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# IMPACT OF FINANCIAL INTELLIGENCE ON FINANCIAL STRESS AMONG THE FINANCIAL AND NON FINANCIAL EXECUTIVES

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## *ABSTRACT*

*This study aims to identify the impact of financial intelligence on financial stress among the financial and non financial executives. The study has made an attempt to use two groups of executive namely financial and non financial executives from the major cities of Tamilnadu - Chennai, Coimbatore, Madurai, Trichy and Tirunelveli. The study was conducted through descriptive research design, as survey method was employed for the sample size of 535 respondents. The data was subsequently analyzed using multiple regression models. The study identifies that that increases in the level of financial education, get out of debts and financial analysis and goal setting results in a decrease in the level of financial stress among the executives.*

***KEYWORDS:*** *Financial Stress, Financial Literacy*

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## INTRODUCTION

The ability to make informed financial judgements and effectively manage one's own money is known as 'financial intelligence' financial intelligence goes beyond the provision of financial information and advice. It is the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security of oneself, one's family, one's business. Financial stress is well documented in the psychology literature to be an important factor leading to mental health problems which in turn are among the most important causes of morbidity in the world, and which produce considerable disability in developing countries. Indicators of poverty and risk for mental disorders are highly correlated in the developing world. Hence, minimizing financial stress is of a need.

## CONCEPTUAL FRAMEWORK – FINANCIAL STRESS AND FINANCIAL INTELLEGENCE

Financial stress is seen as an interruption of normal functions in the economic conditions of an individual or an individual's position and economic down turn. Here is some of the features influencing them, Increased uncertainty about value of assets. A common sign of financial stress is increased uncertainty among lenders and investors about the fundamental values of financial assets. The fundamental value of an asset is the present discounted value of the future cash flows, such as dividends and interest payments. Increased uncertainty about these fundamental values generally translates into greater volatility in the market prices of the assets.

The next factor is increased uncertainty about behavior of other investors. Hence there are many studies pertaining to financial stress on the other hand this study deals with the in finding the impact of the financial for the executives in the financial and non financial sector.

Financial intelligence is the gathering of information of financial relevance, to understand its effect and interpretations, and predict its behaviour and outcomes. It helps in improving decision-making skills and boost control over finances (Berman, Knight, & Case, 2006) Lamba (2010) Lusardi states that there are ample evidence of the impact of financial literacy on people's decisions and financial behavior. For example, financial literacy has been proven to affect both saving and investment behavior and debt management and borrowing practices. Empirically, financially savvy people are more likely to accumulate wealth (Lusardi and Mitchell, 2014).

The lack of financial literacy, even in some of the world's most well-developed financial markets, is of acute concern and needs immediate attention. As they are directly proportionate to stress of individuals due to poor individual financial management.

## REVIEW OF LITERATURE

Financial stress incorporates many aspects of financial circumstances including income, debts, assets and money management. It focuses on the effect that financial circumstances have on a person's standard of living by considering deprivation specific to the community in which they live. The proportion of individuals and families experiencing financial stress varies from country to country. (Bray, 2001; Marks, 2007)

Brown (1979a; 1979b) reported personal financial problems of workers negatively problem recently, such as being unable to save for future affect their employers. It is apparent that the factors contributing to poor financial behavior are interlinking and cumulative. Holmes' list of 43 stress producing items, cited in Holmes and Rahe (1967), which is used to predict medical problems, clearly illustrates the cumulative effect. As stress increases the Holmes score increases, along with the likelihood of the occurrence of major health problems. According to a survey conducted among corporate human resource executives, the financial illiteracy of workers "is considered the most critical unaddressed workplace issue" (Cambridge Human Resource Group, 1995, p.1). Thirty-two percent of the executives ranked the "toll on productivity caused by personal financial problems as the most pressing overlooked workplace issue" (p.1). Among one homogeneous population, 4 of the top 10 identified needs were financial (Darby, 1996). Such stress suggests that many people are experiencing a substantive degree of economic insecurity, "where there is considerable worry, fear, anxiety, and psychological discomfort" (Rejda, 1984, p. 3).

## RESEARCH METHODOLOGY

For the present study primary data were collected for analysis from the Financial and non financial executives in Tamilnadu. The financial executives includes banking and insurance, the non financial executives include manufacturing and FMCG. Secondary data were collected from different sources like books, journals, magazines, and various e-resources. The sampling design was created keeping in mind that the samples cover the whole data of the study and is not limited to a part. A sampling frame is a representation of element of the target population. The target population for this study is executives working in financial and non-financial sectors in major cities of Tamilnadu such as Chennai, Coimbatore, Madurai, Trichy and Tirunelveli. The data was collected using questionnaire interview. Multiple regressions is used for the analysis.

Multi-stage sampling is followed for the present study. In the present study the researcher had considered financial and non financial companies in major cities in Tamilnadu by the following stages:

- Five major cities Chennai, Coimbatore, Madurai, Tirunelveli and Madurai were selected and two sectors such as financial and non financial sectors were identified.
- Among the selected 4 major professionals those who are having more than of Rs 6,00,000 annual CTC have been considered for the research purpose. By implementing distribution the researcher has considered 535 as the final sample size for the study.

The identified 535 samples are equally distributed to all major cities and financial and non financial sectors. The data was collected using questionnaire interview.

## ANALYSIS AND INTERPRETATION

### a) Impact of Financial Intelligence on Financial Stress among Executives

The impacts of financial intelligence on the level of financial stress among the executives have been examined by the relative importance of each component of financial intelligence in the determination of financial stress. The multiple regression analysis has been administered to examine such impact. The fitted regression model is:

y = a+b1x1+b2x2+b3x3+b4x4+e

Whereas y – Score on financial stress among the executives

x1 – Score on understanding the foundation among the executives

x2 – Score on understanding the art among the executives

x3 – Score on understanding of analysis among the executives

x4 – Score on understanding of big picture among the executives

b1, b2, ------- b4 – regression coefficient of independent variables

a – intercept and

e – error term.

The impacts have been measured among the executions in financial sector, non financial sector and also for pooled data separately. The results are shown in Table.

**Table 1: Impact of Financial Intelligence on Financial Stress Among Executives**

| Sl. No. | ICFI | Regression Coefficient Among Executions in | | |
|---|---|---|---|---|
| | | Financial Sector | Non Financial Sector | Pooled Data |
| 1. | Understanding the foundations | -0.1644* | -0.1414* | -0.1509* |
| 2. | Understanding the art | -0.1543* | -0.0886* | -0.1319* |
| 3. | Understanding of analysis | -0.1997* | -0.1331* | -0.1642* |
| 4. | Understanding of high picture | -0.998 | -0.0544 | -0.0773 |
| | Constant | -0.7974 | -0.4173 | -0.5343 |
| | $R^2$ | 0.7858 | 0.7454 | 0.7969 |
| | F statistics | 8.8117* | 8.3142* | 8.9646* |

* Significant at five per cent level.

The significantly reducing ICFI on the financial stress among the executives in financial sector understands the foundations, the art and analysis since its regression coefficients are significant at five per cent level. A unit increase in the above said three ICFI result in a decline in financial stress by 0.1644, 0.1543 and 0.1997 units respectively. The charges in the ICFI explain the changes in the financial stress among the executives in financial sector to an extent of 78.58 per cent since its R2 is 0.7858.

Among the executives in non financial sector, the significantly reducing ICFI on the financial stress understand the foundations and analysis since its regression coefficients are significant at five per cent level. A unit increase in the above said two ICFI result in a decrease in the level of financial stress by 0.1414 and 0.1331 units respectively. The changes in the ICFI explain the changes in financial stress to an extent of 74.54 per cent since its R2 is 0.7454.

The analysis of pooled data reveals the relative importance of understanding the foundations, art and analysis in the determination of financial stress among the executives. The changes in ICFI explain the changes in the level of financial stress among the executives to an extent of 79.09 per cent its R2 is 0.7969.

### b) Impact of Antecedents of Financial Intelligence on Financial Stress

The per cent study has also made an attempt to examine the impact of important antecedents of financial intelligence (Iafi) on the level of financial stress among the executives with the help of multiple regression analysis. The fitted regression model is:

y = a+b1x1+-------------------------------- +b7x7+e

Whereas y – Score on financial stress among the executives

x1 – Score on personality tracts among the executives

x2 – Score on financial knowledge among the executives

x3 – Score on financial behaviour among the executives

x4 – Score on financial education among the executives

x5 – Score on financial confidence among the executives

x6 – Score on financial comfortable among the executives

x7- Score on financial capabilities among the executives

b1, b2, --------b7 – regression coefficient of independent variables

a – intercept and

e – error term

The impacts have been measured among the executions in financial sector, non financial sector and also for pooled data separately. The results are shown in table.

| Table 2: Impact of Antecedents of Financial Intelligence on Financial Stress | | | | |
|---|---|---|---|---|
| SI. No. | ICFI | Regression Coefficient Among Executives in | | |
| | | Financial Sector | Non Financial Sector | Pooled Data |
| 1. | Personality Traits | -0.1608* | -0.1414* | 0.1511* |
| 2. | Financial knowledge | -0.1339* | -0.1666* | 0.1409* |
| 3. | Financial behavior | -0.1041* | -0.0899* | -0.0949 |
| 4. | Financial education | -0.1408* | -0.0971 | -0.1246* |
| 5. | Financial confidence | -0.1471* | -0.1122 | -0.1239* |
| 6. | Financial comfortableness | -0.0886 | -0.0979 | -0.0889 |
| 7. | Financial capabilities | -0.1133 | -0.1396* | -0.1241* |
| | Constant | -0.6846 | -0.3734 | -0.5109 |
| | $R^2$ | 0.7842 | 0.7309 | 0.7979 |
| | F statistics | 8.6046* | 7.9969* | 8.9703* |
| * Significant at five per cent level | | | | |

The significantly reducing antecedents of financial intelligence on the level of financial stress among the executives in financial sector are personality traits, financial knowledge, financial education, and financial confidence since its regression coefficients are significant at five per cent level. A unit increase in the above said four antecedents of financial intelligence result in a decrease in financial stress among the executives in financial sector by 0.1608, 0.1339, 0.1408 and 0.1471 units respectively. The charges in the cc intelligence explain the changes in the level of financial stress to an extent of 78.42 per cent since its R2 is 0.7842.

Among the executives in non financial sector, the significantly reducing antecedents of financial intelligence on the level of financial stress are personality traits, financial knowledge and capabilities since its regression coefficients are significant at five per cent level. A unit increase in the above said antecedents of financial results in decrease in the level of financial stress by 0.1414, 0.1666 and 0.1396 units respectively. The changes in the antecedents of financial explains the changes in the level of financial stress among the executives in non financial sector to an extent of 73.09 per cent since it's R2 is 0.7309.

The analysis of pooled data reveals that a unit increase in the personality traits, financial knowledge, financial education, financial confidence and financial capabilities, result in a decrease in the level of financial stress among the executives by 0.1511, 0.1409, 0.1246, 0.1239 and 0.1241 units respectively. The charges in the antecedents of financial intelligence explain the changes in the of financial stress among the executives to an extent of 79.79 per cent since its R2 is 0.7979.

### c) Impact of Important Enrichment of Financial Intelligence (IEFI) on Financial Stress

The important enrichment of financial intelligence (IEFI) has its own role in the determination of the level of financial stress among the executives. The present analysis has made an attempt to examine it with the help of multiple regression analysis. The fitted regression model is:

y = a+b1x1+ b2x2---------------------- +b6x6+e

Whereas y – Score on financial stress among the executives

x1 – Score on financial stress among the executives

x2 – Score on Get out of debts among the executives

x3 – Score on enrich the savings among the executives x4 – Score on budgeting among the executives

x5 – Score on financial analysis among the executives

x6 – Score on Goal setting among the executives

b1, b2, --------b6 – regression coefficient of independent variables

a – intercept and

e – error term

The impacts have been measured among the executives in financial sector, non financial sector and also for pooled data. The results are shown in Table No 3.

**Table 3: Impact of IEFI on Financial Stress among Executives**

| SI. No. | IEFI | Regression Coefficient Among Executives in | | |
|---|---|---|---|---|
| | | Financial Sector | Non Financial Sector | Pooled Data |
| 1. | Financial education | -0.1734* | -0.1304* | -0.1419* |
| 2. | Get out of debts | -0.1396* | -0.1711* | -0.1549* |
| 3. | Enrich the savings | -0.1177 | -0.1022 | -0.1097 |
| 4. | Budgeting | -0.1024 | -0.0886 | -0.099 |
| 5. | Financial analysis | -0.1779* | -0.1241* | -0.1438* |
| 6. | Goal setting | -0.1441* | -0.0997 | -0.1214* |
| | Constant | -0.5989 | -0.2884 | -0.3814 |
| | $R^2$ | 0.7409 | 0.7011 | -0.7676 |
| | F statistics | 8.4546* | 7.5343* | 8.8242* |
| * Significant at five per cent level | | | | |

The significantly reducing IEFI on the level of financial stress among the executives in financial sector are financial education, get out of debts, financial analysis and goal setting whereas among the executives in non financial sector, these are financial education, get out of debts and financial analysis since its regression coefficients are significant at five per cent level. The higher impact has been noticed among the executives in financial sector compared to executives in non financial sector since their respective R2 are 0.7409 and 0.7011 respectively.

## SUMMARY & FINDINGS

- A unit increase in the personality traits, financial knowledge, financial education, financial confidence and financial capabilities, result in a decrease in the level of financial stress among the executives.
- The analysis of pooled data reveals that a unit increase in the level of financial education, get out of debts.
- Financial analysis and goal setting results in a decrease in the level of financial stress among the executives by 0.1419, 0.1549, 0.1438 and 0.1214 units respectively.
- Higher impact has been noticed among the executives in financial sector compared to executives in non financial sector since their respective R2 are 0.7409 and 0.7011 respectively
- The charges in the IEFI among the executive explain the changes in the level of financial stress to an extent of 76.76 per cent since it’s R2 is 0.7676

## CONCLUSIONS

The higher level of financial stress is identified among the executives in non-finance sector compared to others. The profile of the executives plays an important role in the level of financial stress. The significantly influencing components of financial intelligence on the level of financial stress among the executives are understanding the foundation, out and analysis. The significantly influencing antecedents of financial intelligence on the level of financial intelligence among the executives are personality traits, financial knowledge, financial education, financial confidence and financial capabilities. The significant ways for the reduction of financial stress are financial education, get out of debts, financial analysis and goal setting. Hence, the study conclude the importance of financial education, get out of debts, learning of financial analysis and the financial goal setting in the reduction of financial stress.

## SUGGESTIONS

- To address the financial issues causing respondents, financial stress support to be provided in the form of financial counselling and internal family resources to be enhanced through financial literacy training.
- Improved financial literacy builds family capacity to manage their finances better and cope with crises and also benefits the economy, support the financial services sector, and serve to reduce economic and social exclusion.
- Saving enrichment programs to be designed for the executives
- Support aiding to understand the fall backs of owning a credit card and prepaid spending can decrease the burden of exuberant spending on credit cards

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