness or awareness of consumer issues may provide useful insights into behavior. Research findings on the correlation between financial and financial knowledge have been mixed. Evidence from so many other studies agrees with the idea that increased financial knowledge, assessed objectively and subjectively, appears to be more optimistic and more contingents behavior (Hilgert et al., 2003). At the same time, the association’s impact size and course continue to be explored. Some inquiries also found help to enhance financial conduct through growing objective financial awareness through preparation (Robb & Woodyard, 2011). Other studies challenge the association between increased financial awareness and improved financial-management behaviors through financial literacy initiatives (Mandell & Klein, 2009). Borden et al. (2008) documented that increased financial knowledge has been related to more normatively positive financial behavior and less risky financial behavior. However, no evidence found that this intention translated into actual behavior and financial expertise in their analysis did not predict either successful financial activity or risky financial behavior.

In evaluating the relations between financial and mental health meanings, the literature indicates that demographics describe beliefs, attitudes, and behaviors (Robb & Sharpe, 2009; Robb & Woodyard, 2011). For example, Robb and Woodyard (2011) found that older, getting higher education, and white are related to better financial reporting practices (e.g., credit card payment, no penalties for an overdraft, and pension accounts). Likewise, O’Neill et al. (2006), the correlation between education and responsible financial conduct in three areas was positive: budgeting, spending, and saving. Tang and Baker (2016) supported both of these findings.

Regarding race/ethnicity, Lyons (2004) Black and Hispanic students were finding it more likely to be difficult (compared to White students) to pay their full credit card balances. Asian students, however, were less likely to experience trouble paying total credit card balance than White students. Lyons found, of course, no substantial difference in the probability of credit card limits based on race/ethnicity. Subsequently, students from Africa showed less favorable financial behaviors, including higher credit card balances than non-Hispanic.
white students (Grable & Joo, 2006). In general, individuals living in high income and persons with high incomes are considered to exhibit optimistic and responsible financial behaviors (Tang & Baker, 2016).

Following a review of the literature, it is discovered that economic insecurity is sub-categorized into job insecurity and food insecurity, with the latter being less prevalent in the literature. Furthermore, neither Islamic and non-Islamic financial knowledge is tandem with financial management behavior. This study is contributing to a literature review, which will assist policymaker in developing more practical policies and student in managing their financial activities.

2 | RESEARCH MODEL

![Diagram of research model]

3 | METHODOLOGY

3.1 | Measurement of instrument

The participant risky financial management activity assessment was used as the result variable for this analysis. Financial management behavior (FMB) was extracted by summing up the answers to five financial management behavioral questions (Dew & Xiao, 2011; Grable et al., 2020; Mountain et al., 2020). Financial knowledge questionnaire, further categorized under objective financial knowledge (Lind et al., 2020; Mountain et al., 2020), subjective financial experience (Lind et al., 2020) used to investigate the impact on financial management behavior. Islamic financial knowledge is also concerned with uniqueness associated with financial management behavior (Antara et al., 2017). The data were collected from the business graduate and undergraduate students during the COVID-19 pandemic period, so job insecurity (Hellgren et al., 1999), seven items that examine whether a respondent feels negative with a 5-point Likert scale regarding their current position. Unlike caloric intake or anthropometric scales, the individual’s adequate consumption is determined by an external concept of proper consumption of his viewpoint. The household’s socioeconomic status also influences its food requirements and food consumption (Heady & Ecker, 2013). This assessment is correlated with people’s actual actions and experience when consuming food insecurity and not only focused on their expectations (Worldwide, 2013). It is also considered a reliable instrument for calculating food access in various cultural settings worldwide (Aziz et al., 2020; Gebreyesus et al., 2015). Financial well-being was measured by five items adapted from the CFPB’s Financial Well-Being Scale (2017). The CFPB’s scale included the concepts of financial situation and capability (CFBP, 2017) using a 5-point Likert scale. Further description is available in Table 1.

This study sample included 1084 students from different higher educational institutions in Punjab, Pakistan, using simple random sampling. According to the Krejcie and Morgan (1970), 384 is the minimum sample size. On the other hand, Faul et al. (2009) suggested 153 minimum sample sizes required for the regression and correlation. According to a study in the Pakistani context, financial management is extremely important because Pakistan is diverse in terms of culture, race, and people, and because Pakistan is classified as low to middle income country. Furthermore, developing countries such as Pakistan are confronted with issues such as job insecurity, food insecurity, and, as a result of pandemic, people are forced to stay at home, disrupting financial knowledge.

4 | RESULTS AND DISCUSSION

In the above Table 2 show the results for assessment of the model, which included the formative and reflective model by following the footstep of Hair et al. (2017) where convergent validity, significant. According to Hair et al. (2014), each indicator can be calculated based on its composite reliability, collinearity, significance, and relevance. The formative variables' collinearity problems can be assessed by the variance inflation factor (VIF) in the measurement model. External weights calculate the value and significance of each indicator. Once the measuring model’s fundamental requirements have been met, the study will proceed to the next stage. The structural model will be reviewed in terms of determination coefficients ($R^2$) and track models.
| Variables                        | Dimension                     | Items  | Loading | CR    | AVE  | VIF   | Beta  | p-value |
|----------------------------------|-------------------------------|--------|---------|-------|------|-------|-------|---------|
| Financial management behavior    |                               | FMB1   | 0.7404  | 0.929 | 0.5043 | 1.6078 | 0.3345 | 0.0000  |
|                                  |                               | FMB2   | 0.6774  |       |       | 1.6792 | 0.3622 | 0.0000  |
|                                  |                               | FMB3   | 0.5042  |       |       | 1.7761 | 0.4999 | 0.0000  |
|                                  |                               | FMB4   | 0.6641  |       |       | 1.71   | 0.4254 | 0.0000  |
|                                  |                               | FMB5   | 0.7495  |       |       | 2.554  | 0.6980 | 0.0000  |
|                                  |                               | FMB6   | 0.7043  |       |       | 1.9832 | 0.6959 | 0.0000  |
|                                  |                               | FMB7   | 0.7095  |       |       | 1.8581 | 0.5483 | 0.0000  |
|                                  |                               | FMB8   | 0.8287  |       |       | 2.4352 | 0.7025 | 0.0000  |
|                                  |                               | FMB9   | 0.7136  |       |       | 2.1706 | 0.5707 | 0.0000  |
|                                  |                               | FMB10  | 0.7204  |       |       | 2.6759 | 0.6169 | 0.0000  |
|                                  |                               | FMB11  | 0.7291  |       |       | 1.9023 | 0.6938 | 0.0000  |
|                                  |                               | FMB12  | 0.714   |       |       | 2.8693 | 0.7277 | 0.0000  |
|                                  |                               | FMB13  | 0.7325  |       |       | 3.0803 | 0.8089 | 0.0000  |
| Financial knowledge              | Objective financial knowledge | OFK1   | 0.7386  | 0.9135 | 0.6798 | 2.5577 | 0.7652 | 0.0000  |
|                                  |                               | OFK2   | 0.7825  |       |       | 2.417  | 0.8156 | 0.0000  |
|                                  |                               | OFK3   | 0.8728  |       |       | 1.902  | 0.5095 | 0.0000  |
|                                  |                               | OFK4   | 0.8332  |       |       | 1.9722 | 0.6821 | 0.0000  |
|                                  |                               | OFK5   | 0.8861  |       |       | 1.8191 | 0.6129 | 0.0000  |
|                                  | Subjective financial knowledge| SFK1   | 0.7221  | 0.8703 | 0.5295 | 1.9111 | 0.6986 | 0.0000  |
|                                  |                               | SFK2   | 0.7193  |       |       | 2.14   | 0.7473 | 0.0000  |
|                                  |                               | SFK3   | 0.7953  |       |       | 2.5155 | 0.8029 | 0.0000  |
|                                  |                               | SFK4   | 0.6421  |       |       | 2.0717 | 0.7798 | 0.0000  |
|                                  |                               | SFK5   | 0.7908  |       |       | 1.9738 | 0.7913 | 0.0000  |
|                                  |                               | SFK6   | 0.6842  |       |       | 1.6767 | 0.6880 | 0.0000  |
| Economics insecurity             | Food insecurity               | FI1    | 0.6866  | 0.9092 | 0.5283 | 1.6129 | 0.7047 | 0.0000  |
|                                  |                               | FI2    | 0.6166  |       |       | 1.7246 | 0.5246 | 0.0000  |
|                                  |                               | FI3    | 0.7047  |       |       | 1.7307 | 0.6101 | 0.0000  |
|                                  |                               | FI4    | 0.7478  |       |       | 1.6045 | 0.5400 | 0.0000  |
|                                  |                               | FI5    | 0.8042  |       |       | 3.4087 | 0.6813 | 0.0000  |
|                                  |                               | FI6    | 0.78    |       |       | 2.1748 | 0.6126 | 0.0000  |
|                                  |                               | FI7    | 0.79    |       |       | 2.2497 | 0.5951 | 0.0000  |
|                                  |                               | FI8    | 0.6867  |       |       | 2.4149 | 0.6497 | 0.0000  |
|                                  |                               | FI9    | 0.7047  |       |       | 1.873  | 0.5687 | 0.0000  |
|                                  | Job insecurity                | JI1    | 0.7956  | 0.9195 | 0.6211 | 1.8755 | 0.5652 | 0.0000  |
|                                  |                               | JI2    | 0.8646  |       |       | 2.0112 | 0.6906 | 0.0000  |
|                                  |                               | JI3    | 0.8045  |       |       | 2.3138 | 0.6597 | 0.0000  |
|                                  |                               | JI4    | 0.8001  |       |       | 1.7857 | 0.5994 | 0.0000  |
|                                  |                               | JI5    | 0.7555  |       |       | 3.2149 | 0.7279 | 0.0000  |
|                                  |                               | JI6    | 0.6904  |       |       | 1      | 1.0000 | 0.0000  |
|                                  |                               | JI7    | 0.7956  |       |       | 1      | 1.0000 | 0.0001  |
| Islamic financial knowledge      | Basic concept                 | BC1    | 0.7651  | 0.8501 | 0.6544 | 1      | 1.0000 | 0.0000  |
|                                  |                               | BC2    | 0.823   |       |       | 1.857  | 0.7863 | 0.0000  |
|                                  |                               | BC3    | 0.837   |       |       | 1.613  | 0.4869 | 0.0000  |
|                                  | Borrowing concept             | BoC1   | 0.7238  | 0.8793 | 0.5003 | 1.9601 | 0.7152 | 0.0000  |
|                                  |                               | BoC2   | 0.7506  |       |       | 1.997  | 0.7247 | 0.0000  |
|                                  |                               | BoC3   | 0.642   |       |       | 1.9044 | 0.6110 | 0.0000  |
The measuring model results are seen in PLS bootstrapping (Efron & Tibshirani, 1994) to measure the relationship's value in the second stage of the study.

In the above table, three show the discriminant validity. According to Ab-Hamid et al. (2017) and Hair et al. (2014), discriminant validity is used to measure the multicollinearity in latent
variables, and both Heterotrait-Monotrait Ratio and Fornell-Larcker Criterion mostly used. So, the first phase in PLS-SEM is the evaluation of the external model. The intention is to evaluate how often the item (questions) charge the postulated framework. The external model analysis consists of the multidirectional diagnostic associations between each latent building and the observed indicator (Hair et al., 2014). In general, two specific actions of PLS-SEM hands are reflective and formative external models (Becker et al., 2012). The evaluation of the reflective external model includes the analysis of individual element reliabilities (indicator reliability), latent variables’ reliability, internal uniformities (Cronbach alpha and composite reliability), construct validity (loading and), convergence validity (AVE), and discrimination (Fornell-Larcker criteria) (Hair et al., 2016).

Table 4 showed the results path analysis, which guided the acceptance or rejection of the null hypothesis. According to the results in Table 3, bootstrapping results presented where the value of t-statistics described the significance of the results between two variables. The R² shows the dependent variable’s total variation due to independent variables (Efron & Tibshirani, 1994). This study’s objective was to investigate the latent variable’s impact on financial management behavior and financial well-being used as mediating variables during the COVID-19 period. According to the result, all the significant value (p < 0.05) is less than 0.05 and influential at a 1% level of significance. The amount of beta shows there is a positive or negative relationship between selection variables. Economic insecurity (EI) harms financial well-being (FWB), is the students facing the economic insecurity (food insecurity and job insecurity), financial well-being affected (Choi et al., 2020). Financial knowledge (FK) also harms financial management behavior (FMB) and financial well-being (FWB) (Grable et al., 2020). This study is conducted in context to Pakistan and Islamic concepts, while financial management behavior is considered. In the above Table 4, Islamic financial knowledge positively impacts financial management behavior and financial well-being under research.

Table 5 shows the result of mediation analysis where financial well-being is used as mediating variables between Islamic financial knowledge, financial knowledge, economic insecurity, and financial management behavior. According to the results in Table 3, financial well-being showed significant mediation with objective financial knowledge (p < 0.05), subjective financial knowledge (p < 0.05) (Grable et al., 2020). If Islamic financial understanding is concerned, it also creates a significant association with financial management behavior (Ahmad et al., 2020). During the COVID-19, financial management behavior was very disturbed.

In the above Table 6 shown the serial mediation where all the null hypotheses are rejected using the two-stage approach, which means objective financial and subjective financial knowledge is most propitate dimension for financial knowledge, as food insecurity and job insecurity are also considered the most critical dimension of economic insecurity. Most importantly, Islamic financial knowledge is also an essential factor while investigating financial management behavior. The value of R² economic insecurity is 0.242 means that job insecurity and food insecurity showed a 24% variation is because of economic insecurity. Furthermore, a 25% variation in financial management behavior due to objective financial knowledge and subjective financial knowledge is used as a financial knowledge dimension. Islamic financial knowledge cause 33% of financial management behavior. The above Table 5 guided that the null hypothesis was rejected based on t-statistics, which is greater than 1.96.

5 | CONCLUSION

This study’s primary concern is to investigate the impact of financial knowledge (objective and subjective financial knowledge), Islamic financial knowledge, and economic insecurity (job insecurity and food insecurity) on financial management behavior by taking financial well-being as a mediating variable. To fulfill this study’s objective, structural equation modeling is used for hypothesis testing and check the convergent validity and discriminant validity. The data are collected during the pandemic period from April 2020 to September 2020 using simple random sampling.

The empirical findings reveal that economic insecurity negative impact on financial management behavior. According to the Topa et al. (2018), economic factors of individual can change your behavior negatively, for example, if students face uncertainty about food and job, their financial management behavior is less effective. Furthermore, as previously stated, Pakistan is considered as diverse field of culture, with the majority of people being Muslim by religion, and because of emotional attachment to religion, other financial knowledge has a negative when compare to Islamic financial knowledge.
The value of informal financial learning opportunities for positive financial habits might just be that adolescents searching for information from a reputable financial expertise source are already interested in the subject and driven to enhance overall financial well-being. One explanation for this concern is a proactive awareness of the need to assume accountability for your financial well-being (Pereira & Coelho, 2020). Optionally, if you seek support in financial problems, it may be a reactive response. Designers presume, therefore, that the voluntary aspect is a significant factor in improving financial behavior. This result is supported by a survey that finds college students with financial problems searching for financial professionals (Lim et al., 2014). In this report, the researchers suggested that financial practitioners focus on the people who need financial services the most.

Interestingly, those with strong financial role models in their parents have more positive financial behavior but less financial awareness. These people can emulate their parents' optimistic actions without solid financial understanding. Islamic financial knowledge and economic insecurity also essential to discussed while financial management behavior is concerned during the pandemic period. Economic insecurity is categorized into two main dimensions: job insecurity and food insecurity, as per author knowledge cumulatively under the search of economic insecurity. In this regard, policymakers in Pakistan should follow the Islamic rules so that financial management behavior is less disrupted because individuals can contribute to the economy. If they are facing problems such as food insecurity, job insecurity, and Islamic and non-Islamic financial literacy, but motivation for financial behavior is not achieved.

6 | LIMITATIONS AND FUTURE RESEARCH

Like any study that deals with an exploratory topic, limitations exist in the context of this research. While this study utilized a unique dataset, data were restricted to university working students who are engrossed in their routine works due to COVID-19. These findings based on this sample should not be generalized to the entire Pakistani population. Future research should strive to look at regulatory authority as a moderating variable. Furthermore, social-psychological factors, ethical behavior, and economic competition can be entertained to address generalizability issues in financial management behavior. Future research should incorporate both subjective and objective financial knowledge assessments and anxiety and financial behavior. As an exploratory study, this research was conceptualized theoretically. The lack of a specific theory was the result of the paucity of research on this topic.

DATA AVAILABILITY STATEMENT

Data will be provided upon request.

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