

# The association between Financial Literacy and Materialistic Attitude

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## Introduction

- Hyper-consumerism is a negative economic phenomenon when excessive consumption leads to negative impacts on human, society and environment.
- This research focuses on materialistic attitude as an indicator of hyper-consumerism. Materialism is the "excessive interest in money and material possessions, attributing them a significant role in life" (Maison & Adamczyk, 2020).
- Current researches attribute materialism to many extrinsic (economic policies, media, advertisement) and intrinsic (income, personality, personal values) factors (Miller, 2001). However, there is little literature on relationship between financial literacy and materialism, which have only been studied as co-determinants of financial behaviors (Pangestu & Karnadi, 2020).
- Given financial literacy's goal of helping people make savvy financial decisions (Lusardi & Messy, 2023), it could be hypothesized that having more financial skills helps people manage materialistic thoughts and behaviors, thus lower materialistic attitude.

## Research question

- Is there association between financial skills and materialism?
- Are other financial-literacy-related factors related to materialism?

## Sample

National Financial Well-Being survey 2017 represents non-institutionalized adults in 50 U.S. states and Washington, D.C, completed by 6,394 respondents drawn from the GfK KnowledgePanel®.

## Results

### Univariate

- Aggregate materialism closely follows normal distribution, mode=12, center = 10, with a wide spread. Range = (3, 18).
- FSscore is normally distributed, median = 40, majority of observations in the range (30,50), with outstandingly high number of 36-scorers (377 respondents).
- FINSOC score is normally distributed. Wide spread, range = (0, 7). The mode & central of distribution is around 4 to 5.
- SUBKNOWL1: slightly skewed left, with majority (41.8%) rating 5, and 76.5% respondents rating 5 and above.

## Results

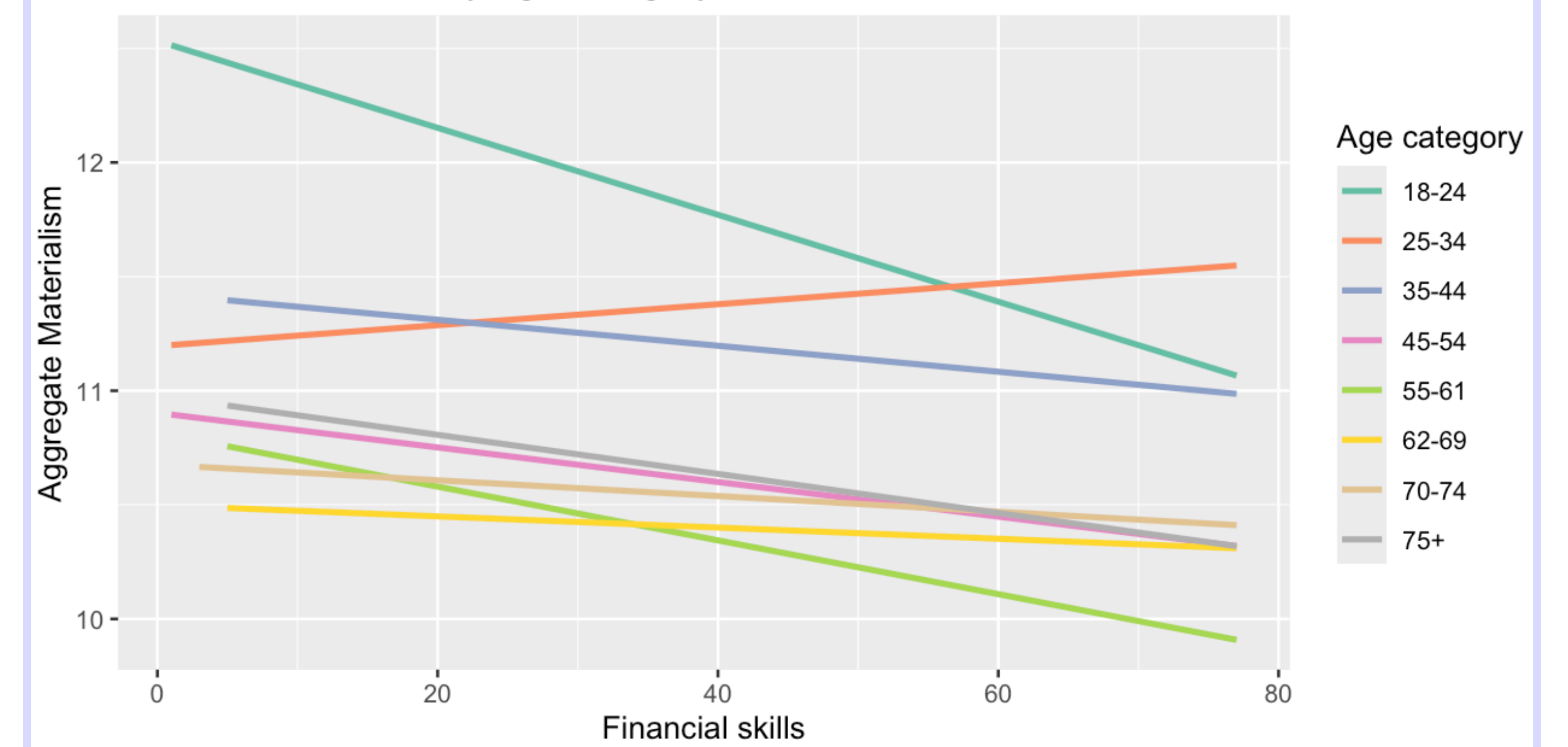
### Bivariate

		EXPLANATORY		
		FSscore	FINSOC score	SUBKNOWL1
		10-item CFPB Financial Skill Score (FSscore) (1-100)	Aggregate Family Financial Education (1-7)	Self-assessed financial knowledge (1-7)
OUTCOME	<b>Aggregate material-ism</b> Aggregate level of agreement to 3 statements on materialism (1-18)	<b>Pearson</b> correlation between FSscore and aggregate materialism is <b>-0.03 (p=0.014)</b> , meaning 0.09% of variance in aggregate materialism is explained by FSscore.	<b>ANOVA:</b> significant association, <b>p=8.22e-12</b> . All pairwise comparison are not significantly different except for aggregate FINSOC scores of 7 vs all others; 6 vs 1; and 6 vs 3. Thus, aggregate materialism is significantly higher for very high FINSOC scores (6 and 7) compared to the rest.	<b>ANOVA:</b> no significant association, <b>p=0.642</b> .

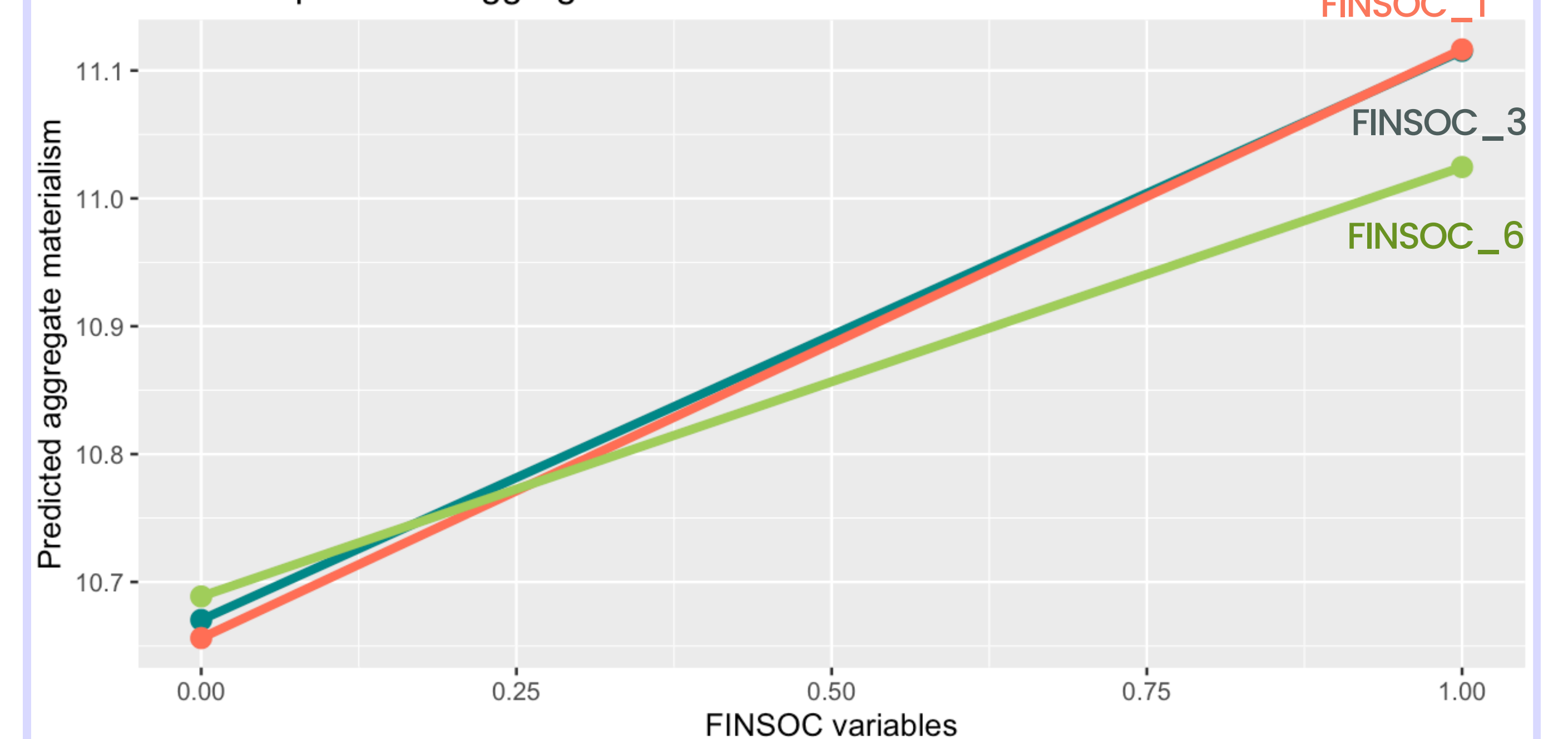
### Multivariate

		EXPLANATORY	
		FSscore	Component FINSOC variables
OUTCOME	<b>Aggregate material-ism</b>	<b>Regression:</b> <b>agg_materialism = f(FSscore, income, education, age category, race, gender)</b> Negative relationship between FSscore and aggregate materialism is statistically significant but practically unimportant for both bivariate ( <b>Beta= -0.0069, p=0.014</b> ) and multivariate regression ( <b>Beta= -0.0081, p=0.005</b> ).	<b>Regression:</b> <b>agg_materialism = f(FINSOC_x, income, education, age category, race, gender)</b> (Only significant variables reported) <ul style="list-style-type: none"> <li><b>FINSOC_1:</b> Positive relationship between "Discussed family financial matters" and materialism is moderately strong and statistically significant (<b>B=0.25, p=0.0009</b>).</li> <li><b>FINSOC_3:</b> Positive relationship between "Discussed how to establish a good credit rating" and materialism is moderately strong and statistically significant (<b>B=0.35, p=1.59e-06</b>).</li> <li><b>FINSOC_6:</b> Positive relationship between "Provided regular allowance" and materialism is moderately strong and statistically significant (<b>B=0.32, p=1.59e-06</b>).</li> </ul>

Graph 1: Relationship between aggregate materialism and financial skills, by age category



Graph 2: Aggregate graphs of 3 FINSOC variables and their predicted aggregate materialism



## Discussion

- As financial skills increase, aggregate materialism decreases very slightly (practically insignificant), yet the relationship is statistically significant. This means financial skill improvement programs have potential to lower materialistic attitude, but not effectively.
- Aspects of family financial education is significantly related to materialism, yet in an unexpected positive relationship. Individuals who have more discussion about family finance, credit rating and have regular allowance are more materialistic than those who don't. Further research is needed to explain this unexpected relationship.
- Self-assessed financial knowledge is not related to materialism.
- Limitation: Materialism is complex and may not be captured with 3 variables. It is subjective to cultural & social context.
- Implication: Family & public financial education program should discuss materialism more explicitly

## Reference

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