

Individuals Demographic Differences and Financial Satisfaction: Evidence from Pakistan

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Abstract

The purpose of this study was to examine the effect of demographic characteristics on the financial satisfaction of individual investors in Pakistan. Base on a sample of 118 individual investors, Chi-square test, was conducted to investigate that which demographic characteristics are associated with financial satisfaction. The study revealed investors age and family size has a significant effect on financial satisfaction. While investor gender, marital status, qualification, occupation, and income level has no influence on financial satisfaction. The present study is significant for the policymakers to understand the individual's financial satisfaction levels according to their gender, age, academic qualification, income level, marital status, occupation, financial knowledge, and family size.

Keyword: Demographic characteristics, Financial satisfaction, Individuals investors of Pakistan.

Introduction

Individuals overall life satisfaction relates to a series of life aspects. According to Kuppens, Realo and Diener (2008) these aspects includes “emphasizing the positive things in life, working in an area that one enjoys, taking care of one’s finances, having relationships with happy people, overcoming negative events and learning from them, and being involved in pleasurable activities that enhance one’s positive view of life and offer greater satisfaction”. Among these attributes, individual’s overall life satisfaction is mainly connected with their financial satisfaction. “positive financial behaviors contribute to financial satisfaction, and financial satisfaction, in turn, contributes to life satisfaction” (Xiao et al. (2009, p. 53). Several studies divulge that individual’s financial satisfaction is an important factor for overall life satisfaction (Mammen, Helmick & Metzen, 1983). Increasing healthcare expenses, children educational cost, and family needs required an individual to plan for the long term to meet future financial satisfaction and protection (Coskuner ,2016).

According to the ministry of Finance (Pakistan,2016-2017) “Public Expenditure on Education as a percentage of GDP is estimated at 2.3 percentage in FY 2016 as compared to 2.2 percentage of GDP in FY2015. Along with this, the disease pattern is heavily dominated by malnutrition and poor dietary practices”. These results showed that in Pakistan educational and healthcare expenses are increasing. These increasing expenses triggered the dissatisfaction of individuals with financial position. People who are dissatisfied with their conditions are more likely to have low self-esteem, anxiety, fear, and frustration (Lipovetsky, 2007).

A study conducted in Pakistan disclosed that some behavioral biases of individuals have an impact on their financial satisfaction. This study exposed behavioral biases like overconfidence and categorization tendency has a significant positive impact on an investor’s financial satisfaction levels. Others behavioral biases like Reliance on experts, Self-control bias, budgeting tendency, the Adaptive tendency has no significant impact on investor’s levels of financial satisfaction (Sadiq et al.2017). The present study attempts to understand the money aspect of life satisfaction for the Pakistani individuals by finding the answer to the question that “Do demographic characteristics have an effect on financial satisfaction”? This increasing financial satisfaction level can cause intention for investment in individuals.

The present study is important for the policymakers to understand the individual’s financial satisfaction level according to their gender, age, academic qualification, income level, marital status, occupation, financial knowledge, and family size. According to Sahi, (2013) “policymakers would benefit from such empirical work as the study identifies changes that need to be made on a national level that would enable an increase in financial satisfaction levels of the people.”

Literature review

Gender and financial satisfaction

Generally, it is perceived that men are more financially satisfied than women. This perception is supported by various studies and explored the similar results (Krannich et al. 1988). These results are also supported by Bonke (2008) and found a positive Relationship is exist between men and financial satisfaction, and female investors have less financial satisfaction (Loibl & Hira (2005).

Most of the studies shown that investors gender has no significant influence on their financial satisfaction, Investors they are either male or female have the same level of financial satisfaction (Sahi, 2013; Joo & Grable, 2004).

Based on the above literature investors gender is expected to have an effect on financial satisfaction.

Hypothesis (1): Investors gender has a significant effect on financial satisfaction.

Age and financial satisfaction

Age is also considered as a factor affecting the individual's satisfaction with financial matters. According to the study conducted by sahi (2013) in India "age has a positive and significant association with financial satisfaction." This result supports the various previous studies (Horley & Lavery, 1995; La Barbera & Gürhan, 1997; Loibl & Hira, 2005; Xiao et al., 2006; Hansen et al., 2008). Another previous study also supports these results and disclosed that "older people, despite their lower levels of income, are more satisfied financially than younger people. High satisfaction among the elderly also appears to occur even at very low levels of income" (Olson & Schober, 1993). Coşkuner, (2016) in his study disclosed that among all demographic factors, age was the factor which shows a significant impact on financial satisfaction. A similar study conducted in America disclosed that older Americans are very satisfied with their financial position (George, 1993). Statistics regarding Norway also shown Norwegians older individuals are more financially satisfied (Statistics Norway, 2006). Along with these results, some studies shown investors age has no significant impact on financial satisfaction (Joo & Grable, 2004).

Based on the above literature investors age is expected to have an effect on financial satisfaction.

Hypothesis (2): Investors Age has a significant effect on financial satisfaction.

Income and financial satisfaction

Most of the prior studies intensively focused on the relationship between income and financial satisfaction (George, 1992; Diener, & Seidlitz, 1993). These studies shown individuals income level has a significant effect on subjective well-being (Headey, Veenhoven, & Wearing, 1991; George, 1992; La Barbera & Gürhan, 1997). Another study also disclosed similar results and concluded that "income was the ultimate source of financial satisfaction and higher income levels contributed to higher satisfaction with financial status. Money is a significant resource which is important for the individual to meet various social and material needs and hence is directly related to an individual's financial satisfaction" (Vera-Toscano et al., 2006). Sahi, (2013) in her study in India also supports these results and concluded that among other demographic factors like occupation, age, marital status individual's income level has a significant impact on their financial satisfaction. These results were also disclosed by Joo and Grable (2004) that investors age has a significant impact on financial satisfaction.

Based on the above literature Income was expected to have a significant impact on the Financial satisfaction of individuals.

Hypothesis (3): Increasing income level caused an increase in financial satisfaction

Marital status and financial satisfaction

Sahi, (2013) in her study revealed that "Married people are more financially satisfied than single respondents." Numerous previous studies also disclosed that a significant positive relationship exists between marriage and financial satisfaction (Hira & Mugenda ,1998; Zurlo ,2009). Joo and Grable (2004) in their study disclosed that among other demographic factors like gender, age, and marital ethnicity status also has no significant impact on financial satisfaction.

Based on the above literature investors marital status is expected to have an effect on financial satisfaction.

Hypothesis (4): Investors marital status has a significant effect on financial satisfaction.

Academic qualification and financial satisfaction

Generally, it is perceived that academic qualification caused a financial satisfaction in individuals. The study disclosed “it is very possible that those with higher education earn more and hence are more likely to be financially satisfied. Further, this study disclosed that it is also possible that a person with high education being dissatisfied with his financial position simply due to the fact that he is relatively less well off financially, rather than being actually deprived in any material way” (Pu et al. 2011). Another study also showed similar results and concluded that academic qualification of individuals has a significant impact on financial satisfaction (Hira and Mugenda ,1998). Another study divulged that education has no direct effect on financial satisfaction. However, academic education has an indirect effect on financial satisfaction (Joo & Grable ,2004).

Along with these results, some studies find academic qualification has no significant impact on the individuals level of financial satisfaction (Sahi, 2013).

Based on the above literature academic qualification was expected to have a significant impact on the Financial satisfaction of individuals.

Hypothesis (5): Academic qualification caused an increase in financial satisfaction

Occupation and financial knowledge

Investors occupational status is also considered as a factor which influences the investors level of financial satisfaction. However, very little studies have been conducted on this topic. A study conducted by Vera-Toscano et al. (2006) explored that “people who are unemployed and retired, are having low levels of financial satisfaction, while for the students and the housewives, no significant relationship with financial satisfaction has been observed.”

Sahi (2013) in her study disclosed that “the people who are employed with government and semi-government organizations are found to have higher levels of financial satisfaction than other occupational profiles. This is because of a sense of security that is attached to the government jobs as compared to jobs in the private sector”.

Based on the above literature occupational status was expected to have a significant impact on the Financial satisfaction of individuals.

Hypothesis (6): Occupational status has a significant effect on financial satisfaction

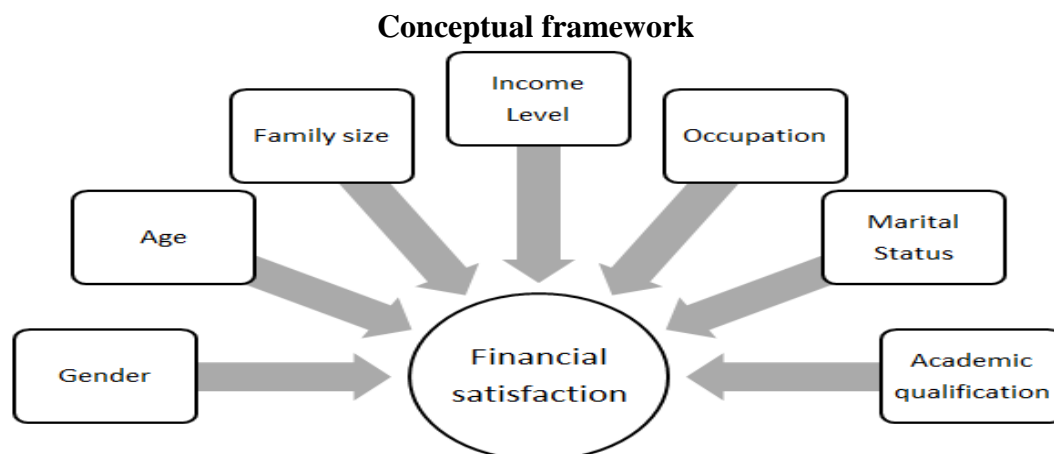
Family size and financial satisfaction

Numerous studies revealed that individual’s family size has a significant impact on financial satisfaction. Rahman et al. (2008) In his study disclosed that “joint family provides to the individual emotional, social and economic support and hence men who live in joint families have more satisfaction with their income levels, than those living in nuclear families.”

Besides these results, numerous studies have shown no significant relationship exists between family size and financial satisfaction. Joo & Grable (2004) in their study disclosed that “no direct relationship between a number of dependents in the household, but their study found a negative indirect effect of the number of dependents on financial satisfaction.” Yin-Fah et al. (2010) also support these results.

Based on the above literature family size was expected to have a significant effect on the Financial satisfaction of individuals.

Hypothesis (7): Family size has a significant effect on financial satisfaction



Methodology

Population and sample

The population for the present study consists of investors having some financial knowledge or investment experience in Long term saving products such as insurance, Saving accounts, etc. The present study attempts to cover all types of individuals with the different professional background. age group, income level, gender, marital status, academic qualification, financial knowledge, and family size. Conveyance sampling method was used to interact with the individual's Present study has interacted with about 150 investors. Out of which 120 returns the questionnaires. After scrutinizing of questionnaires, we found 118 questionnaires which were completed and used by the study.

Variable, Instrument, and Measures

Financial satisfaction

Financial satisfaction or financial well-being was rated on a 10-point self-assessment scale developed by Prawitz et al., (2006). According to the Prawitz et al., (2006) this 8-item IFDFW Scale included "four items that represented a sense of one's present state of financial wellbeing and four items that characterized one's reaction to his or her present state of financial well-being."

In order to sort the individuals according to their Financial Satisfaction, Study divide it into three groups. Individuals having an aggregate score of 1.0 - 4.0 represents "high financial distress/low financial well-being." Individuals are having a score of 4.1 - 6.9 represents "average financial distress/average financial well-being. scored between 7 - 10 represents "low financial distress/ high financial well-being."

Demographic factors

The present study used Seven demographic characteristics of individuals. These characteristics included individuals Gender, Profession, Marital status, Age, Family size, Academic-qualification, Income level, and financial knowledge.

Each characteristic is divided into subgroup to sort the individuals such as gender is sub-categories into male and female, Occupation is divided into service, profession, students, and business. Marital status is divided into single, married, widow, and divorced. Age is divided into below 30 years, 30-40 years, 40-50 years, 50-60 years, 60 years or above. Family size is divided into 2 members, 3-5 members, 6-8 members, 9 or more members. Qualification is divided into non-graduate, graduate, postgraduate, professional education, or others. Income level is divided into Below Rs. 200,000, Rs. 200,000 -400,000, Rs. 400,000 – 600,000, Rs. 600,000-800,000, Rs. 800,000 or above.

Data analysis

The present study used the chi-square test to find the difference between an individual's financial satisfaction level according to their demographic characteristics. Statistical package SPSS was used to conduct this test.

Table 1: Degree of Relationship Between Gender and Financial Satisfaction

		Financial Satisfaction			Total
		Low	Average	High	
Gender	Male	3	73	17	93
	Female	0	21	4	25
Total		3	94	21	118

TABLE 2: CHI-SQUARE TEST

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.939 ^a	2	.625

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is .64.

The calculated value of chi-square is .939, where table value at 0.05 significance level and 2 degree of freedom is 5.991, where calculated value is less than the critical value, the null hypothesis is accepted and concluded that there is no relationship between gender and financial satisfaction.

Table 3: Degree of Relationship Between Age and Financial Satisfaction

		Financial Satisfaction			Total
		Low	Average	High	
Age	Less than 30	3	62	19	84
	30-40	0	20	0	20
	40-50	0	12	0	12
	50-60	0	0	2	2
Total		3	94	21	118

TABLE 4: CHI-SQUARE TEST

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.217 ^a	6	.004

a. 8 cells (66.7%) have expected count less than 5. The minimum expected count is .05.

The calculated value of chi-square is 19.217, where table value at 0.05 significance level and 6 degree of freedom is 12.592, where calculated value is greater than the critical value, the null hypothesis is rejected and concluded that there is a relationship between age and financial satisfaction. Table 3 shows individuals having age less than 30 are more financially satisfied, while individuals having a life between 30 to 50 are average financially satisfied. While individuals having age above 50 are also more satisfied

Table 5: Degree of Relationship Between Qualification and Financial Satisfaction

		Financial satisfaction			Total
		Low	Average	High	
Qualification	Nongraduate	2	30	9	41
	Graduate	1	10	4	15
	Post graduate	0	46	8	54
	Professional education	0	6	0	6
	Others	0	2	0	2
Total		3	94	21	118

TABLE 6: CHI-SQUARE TEST

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.371 ^a	8	.497

a. 10 cells (66.7%) have expected count less than 5. The minimum expected count is .05.

The calculated value of chi-square is 7.371, where table value at 0.05 significance level and 8 degree of freedom is 15.507, where calculated value is less than the critical value, the null hypothesis is accepted and concluded that there is no relationship between qualification and financial satisfaction

Table 7: Degree of Relationship between Income Level and Financial Satisfaction

		Financial satisfaction			Total
		Low	Average	High	
Income Level	Below Rs. 200,000	1	40	8	49
	200,000 - 400,000	0	17	3	20
	400,000 - 600,000	0	13	6	19
	600,000 - 800,000	0	18	0	18
	Rs. 800,000 or above	2	6	4	12
Total		3	94	21	118

TABLE 8: CHI-SQUARE TEST

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.737 ^a	6	.189

The calculated value of chi-square is 8.737, where table value at 0.05 significance level and 6 degree of freedom is 12.592, where calculated value is less than the critical value, the null hypothesis is accepted and concluded that there is no relationship between income and financial satisfaction.

Table 9: Degree of Relationship Between Marital Status and Financial Satisfaction

		Financial satisfaction			Total
		Low	Average	High	
Marital status	Single	3	61	13	77
	Married	0	32	8	40
	Divorced	0	1	0	1
Total		3	94	21	118

TABLE 10: CHI-SQUARE TEST

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.975 ^a	4	.740

a. 5 cells (55.6%) have expected count less than 5. The minimum expected count is .03.

The calculated value of chi-square is 1.975, where table value at 0.05 significance level and 4 degree of freedom is 9.488, where calculated value is less than the critical value, the null hypothesis is accepted and concluded that there is no relationship between marital status and financial satisfaction.

Table 11: Degree of Relationship between Occupation and Financial Satisfaction

		Financial satisfaction			Total
		Low	Average	High	
Occupation	government/semi-government	0	18	9	27
	Professional	0	25	0	25
	Private service	3	46	12	61
	Business	0	4	0	4
	Others	0	1	0	1
Total		3	94	21	118

TABLE 12: CHI-SQUARE TEST

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.194 ^a	8	.077

a. 11 cells (73.3%) have expected count less than 5. The minimum expected count is .03.

The calculated value of chi-square is 14.19, where table value at 0.05 significance level and 8 degree of freedom is 15.507, where calculated value is less than the critical value, the null hypothesis is accepted and concluded that there is no relationship between occupation and financial satisfaction.

Table 13: Degree of Relationship Between Family Size and Financial Satisfaction

		Financial satisfaction			Total
		Low	Average	High	
Family Size	2 members	1	12	0	13
	3-5 members	2	49	7	58
	6-8 members	0	27	8	35
	9 or above members	0	6	6	12
Total		3	94	21	118

TABLE 14: CHI-SQUARE TEST

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.401 ^a	6	.017

a. 6 cells (50.0%) have expected count less than 5. The minimum expected count is .31.

The calculated value of chi-square is 15.401, where table value at 0.05 significance level and 6 degree of freedom is 12.592, where calculated value is greater than the critical value, the null hypothesis is rejected and concluded that there is a relationship between family size and financial satisfaction.

Conclusion

The purpose of this study was to analyze the effect of demographic characteristics on the financial satisfaction of individual investors in Pakistan. The study showed investors age and family size has a significant effect on financial satisfaction. These finding revealed that increasing family size caused an increase in financial satisfaction, which show an increasing population does not influence the financial satisfaction at the individual level. While investor gender, marital status, qualification, occupation, and income level do not influence financial satisfaction. The present study is important for the policymakers to understand the individual's financial satisfaction levels according to their gender, age, academic qualification, income level, marital status, occupation, financial knowledge, and family size.

Limitations

The present study is only designed to understand the effect of the demographic characteristic on an individual's financial satisfaction level. Data for the present study was collected from Rawalpindi and Islamabad. Further research needs to be directed with more data and across various demographic profiles, from several cities, to increase the generalisability of the findings in the Pakistani context. Further study should be conducted to understand why people in Pakistan feel more financial satisfaction with an increase in family size. Beside this further study should also be directed to understand why financial satisfaction goes on diminished in Pakistan with an increase in Age.

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