



## THE MEDIATING EFFECT OF FINANCIAL SELF-EFFICACY ON THE FINANCIAL LITERACY-BEHAVIOR RELATIONSHIP: A CASE OF GENERATION Y PROFESSIONALS

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### ABSTRACT

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A comprehensive financial literacy questionnaire surveyed prospective psychological constructs as antecedents (financial literacy, economic perception, financial self-confidence, financial behavior, and personal financial performance) of applying financial self-efficacy in a large sample of working students in the hospitality and tourism industry. It is expected that financial literacy and economic perception are key antecedents of financial self-efficacy, which in turns may influence financial behaviors and personal financial performance in shaping a working student's future skills for designing effective financial plans. For this purpose, the structural equations model was empirically tested. Moreover, the mediating indirect effects of financial self-efficacy in the relationships between financial literacy and economic environment on financial behavior and financial performance were tested through a two-phase methodological analysis. This study contributes to the literature by investigating the effects of financial self-efficacy, financial literacy and economic perception on personal financial behavior. The significance of the contribution is to propose and examine empirically a theory-based model of financial self-efficacy and financial behavior-performance in a service context among Generation Yers.

**Contribution/Originality:** The financial efficacy model presented is applicable to different contexts, while the significant power of economic perception and financial knowledge shapes the formation of an adequate financial behavior and performance. This research not only tests the direct relationship of the constructs but also test the mediating power of financial self-efficacy.

### 1. INTRODUCTION

Negligence to administer personal finances may generate dramatic unfavorable outcomes in personal finance among young adults (Generation Y). Financial institutions such as banks and credit unions indicate that the elevated frequency of personal economic failures, credit score issues, weak saving rates, and emotional purchasing behaviors are the main consequences of an absence of financial literacy, financial self-efficacy (FSE), and a realistic economic perception on the buyers' side (Joseph *et al.*, 2017). Fernandes *et al.* (2014) state that this absence of literacy and comprehension is due to the fact that several bases of the financial world are complicated and distant to

the regular buyer. Some researchers suggest that both limited financial literacy and impractical economic perceptions (Lusardi and Mitchell, 2014) influence consumers to behave in ways that negatively affect their personal financial performance. Several government institutions, universities, consumer bureaus, and banks educate consumers to improve their comprehension of financial literacy and self-efficacy.

It is demonstrated that more young professionals seek to improve their financial performance and financial behavior (Brown *et al.*, 2016). However, limited research had studied developing financial efficacy and financial behavior specifically for Generation Y professionals in the business context. Given the importance of financial self-efficacy to improve the financial wellbeing of young professionals, the aim of this study is to present greater conceptual support and empirical evidence of young professionals' financial behaviors. Orientated on the foundations of behavioral finance and the theories of financial self-efficacy and financial behavior and performance, the present research project proposes and empirically tests a theory-based model that explains how Generation Y professionals develop a strong sense of financial efficacy and selected financial behavioral outcomes (Financial behavior and financial performance) are examined.

This research aims to provide evidence and support to respond to the following research questions:

1. Which financial perception dimension is critical to develop strong financial performance?
2. Which financial perception dimension is positively related to financial behavior?
3. Which financial perception dimension is positively related to Financial Self-Efficacy?
4. Which dimension has the strongest effect on financial behavior performance?

Consumers (Generation Y professionals in this study) have some resources to learn financial subjects that help them modify and advance their financial management conduct. In the hospitality and tourism literature, there are few studies that attempt to examine the influence of financial self-efficacy, financial literacy and economic perception on personal financial behavior. The comprehension of these relationships is relevant to understand whether the existent approaches are even answering to the right question. Therefore, the main contribution of this study is to investigate the effects of financial self-efficacy, financial literacy and economic perception on personal financial behavior. The contribution is to develop a theory-based model of financial self-efficacy and financial behavior-performance in a service context among Generation Yers. Inclined on the underpinnings of behavioral finance and the two financial theories (financial efficacy theory and financial literacy theory), this research project proposed a conceptual model that explains how young professionals develop a strong financial performance. This study also contributes to the body of knowledge by mainly examining first the influence of economic perception and financial literacy on financial self-efficacy (FSE) and financial behavior; second the relationship between FSE and financial behavior; third the impact of financial behavior on financial performance; and fourth how FSE influences students' financial behavior when facing the aspects of personal finance.

The present study is organized as follows. First, the authors elaborate a discussion of the current literature about financial behavior, financial efficacy, economic perception, and financial knowledge. Second, the authors present a discussion for the development of the theory-based model including all the constructs included in the framework. Third, the authors present the methodology section including sampling, measurement, and methods of analysis. Fourth, the authors provide a discussion of the results and key findings. Finally, the authors conclude with a discussion on the implications for research and practice.

## **2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

### *2.1. Personal Financial Management Behavior and Financial Performance*

While financial performance appears to be certainly influenced by financial literacy, the impact of personal financial management behavior on personal financial performance is less certain. Research on the influence of financial behavior on personal financial performance is very limited especially in the service industry (Maman and Rosenhek, 2019). In this research, the authors utilize the term "Personal Financial Management Behavior" to refer

to responsible behaviors suggested by consumer economists as a manner to develop a favorable financial performance. These behaviors include the ways money was obtained, saved, invested, and communicated within the family system (Mao *et al.*, 2017). Since a person's financial performing is measured in terms of defined financial goals, financial condition, money-management skills, and a strong financial personality (Bačová *et al.*, 2017), it stands to infer that positive personal financial management behavior improves financial performance in all these areas. Entrop *et al.* (2016) provided conceptual support to indicate that favorable financial behaviors do impact the individual financial performance. A recent investigation suggests that negative financial behaviors affect financial performance (Watson and Barber, 2017). Likewise, as stated by other studies, a positive financial management behavior of an individual should help to improve his/her personal financial performance. Therefore, the following hypothesis is stated:

*H1. Financial behavior has a significant and positive effect on personal financial performance of Gen Y professionals in hospitality and tourism industry.*

### *2.2. Financial Self-Efficacy and Financial Behavior*

The feeling of self-efficacy is a main element that affects consumer behavior. This feeling is when an individual has the confidence in his/her ability to face a scenario without being overwhelmed (Hira, 2010). Specifically, self-efficacy refers to a sense of personal belief that one can conquer and succeed under a given life's challenges (Rothwell *et al.*, 2016). Recent research indicates the need to study the antecedents and consequences of FSE. A deep compilation of financial planning and counseling scales (Grable *et al.*, 2011) indicated a demand for a continuous study of financial self-efficacy in various disciplines. The study and comprehension of FSE assist buyers and business suppliers to distinguish pathways and restrictions to valuable personal financial management (Lown *et al.*, 2015). In this study FSE is defined as individuals' level of consensus with numerous statements about their capability of managing and achieving their short and long-term financial objectives.

According to social cognitive theory, individuals are more likely to try, to continue, and to accomplish at tasks when they have strong levels of financial efficacy (Lown *et al.*, 2015). Failure to prosper a condition may be, at least in part, due to low levels of FSE. The condition of a strong level of FSE, which refers to a feeling of having the capacity to deal effectively with a financial situation (Fernandes *et al.*, 2014) is needed to influence and to encourage individuals to act and make changes in their financial behavior (Danes and Haberman, 2007). Thus, the following hypothesis is proposed:

*H2. FSE has a significant and positive effect on financial behavior of Gen Y professionals in hospitality and tourism industry.*

### *2.3. Economic Perception on FSE and Financial Behavior*

While financial behavior seems to be directly influenced by financial self-efficacy, the impact of economic perceptions and financial literacy on financial behavior are less evident. Current research on the development of financial behavior among generation Y professionals is very limited in the hospitality and tourism industry. Some scholars have suggested the direct and indirect link between economic perception and financial behavior. The examination of such issue appears to be appropriate in the context of this study. Because of the importance of positive financial behaviors and strong FSE among individuals, the impact of realistic economic perceptions among individuals is likely to be critical to comprehend financial behaviors and the financial performance of those individuals. Individuals with clear and realistic scenarios of the responsibility of the government to generate jobs, and the impact of creating these new jobs on their willingness to pay higher prices will influence positively the individual's belief in his/her capacity to succeed at specific financial activities (Gursoy *et al.*, 2002). Thus, the more realistic the perception of the local economy and the responsibility of the government to create jobs is, the more favorable the financial behavior and the person's belief in his/her ability to succeed will be. Based on the arguments proposed in the prior discussion, the two additional hypotheses are stated:

*H3. Economic perception has a significant and positive effect on financial behavior of Gen Y professionals in the hospitality and tourism industry.*

*H4. Economic perception has a significant and positive effect on FSE of Gen Y professionals in the hospitality and tourism industry.*

#### *2.4. Financial Literacy on Financial Behavior*

Whereas income is considered a fundamental element when describing personal financial behavior, it is important to study what influence financial literacy among the generation Y' professionals in the hospitality and tourism industry has on their financial behavior. Financial literacy has a direct and significant influence on responsible financial behavior when contrasted to other constructs such as self-confidence, and supportive environment (Clark *et al.*, 2017). Individuals with higher levels of financial literacy are more likely to show responsible financial management behavior. Other researchers state that providing individuals with formal foundations of financial education might help them to keep adequate and manageable levels of debt, investing, and savings (Fernandes *et al.*, 2014). It is relevant to note that individuals who are financially knowledgeable tend to behave in financially responsible manners. This progress in financial behavior is expected to be tied to an individual's conviction in making adequate financial decisions and showing favorable financial behaviors. This relationship is explained more in detail below. Thus, the following hypothesis is proposed:

*H5. Financial literacy has a significant and positive effect on financial behavior of Gen Y professionals in the hospitality and tourism industry.*

#### *2.5. Financial Literacy on FSE*

Zimmerman and Kitsantas (2005) showed that the education of health enhancing behavior of children and parents is a significant antecedent of children's self-efficacy beliefs. Within the domain of financial literacy, it is known that young people, in the U.S. and Canada, do not have acceptable financial literacy about personal finance subjects and concepts (Lachance *et al.*, 2006). This financial literacy can be viewed as critical in determining one's perceived capacity to manage a situation (Seay and Robb, 2013). As college students do not have acceptable financial literacy, it is expected that they are less likely to be knowledgeable when deciding financial aspects, which can lead to less than effective financial behaviors (Engelberg, 2007). Farrell *et al.* (2016) found that in survey of 1542- Australian participants, the association emerged between a woman's level of financial self-efficacy and aspects of her personal finance behavior was statistically significant. Thus, the following hypothesis is proposed:

*H6. Financial literacy has a significant and positive effect on FSE of Gen Y professionals in hospitality and tourism industry.*

Thus, based on the theoretical foundations presented in the literature review, current study will explore the holistic relationship between financial literacy, financial behavior, financial self-efficacy and financial performance. Hilgert *et al.* (2003) study titled "Household financial management: The connection between knowledge and behavior", reported that financial literacy can be statistically linked to financial practices related to different aspects of financial management such as cash flow management, credit management, savings and investments. Subjects displaying increased financial literacy scored higher on financial performance index scores. Their analyses provided evidence that increases in knowledge led to improvements in financial practices. Furthermore, they claimed that a person's experience also can play an important part in better financial practices. Eventually the study attempts to gather evidence whether individuals with better financial literacy will be exhibiting improvements in the financial management practices at personal as well as professional work front. A summary of the hypotheses is included in Table 1.

Table-1. Summary of hypotheses.

Hypotheses	Direction	Description
H1: FB →	(+) FIN PERF	Financial behavior is positively related to financial performance
H2: FSE →	(+) FB	Financial Efficacy is positively related to financial behavior
H3: ECON PERC →	(+) FB	Econ perception is positively related to financial behavior
H4: ECON PERC →	(+) FSE	Econ perception is positively related to financial efficacy
H5: FIN KNOW →	(+) FB	Financial knowledge is positively related to financial behavior
H6: FIN KNOW →	(+) FSE	Financial knowledge is positively related to financial efficacy

Note: FB = Financial Behavior; FIN PERF = Financial Performance; FSE = Financial Self-efficacy; FB = Financial Behavior; ECON PERC = Economic Perception; FIN LITERACY = Financial Literacy.

### 3. METHODOLOGY

#### 3.1. Measurement

This study aimed to develop a theory-based model of financial management and to explain the relationships among financial behavior, financial self-efficacy (FSE), economic environment, financial literacy, and personal financial performance. An online questionnaire was developed to examine the respondents' perceptions of the study constructs using multiple-item scales, adapted from current studies that stated high reliability, convergent and discriminant validity. Each of the constructs employed was measured using multiple-item, seven-point Likert scales, with "strongly disagree" and "strongly agree" anchoring the scale. Each construct was adapted from current research with some minor modification in the wording to tailor them to the context of the hospitality and tourism industry. Pretesting of the measurement was initially conducted. With the aim of avoiding validity and reliability issues later in the main study, the questionnaire was administered to randomly selected undergraduate students from an US university. This was used to identify face validity and reliability issues (Hair *et al.*, 1998). This process was conducted first to identify imperfections with the questionnaire, second to recognize grammatical or spelling errors, and third to ensure that respondents comprehend the directions and question-items.

The questionnaire included two sections. (1) Perceptions of the model's constructs, and (2) participants' personal data obtained through a series of questions relating to demographic characteristics. The instruments selected to acquire data include: (a) economic perception Scale (EPS), modified version of Gursoy *et al.* (2002) (b) financial literacy Scale (FKS) and financial behavior Scale (FBS), modified version of Danes and Haberman (2007) financial self-efficacy Scale (FSES), modified version of Lown (2011) and personal financial performance Scale (PFPS), modified version of George *et al.* (2008). See Table 2.

#### 3.2. Sample and Data Collection

Data for this empirical research was collected from working college students. The target population for this study was working college students in a US university, who currently work in the hospitality industry. The respondents participated voluntarily in the study. An online, self-administered questionnaire was designed using Qualtrics survey software, and distributed by e-mail to a systematic random sample of 400 college students at a major U.S. university. The sample was randomly selected from an email database list that contained college students who study hospitality and tourism management. In total, 350 responses were received. After deleting the incomplete questionnaires and the cases with missing data, a total of 258 usable responses were available for data analysis. The survey participants provided their responses through Qualtrics. Those answers were automatically sorted and systematically organized into SPSS 20 to avoid data entry errors. Data was also examined for missing values and outliers, and the convergent and discriminant validities were recognized. Reliability examination was conducted using Cronbach alpha and composite reliability (CR), while validity was examined by factor analysis.

Table-2. Questionnaire items.

Constructs	Question Items	Origin
The Financial Self-Efficacy Scale (FSE)	It is hard to stick to my spending plan when unexpected expenses arise. It is challenging to make progress toward my financial goals. When unexpected expenses occur I usually have to use credit. When faced with a financial challenge, I have a hard time figuring out a solution. I lack confidence in my ability to manage my finances. I worry about running out of money in retirement.	Lown (2011)
Financial Literacy Perception (FLPS)	I understand the cost of buying on credit. I know key questions to ask when shopping for auto insurance. I know about investments (stocks, mutual funds, bonds, etc.). I know the difference between needs and wants.	Danes and Haberman (2007)
Financial Behavior (FBS)	I track my expenses. I compare prices when I shop. I set aside money for future needs/wants. I use a budget. I repay the money I owe on time. I make goals for managing my money. I achieve my money management goals. I discuss money management with my family.	Danes and Haberman (2007)
Economic Perception (EPS)	Government should help to create more jobs. Willing to pay higher taxes if creating more jobs. Need more jobs to stop young people moving away.	Gursoy <i>et al.</i> (2002)
Personal Financial Performance (PFPS)	I have clearly defined financial goals. I have a positive financial condition. I have good money-management skills. I have a strong financial personality I think about money repeatedly.	George <i>et al.</i> (2008)

Note: Adapted Survey Constructs adapted from previous research.

### 3.3. Methods of Data Analysis

Data analysis was completed considering a three-stage strategy. First, a confirmatory factor analysis (CFA) was utilized to measure the competence of the measurement model. Second, a reliability analysis was examined. Finally, the overall model fit in both measurement and structural models was evaluated using the most common goodness-of-fit indices: Chi-Square/df ratio, CFI, GFA, AGFA, NFI, PNFI, RFI, IFI, and RMSEA (Schumacker and Lomax, 2004).

Cronbach's alpha was computed to assess scale reliabilities of each of the four constructs and was above 0.70 for most of them. It was necessary to validate the reliability of the scales employed in the study. Since the constructs and their corresponding items in the survey questionnaire were not examined in the context of the hospitality industry, an issue which concerns the scale's internal consistency to the level at which the items of the construct associate together. Internal consistency was examined using the Cronbach's alpha coefficient and the scale composite reliability (SCR).

As a common rule, Cronbach's alpha scale for internal consistency and the SCR must exceed 0.7 to guarantee internal consistency (Gliem and Gliem, 2003). Most of the constructs present reliability coefficients greater than the proposed level of 0.70. FKS presents item reliability of 0.6. Incomplete questionnaires and the cases with incorrect and missing data were excluded from the analysis. The listwise deletion method was used to examine missing data (Schumacker and Lomax, 2004).

**Table-3.** Descriptive Statistics for Demographics by Gender, Age, and Marital status.

Demographic Variables	Frequency	Valid percentage
Gender (n=258)		
Male	64	24.8
Female	194	75.2
Age		
25 or younger	232	89.9
26-35	22	8.5
36-45	2	.8
46-55	1	.4
56-65	1	.4
Marital Status		
Married	14	5.4
Separated	1	.4
Divorced	1	.4
Widowed	0	0
Single	242	93.8
Education		
High School	3	1.2
Associate degree (2 year)	70	27.1
Some college	120	46.5
Bachelor's Degree (4 year)	61	23.6
Other	4	1.6
Graduate Degree	0	0
Annual Income		
\$25,000 or less	209	81
\$25,001- \$50,000	37	14.3
\$50,001-\$75,000	8	3.1
\$75,001-\$100,000	1	.4
\$100,001 - \$150,000	0	0
\$150,001- \$200,000	2	.8
\$200,001 or more	1	.4
Ethnicity		
Caucasian	196	76
Asian/Island Pacific	10	3.9
Native American	2	08
African American	16	6.2
Hispanic	34	13.2
Have you taken a finance related course?		
Yes	228	88.4
No	29	11.2
Other	1	.4

Note: Original demographic variables developed in this study.

#### 4. RESULTS AND DISCUSSIONS

A total of 258 usable responses were analyzed out of 350 responses received. Male respondents represent 24.8% while female respondents represent 75.2% of the sample. This result is coherent with current research that suggests women participate in more dynamically and show higher effect in online environments (Lohse, 2013). Approximately 89.9% of respondents were between the ages of 25 or younger, 8.5% between 26-35 years old. In relation to ethnicity, 76% were Caucasian, 13.2% were Hispanic, 6.2% were African American, 3.9% Asian, and the rest did not specify their ethnicity. Additionally, in relation to their level of education, 46.5% of the respondents have some college, 27.1% have associate degree, 23.6% have bachelor's degree, and the rest have other type of education. All demographic results are reported in Table 3.

4.1. The Measurement Model

Confirmatory factor analyses (CFA) was conducted to verify the validity of the measurement model. Because there was no violation of the assumption of multivariate normality, the authors utilized the maximum likelihood method of estimation (Parsa and Cobanoglu, 2011). In this research, the results of construct reliability, item reliability, standardized loadings, and AVE indices were supportive with common thresholds. The results of the item and composites' reliabilities were beyond the threshold value of 0.70 (ranging from 0.71 to 0.86); with an exception of financial literacy that presented item reliability of 0.6 and composite reliability of 0.51. Overall, the results show an indication of high reliability for the five constructs (Chen and Hitt, 2002). Following reliability (Garbarino and Johnson, 1999) the average variance extracted (AVE) was considered to evaluate convergent validity aspects. The values of the average variance extracted (AVE) ranged from 0.561 to 0.839, surpassing the threshold value of 0.50; an indication that convergent validity was not an issue (Garbarino and Johnson, 1999). The goodness-of-fit measures were considered to assess the overall model fit. In this study, the overall fit indices for the proposed research model were acceptable, with Chi-square/df equal to 2.03, root mean square error approximation (RMSEA) of 0.06, normed fit index (NFI) of 0.81, comparative fit index (CFI) of 0.9, goodness-of-fit index (GFI) of 0.85, adjusted goodness-of-fit index (AGFI) of 0.82, PNFI of 0.70, incremental fit index (IFI) of 0.9, and relative fit index (RFI) of 0.8. All the above indices for the measurement model are considered to possess an acceptable fit (Hair et al., 1998). After reaching acceptable overall fit indices, the measurement model was assessed for its reliability, convergent and discriminant validity. A summary of construct reliability including item loading are reported in Table 4.

Table-4. Construct Reliability and Item Loadings.

Construct	Variables	Standardized Loadings	Composite Reliability	AVE	Item Reliability
Economic Perception	EP1	0.53	0.7	0.5	0.713
	EP 2	0.74			
	EP 3	0.76			
Financial Literacy	FK1	0.54	0.51	0.21	0.6
	FK2	0.31			
	FK3	0.38			
	FK4	0.56			
Financial Self-Efficacy	FSE1	0.46	0.8	0.43	0.797
	FSE2	0.63			
	FSE3	0.55			
	FSE4	0.79			
	FSE5	0.82			
	FSE6	0.51			
Financial Behavior	FB1	0.48	0.86	0.5	0.854
	FB2	0.78			
	FB3	0.79			
	FB4	0.62			
	FB5	0.66			
	FB6	0.70			
	FB7	0.54			
	FB8	0.73			
Financial Performance	FP1	0.76	0.80	0.51	0.819
	FP2	0.61			
	FP3	0.79			
	FP4	0.67			

AVE: Average variance extracted.

4.2. The Structural Equation Model and Hypothesis Testing

A structural equation model (AMOS 18.0) was considered to measure the research hypotheses. In the same manner, the goodness-of-fit measures were contemplated to evaluate the overall structural model fit. The overall fit



indices for the suggested model were adequate, with Chi-square/df equal of 2.058, RMSEA of 0.064, normed fit index (NFI) of 0.81, comparative fit index (CFI) of 0.89, goodness-of-fit index (GFI) of 0.854, adjusted goodness-of-fit index (AGFI) of 0.819, PNFI of 0.71, incremental fit index (IFI) of 0.891, and relative fit index (RFI) of 0.781. The fit indices described an adequate structural model fit (Diamantopoulos and Siguaw, 2006). The research results associated with H1 suggesting that the financial behavior influences personal financial performance was significant (path coefficient= 0.92,  $p < 0.001$ ). This result is coherent with Orlitzky *et al.* (2003) indication that a more educated and positive financial behavior would result in a solid personal financial performance. This result demonstrated that a Generation Y consumer's defined financial goals and a positive financial condition are related to his/her solid financial behavior. This behavior includes for example tracking expenses, using a budget and repaying debts on time, just to name a few behaviors. Research results related to H2 suggesting that FSE positively influences financial behavior was significant (path coefficient = 0.29,  $p < 0.001$ ). This result suggests that Generation Y individuals show a solid financial behavior when they have the confidence to manage financial issues. Specifically, individuals who have a hard time to solve financial problems and lack confidence in their ability to manage finances, they will not show a strong positive financial behavior. The findings for H3 which states that economic perception is positively associated with financial behavior were significant (path coefficient = 0.28,  $p < 0.001$ ). From the results achieved for the H3 it can be concluded that Generation Yers who show high levels of economic environment perceptions are more likely to track their expenses, to compare prices when shopping, to use budgets, and to make goals for managing their money. When individuals experience a realistic environment perception, they consciously behave financially responsible, i.e. repaying the money they owe and setting aside money for future needs. Research findings related to H4 which states that economic perception is positively associated with FSE were found statistically significant (path coefficient = 0.19,  $p < 0.05$ ). Thus, this study suggests that when Generation Yers show a significant environment perception, i.e. willingness to pay more taxes if more jobs are created, they show superior confidence to manage financial aspects of their personal finances. When Generation Yers have realistic economic perceptions, they tend to show confidence in their ability to manage their finances. The findings related to H5 (coefficient = 0.65,  $p < 0.001$ ) which states that financial literacy is positively associated with financial behavior are consistent with previous studies. This result suggests that Generation Ys tend to exhibit financial behaviors such as tracking expenses, saving for the future, repaying their debt and setting goals for managing money when they have a solid financial literacy understanding the costs of buying on credit and the structure of investments (stocks, mutual funds, bonds, etc.), then. Lastly, this study found that (H6) financial literacy did have a positive influence on FSE (path coefficient = 0.32,  $p < 0.05$ ). From the outcome achieved for the H6 it can be suggested that Generation Yers who show high levels of knowledge to manage their finances and make strategic progress toward their financial goals, are more likely to be confident to manage their finances and to figure out a strategic financial solution during hard time. When individuals have for example understood the cost of buying on credit and the difference between needs and wants they tend to build a solid financial self-efficacy that helps them to possess the confidence to manage their personal finances. All hypotheses testing results are reported in Table 5.

Table-5. Results of the structural model.

Structural paths			Standardized paths	p-values	Hypotheses
H1: FB	→ (+)	FP	0.92	0.001 ***	Supported
H2: FSE	→ (+)	FB	0.29	0.001 ***	Supported
H3: EP	→ (+)	FB	0.28	0.001 ***	Supported
H4: EP	→ (+)	FSE	0.19	0.05 **	Supported
H5: FK	→ (+)	FB	0.65	0.001 ***	Supported
H6: FK	→ (+)	FSE	0.32	0.05 **	Supported

\* $p < 0.01$ ; \*\* $p < 0.05$ ; \*\*\* $p < 0.001$ , ns= non-significant.

EP, economic performance; FL, financial literacy; FSE, financial self-efficacy; FB, financial behavior; FP, financial performance.

### 5. CONCLUSIONS

This study confirms the effect of 'Economic perception' and 'Financial literacy' on the 'Financial Self-Efficacy' of an individual Figure 1. It affirms that the self-efficacy in financial matters stems from strong foundation in the financial literacy and a very realistic perception of the state of economy. Apart from the financial self-efficacy, both factors did also have a direct positive effect on the 'Financial behavior' of these young employees. Financial behavior, not only in personal life but also professional life, is an important metric for the overall success of an individual. Employees that are well equipped with the required financial literacy and are aware of the economic conditions are expected to make good financial decisions for the hospitality business. This will ultimately impact the bottom-line of these firms. Good financial decisions could vary from a simple resource optimization from bottom to top of the organization such as efficient usage of the current and long-term assets to reduce costs and increase contribution margins. On the personal front, an individual becomes more capable for making sound personal financial decision such as which insurance option is the best one; how much is the cost of credit; different investment options such as stocks, mutual funds, bonds; and most importantly the difference between needs and wants (Hilgert et al., 2003). Finally, financial behavior of an individual positively impacts the overall financial performance of the individual, both in personal and professional areas. In specific, the authors find that the financial self-efficacy (FSE) of an individual is a crucial mediator between the real-life financial behavior, and the two antecedents of financial literacy and economic perception of the individual.

Therefore, this study suggests that these young employees might not behave in a financially responsible manner unless they have high levels of FSE. Although financial literacy and economic perceptions are critical to influence and improve the financial behavior, those who have low levels of FSE will tend to behave in a more financially irresponsible manner than those with high levels of FSE (Danes and Haberman, 2007). Based on this finding, it may be beneficial to identify the self-efficacy levels of these employees when designing effective financial training and educations programs. These developed strategies might be positive and effective in influencing the financial behavior of employees with high levels of FSE, yet the similar strategies might be inappropriate to influence financial behaviors of those with low levels of FSE.

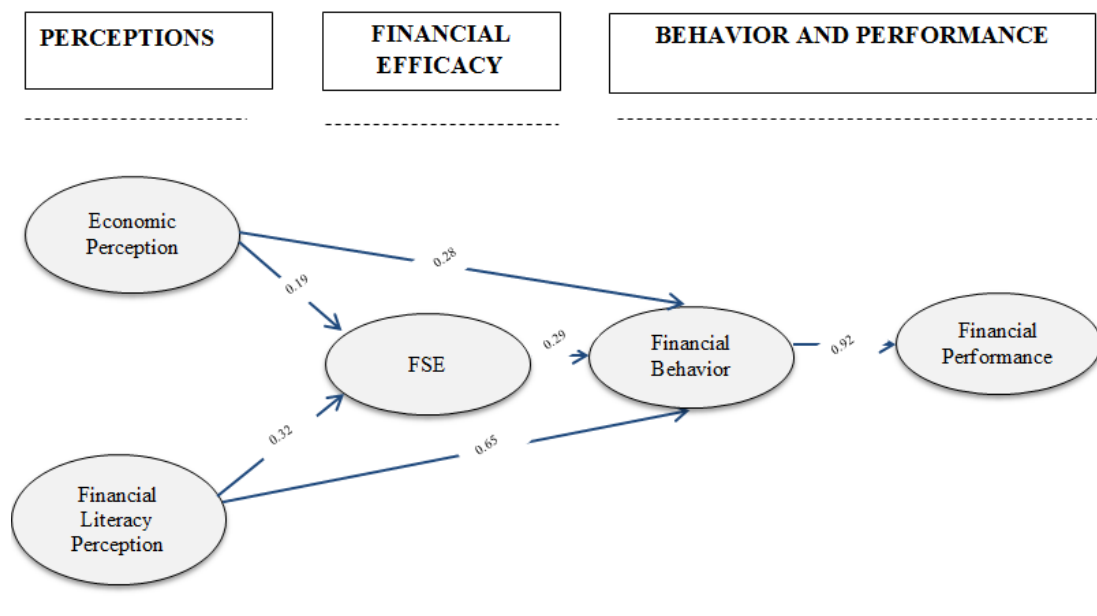


Figure-1. Path Coefficients for the Theory-Driven Model of Financial Self-Efficacy.  
 Note: FSE = Financial Self-Efficacy.

There are considerably undesirable costs to individuals when they do not present acceptable levels of financial literacy, realistic economic perceptions, and high levels of FSE. For instance, inappropriate financial behaviors affect

negatively the financial system when individuals are uneducated or take irresponsible financial decisions that cause them not to fulfill their financial responsibilities (Dietz *et al.*, 2003). Individuals who neglect to comprehend the financial system might participate in behaviors that present undesirable consequences to their financial performance. The findings of this study present empirical information that financial literacy, realistic economic perceptions, and high level of FSE have a considerable impact on financial consequences, implying that dedicating time and means to improve young professionals' financial management education is valuable.

The understanding of financial management aspects such as financial literacy, economic perception, FSE and its relationships in the hospitality and tourism industry Gen 'Y' professionals advances the body of knowledge in relations to the reasons and benefits of why some consumers are successful at administering their personal finances while other individuals with comparable demographic and psychographic characteristics, ethnographic background, economic environment, and education level fail to perform financially well. Few investigations, including the present study, suggest the impact of the tested relationships and the influence of the constructs on personal financial behavior. Specifically, this research finds that financial literacy, realistic economic perceptions, and FSE noticeably impact Generation Y's professionals' financial management behavior in the hospitality and tourism industry. As all the proposed hypotheses proposed in the model were supported by the results, the role of financial self-efficacy is evident in the desired positive financial performance aspects. The study could provide evidence that it is the foundation of an individual's self-efficacy, in terms of financial management, that leads to improved and responsible financial behavior, resulting in better financial practices in all aspects of an individual's life.

What future research must study are the antecedents of financial literacy and economic perceptions. Future research must also attempt to understand what the most applicable manners to influence the economic perceptions held in consumers' minds and their financial literacy are. Additionally, future researchers must focus their attention on identifying other constructs that can be the antecedents and consequences of FSE, such as financial satisfaction among Generation Y. Some antecedents include supportive environment, confidence, and types of personality. The future extension of this research framework will be critical in advancing the body of knowledge with respect to comprehending better ways and means to train and teach individuals in personal financial management in hospitality and tourism industry (Generation Y, for example) for effective financial behaviors and superior personal financial performance.

## 6. IMPLICATIONS FOR THEORY AND PRACTICE

This study attempted to forward the work of Danes and Haberman (2007) by looking at the impact of self-efficacy on the financial behavior of generation Y professionals in the hospitality industry. Responsible financial behavior of these young professionals will determine their overall personal financial performance. The focus was extensively on the construct of 'Self-Efficacy' as proposed by Bandura (1977) and attempted to include the element of personal finance to it. As a result, the authors could operationalize it as 'Financial Self-Efficacy'. The authors believe that this is an important step forward in personal finance, as it will provide insights into the psychological aspects of self-efficacy with respect to one's personal finances. Furthermore, the construct of FSE can be operationalized in different contexts to study the personal financial behavior and personal financial success in the ever changing and dynamic economic landscape. This study brings in some practical implications not only for the young employees but also for the employers. From a social responsibility perspective, the onus can be put on employers in the form of an obligation to provide financial education and planning workshops for the young employees. As the tested model showed the importance of 'Financial Self-Efficacy' on one's Financial Behavior, it becomes critical to find ways to enhance the FSE of young employees. This positive financial behavior further impacts the overall personal financial performance of these young employees leading to certain degree of financial stability. Young and not very literate employees are prone to making bad choices or decisions with regards to personal finance. This can lead to a general feeling of dissatisfaction with themselves and the surround environment

which includes the working environment. A dissatisfied and discontent employee might not be able to perform at the expected levels of outputs which will impact the operational output for any hospitality or service outlet.

Most importantly, the implications are for the training and development managers, besides educators. The results deem it in the best interest of the business organizations that each employee is aware of the costs associated with their decisions while at work. Since a bad decision, whether at top level or line level, will eventually work towards decreasing the shareholder's wealth. No business, whether private or public, wants to incur avoidable costs or expenses. Thus, a better informed and trained employee in financial matters can become an asset for an organization leading to providing an evidence for a much debated 'Return on Investment' facet of training and development programs in the hospitality and tourism businesses. Consequently, organizations should focus on developing the essential financial skills in their employees. Training departments in various hospitality organizations can adapt their training programs to include basic required financial skills in the agendas that will not only help the businesses in developing and retaining well informed financially literate employees, who are aware of the financial implications of every decision they make as an employee, but also improve the personal financial life of all the employees.

## 7. LIMITATIONS AND FUTURE RESEARCH

While the present study attempts to fill a gap in the body of knowledge, some limitations are identified. First, there may be other constructs that theoretically influence financial self-efficacy, and financial behaviors, such as the role of supportive environment and the level of confidence of the individual. Also, there might be some potential moderators such as age, gender and prior financial experience with personal investments. Another limitation is that the present study gathered data utilizing working students in the hospitality industry. Even though this study focuses just on the behavior of this generation, some researchers suggest the use of real consumers to avoid the effect of using convenience sample. To generalize the findings of the present research, care should be taken. First, the effect of financial performance may also be significant based under the assumption that when consumers have clearly defined their financial goals, this will ultimately influence their financial behavior.

Future research could examine the impact of other antecedents on FSE, financial behavior and financial performance. These constructs include financial literacy, financial experience, and supportive environment. Future research is advised to examine the proposed theory-driven model in a context different than the hospitality and tourism industry. This study also acts as a precedent for future studies looking at the moderating or mediating effects of other relevant variables on the personal financial performance with regards to operationalization of FSE. The authors suggest looking at the impact of personal financial success on the job satisfaction and overall life satisfaction of these young hospitality professionals. The current framework when expanded is expected to provide further insights into individual's desire to succeed and achieve the desired results in an organization while working towards achieving a financial balance at the personal end.

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