“Orientation to finance (ORTOFIN) and its relationship with residential status”

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ORIENTATION TO FINANCE (ORTOFIN) AND ITS RELATIONSHIP WITH RESIDENTIAL STATUS

Abstract

The two of factors Orientation towards Finance (ORTOFIN) Scale tests the financial information and personal financial planning of the respondents. The Scale helps in identifying the personal financial management behavior of a general and non-specific nature. The present study was undertaken to test the relationship between status of residence and financial orientation using ORTOFIN Scale. Towards this the ORTOFIN scale was administered on 167 resident employed Indians and 62 expatriates working in Saudi Arabia. Since most of the expatriates work in unique situations that are often beset with risks, they have to face an uncertain future. This unique situation was hypothesized, would induce in them a different type of financial behavior, distinct from those who are settled and work in the home country. Results of the study, however, show that there is no relationship between the status of residence and financial orientation of the respondents. The results of the study are of great significance and of practical implication to those financial institutions with which expatriates are associated.

Keywords financial orientation, ORTOFIN, expatriates, Saudi Arabia

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INTRODUCTION

It was Loix, Pepermans, Goedee, and Jegers (2005) who introduced the concept of "Orientation towards Finance". The concept looks into how the individuals handle their income and various daily financial situations. It also considered risk-taking and investments and the various elements that could define individual behaviors. The concept was defined as "an individual behavioral disposition characterized by personal interests and skills related to managing one's own finances effectively". According to them, it is "an individual behavioral disposition that deals with personal financial management behavior of a general and non-specific nature". It shows the extent to which an individual reports being actively involved in the management of his/her finances.

To measure the individual orientation towards finance, they developed and validated the ORTOFIN Scale, applying rigorous statistical techniques. Two factors constitute ORTOFIN – the first one is financial information and the second is personal financial planning. According to Loix et al. (2005), the first factor, financial information, indicates the interest in active looking for financial information. The second factor, personal financial planning, pertains to the logic of financial management and is concerned more with planning. A few earlier studies used ORTOFIN as a tool for investigation (Sulphey & Faisal, 2017; Sulphey & Nisa, 2014).

India has a fairly large diaspora in various parts of the world ranging from Far East to Middle East, Europe and the US. They have made substantial, diverse and far reaching contributions for the Indian economy. Their main contribution is towards foreign exchange remittances and the consequent employment generation and better standards of living in India. The diasporas live in societies and countries with different cultures, having different spending and savings habits. There is also wide disparity with respect to income levels in the two places. Studies are yet to explore the relationship between financial behavior and place of domicile. The main objective of the study is thus to find out if domicile has any relation in deciding the orientation to finance. Earlier studies have also attempted to study this dimension (Sulphey & Faisal, 2017), and have put forward interesting findings. The present study is sure to add to the current body of literature and provide further understating in this fascinating area.

1. REVIEW OF LITERATURE

The Social Cognitive Theory, (Bandura, 1986) postulates that individuals are driven mostly by external factors and not necessarily by their inner forces. This theory presents human functioning in a model of "triadic interaction of behavior". The three factors presented by the model include behavior, personal factors and environment. This is termed by Perry, Barnowski and Parcel (1990) as "reciprocal determinism". The various environemental factors could be the envrionement where the particular behavior is performed by the individual, and a host of other situational influences. In personal factors, Bandura (1986) lists instincts, traits, drives and other motivational factors unique to the individual. The next factor, behavior is influenced by aspects like self-efficacy, self-control, outcome expectations, emotional coping, learning, etc.

Economic factors in the home country, such as higher standards of living, rising unemployment, low income levels, etc. essentially lead people to look for better pastures and migrate to other countries for employment and making a living. Better opportunities and higher wages enable them to have a better life in the host country and have a better savings (Czaika & Varele, 2012). The oil enabled economic boom, combined with the open entry policies for labour in the Middle East countries led to a continuously increasing number of Indian expatriates in the region. This trend reportedly reached its peak in the early 1980s (Khadria 2008). This led to there being a large Indian expatrite population. Such expatriates work in unique situations in the host country. Expatriates often have to face unique situations that are beset with risks and consequently face an uncertain future. This is likely to inclulcate in them a differnt type of behavior, distinct from what they used to have in their place of birth.

The social learning theory (Bandura, 1986), states that individuals take cues and inputs from the society and mould their behavor accordingly. The present study heavily relies on this theory. Based on the social learning theory (Bandura, 1986) and the triadic interaction of behavior (Perry, Barnowski, & Parcel, 1990), it can be assumed that non-resident expatriates will seek more information to tide over the risky and uncertain situation they are currently residing in. Based on this assumption, the first set of hypotheses for the study is formulated as:

H1a: There will be a significant difference between residents and non-resident expatriates with respect to financial information.

H1b: Non-resident expatriates will have better financial information.

The environment where the individual resides plays a prominent role in shaping the behavior (Perry, Barnowski, & Parcel, 1990). Since the environment of the expatriates is such that they may have to terminate their employment contract any time. As such, it is but a normal phenomenon that since faced with an uncertain future, any prudent individual will plan well in advance. Xia (2009) views expatriation as a cultural adjustment. It is often argued that during the process of cultural adjustment, drastic changes in emotions may occur. It is likely that wide swings in emotions, for instance, from cheerful to sad and depressed may occur during cultural adjustment. According to Hess (1994), this occurs commonly when indi-

viduals are faced with unfamiliar cultures like in expatriation. Thus when people leave their homes, and put in an entirely new environment, they come across new cultures that involve altogether different sets of values, practices and customs (Xia, 2009). Such individuals are likely to get a "psychological disorientation" as they are suddenly thrust in an alien and radically different cultural environment (Eschbach, Parker, & Stoeberl, 2001).

For most expatriates, the sudden change in culture and the unfamiliarity that breeds out of it will make them to be confused about the customs and behavior of the locals. This puts in their mind a sense of confusion as to how to behave in the new setting. The expatriates, to fill this void, tide over the confusion and emotional discomfort, tend to adapt to various lifestyles and practices that may be altogether different from the existing cultural setting (Hess, 1994). This could be positive, like social cohesion to having a good savings habit; or even negative, like certain anger to destructive mentality. Though it is not the purpose of the present study to examine the negative impact, for the sake of academic interest, a few are mentioned. According to Mio (1999), some of the initial negative impacts include feelings like depression, anxiety and helplessness. This could later lead to psychological disorientation with the new culture, and the individual is likely to keep away and desist from the new culture. Ultimately, such individuals take a hostile attitude towards host nationals, hurting interpersonal relationship with them (Ferraro, 2006).

As a postive response, in order to respond to the cultural disorientation and stress, individuals take a natural reponse to plan for adapting to a different and difficult situation. For expatriates, this adaption may help in having a successful overseas living (Ferraro, 2006). As an adaptation measure it is expected that expatriates are most likely to have sound plans for the future to have a successful living there after. Based on this proposition, the second hypothesis is formualted:

H2a: There will be significant difference between residents and non-resident expatriates with respect to financial planning.

H2b: Non-resident expatriates will have better financial planning.

There also the "precautionary saving theory" that proposes that higher uncertainties could lead to precautionary savings. The opposite could, however, happen, if the uncertainties lead to extreme instability or crises in the economy. As such there is also an element of uncertainty about saving in such situations and the findings are, to a certain level ambiguous (Grigoli, Herman, & Schmidt-Hebbe, 2014). It is thus expected that the cultural factors to which the expatriates are exposed to, will have a profound impact on the orientation towards finances.

Based on the literature review presented in the foregone sections, the various theories and findings about the influence of environmental and cultural factors, as well as the hypotheses formulated for the study, the following objectives are set for the study:

1. To find out the difference between resident Indians and Indian expatriates in Saudi Arabia with respect to:

    b. Financial information.
    c. Financial planning.
    d. Overall Orientation towards Finance.

5. To find out the relationship between certain demographic factors and orientation towards finance among the resident Indians and Indian expatriates in Saudi Arabia.

2. METHODS AND MEASURES

2.1. Tool

Data for the study were collected using the tool ORTOFIN (Loix, Pepermans, Goedee, & Jegers, 2005). The tool having eight items has been constructed based on data collected from European population (Loix et al., 2005), and has been validated in the Indian population (Sulphey & Nisa, 2014). The tool has reported adequate reliability and validity, and has been used in a few other studies (Sulphey & Faisal, 2017). ORTOFIN has two factors, viz. financial information (with five items) and personal financial planning (with three items). High scoring in ORTOFIN denotes a higher level of financial orientation, and is reflected by

Table 1. Demographic particulars

Particulars			Number	Percent
Marital status	Resident	Married	86	37.55
		Unmarried	81	35.37
	NRI	Married	53	23.14
		Unmarried	9	3.94
Number of children	Resident	Nil	114	49.78
		1	24	10.48
		2	22	9.61
		3	7	3.06
		Above 3	0	0
	NRI	Nil	16	6.98
		1	14	6.11
		2	15	6.55
		3	10	4.37
		Above 3	7	3.06
Educational qualifications	Resident	Non graduates	7	3.06
		Graduates	151	65.94
		Masters & above	9	3.93
	NRI	Non graduates	16	6.98
		Graduates	22	9.61
		Masters & above	24	10.48

fair awareness about financial matters, avenues about savings and investments. Those with high scoring in ORTOFIN are also likely to measure success in life and power in monetory terms (Loix et al., 2005).

2.2. Sampling

The study collected data through online method from a sample of 167 resident Indians and 62 expatriates of Indian origin in Saudi Arabia. Care has been taken to see that data is collected only from persons who are gainfully employed. The samples collected pertained to various demographics, details of which are presented in Table 1.

The minimum age of the residents was 21 years, and maximum 66 years. Their mean age was 30.27 years. With respect to Indian expatriates in Saudi Arabia, the minimum and maximum were 25 and 58 years, respectively. Their mean age was 36.31 years. The mean age of the expatriates was higher by around six years. This is due to the fact that overseas employers, especially those in the Middle East prefer experienced employees, and with experience age increases.

3. ANALYSIS

The first objective of the study was to find out if there existed any difference between the residents and Indian expatriates with respect to the variable under study. T-test was conducted to find out the difference between two sample sets. The results of the analysis are presented in Table 2.

Table 2. Data and t-value of residents and expatriates

Factor	Status	Number	Mean	Standard deviation	t-value
Financial information	Resident	167	18.10	3.41	–.187NS
	Expatriate	62	18.19	2.98	
Financial planning	Resident	167	18.51	3.77	3.135**
	Expatriate	62	16.79	3.45	
Total ORTOFIN	Resident	167	51.71	8.40	1.251NS
	Expatriate	62	53.18	7.85	

Note: NS – Not significant; ** Significant at 0.01 level.

It can be seen from the above table that there is no significant difference between resident Indians $(M = 18.10,\ SD = 3.41,\ N = 167)$ and Indian expatriates in Saudi Arabia $(M = 18.19,\ SD = 2.98,\ N = 62,\ t = .187)$ in financial information. Further, there is not much difference in mean value between the two samples. Thus the first two hypotheses (H1a & H1b) formulated for the study are rejected.

Significant t-value (3.135) was observed with respect to the variable financial planning between resident Indians $(M = 18.51,\ SD = 16.79,\ N = 167)$ and Indian expatriates in Saudi Arabia $(M = 16.79,\ SD = 3.45,\ N = 62)$. However, with an objective of finding the strength of the effect/significance, Hedge's g was calculated for financial planning. Hedge's g can be calculated from the values obtained from t-test (Rosenthal & Rosnow, 1991). The details of the calculation are presented in the following sections:

Sum of squares – SS_1 (Residents) (166) 3.77^2 = = 2359.34.

Sum of squares – SS_2 (Expatriates) (61) 3.45^2 = = 726.05.

Pooled standard deviation (S_{pooled})

$$= \sqrt{\frac{SS_1 + SS_2}{n_1 + n_2 - 2}}.$$

$$= \sqrt{\frac{2359.34 + 726.05}{227}}.$$

$$= 3.69.$$

Hedges $g = \frac{M_1 - M_2}{S_{pooled}} = \frac{18.51 - 16.79}{3.69}$.

Strength of effect estimate = .47 (which is not large).

It can thus be stated that resident Indians does not have any difference with expatriates $(t = 3.135,\ g = .47)$ in financial planning. The mean value of non-resident expatriates in Saudi Arabia is also lesser than that of residents. Thus the hypotheses **H2a** and **H2b** are also rejected. It can also be seen from the table that there is no significant difference between the two samples with respect to the overall ORTOFIN score $(t = 1.251)$. It can thus be inferred that cultural and environmental differences faced by the two samples have not exerted any influence on the orientation towards finances.

It was an objective of the study to find out the relationship between certain demographic factors and orientation towards finance among the resident Indians and Indian expatriates in Saudi Arabia. Correlation analysis was done for the overall data (both residents and expatriates) with respect to age and number of children, and the results are presented in Table 3. It can be seen from the table that significant negative correlation (at 0.05 level) was observed in the factor financial planning and the number of children of the respondents. No significant correlation has been observed for any other demographic variable. This finding of the study negates the observation of Ferraro (2006). Furher, that negative correlation is observed in financial planning is a bit perplexing, as it is prudent to plan the finances when there are more number of children. There is a definite need to conduct a study to find out the causative factors for this. The findings created curiosity in the researcher to find out the relationship between the various factors and the demographics studied with respect to the two different classes of respondents. The Table also presents the correlation for resident Indians and expatriates in Saudi Arabia, respectively.

Table 3. Correlation between demographics and Orientation towards Finance

No	Factors	Age	Number of children	Age	Number of children	Age	Number of children
		Total sample		Resident Indians		Expatriates	
1	Information gathering	.110	.006	.098	.050	.170	–.095
2	Financial planning	–.118	–.134*	–.043	–.081	–.169	–.001
3	ORTOFIN score	.034	-.056	.060	.005	.055	–.072

Note: N = 229 for total sample N = 167 for Indians and N = 62 for expatriates; * Significant at 0.05 level.

Table 4. Data and t-value based on marital status

Factor	Marital status	Number	Mean	Standard deviation	t-value
Financial information	Unmarried	90	18.256	3.2031	.476*
	Married	139	18.043	3.3619	
Financial planning	Unmarried	90	18.233	3.8833	.614*
	Married	139	17.921	3.6813	
Total ORTOFIN	Unmarried	90	54.744	8.4966	.654*
	Married	139	54.007	8.1254	

Note: *Not significant.

Table 5. ANOVA based on qualification

Factors		Sum of squares	df	Mean square	F
Information seeking	Between groups	117.910	3	39.303	3.751*
	Within groups	2357.418	225	10.477	–
	Total	2475.328	228	–	–
Financial planning	Between groups	10.304	3	.241	.868#
	Within groups	3207.259	225	14.254	–
	Total	3217.563	228	–	–
Orientation towards finance	Between groups	521.802	3	173.934	.053#
	Within groups	15044.006	225	66.862	–
	Total	15565.808	–	–	–

Note: * Significant at 0.05 level; # Not significant.

From Table 3 it can be seen that none of the demographic variables are significantly related to the factors studied for both sections of the populations. Thus it can be inferred that only the combined effect has brought in the significant negative correlation for the total respondents. A further analysis with a larger sample may throw further light into this apparently complex phenomenon. There is a definite scope for further study in this regard

Table 4 presents the data and t-values of the entire respondents based on marital status. No significant difference was observed based on marital status for both the factors and the overall ORTOFIN score. This finding is in line with an earlier study on Indian population by Sulphey and Nisa (2014).

An attempt was also made to find out if there existed any difference in the factors with respect to educational qualification, which was part of objective 2. ANOVA was conducted towards this. The ANOVA table for all the respondents taken together is presented in Table 5.

Is that be seen that based on qualification of the respondents, there existed significant differences (F = 3.751 significant at 0.05 level) only for the factor "information seeking". There was no significant difference with respect to "financial planning" and the overall ORTOFIN. A significant contribution of the present study is that it has found the "triadic interaction of behavior" as postulated by Perry et al, (1990) is found to have no bearing for orientation towards finance, among the sample studied. It would also have to be assumed that the "precautionary saving theory" of Grigoli et al. (2014) also is found to have only a nominal bearing on the samples studied.

DISCUSSION AND CONCLUSION

ORTOFIN is a two-factor tool that helps to identify the level of 'financial information' and the 'personal financial planning' of the respondents. High scoring in ORTOFIN denotes a higher level of financial orientation, and is reflected by fair awareness about finanial matters, avenues about savings and invest-

ments. Studies have proved that those with high scoring in ORTOFIN are likely to measure success in life and power in monetory terms (Loix et al., 2005). A few studies have been conduced using this scale (Loix et al., 2005; Sulphey & Faisal, 2017; Sulphey & Nisa, 2014). The scale has practical applications and would be useful in counselling individuals in handling financial problems, or even as a precondition for training in financial management (Loix et al., 2005). Earlier studies have stated about the tough situations that expatriates have to face in their host countries (Ferraro, 2006; Hess, 1994) due to the wide disparity, and at times hostile nature in the cultural and environmental factors. This tough situation is however, nonexistent to natives. They have a favorable environment back home. Due to this proposition, it was hypothesized that expatriates will be having better orientation towards finances.

The results of the study show that there is no difference in the orientation towards finances between Indian residents and expatriates. This is despite the fact that there is marked difference in the cultural and environmental settings in which the respective samples reside and work. These findings have great significance and further implications to a host of stakeholders like banks, insurance companies, other financial institutions; and social scientists. This is because; evidences suggest that expatriates have made remittances totaling to US $8.476 billion through various financial institutions. This is considerably a big amount in terms of foreign exchange inflow to India. The banks and financial institutions, through which the expatriates are remitting the money, have to seize this opportunity to educate their respective clients with respect to financial information and its management. That the expatriates speak different languages and are of varying levels of educational qualification has to be given due and adequate consideration, while attempting this education. The present study can also be used by social scientists and financial experts as a springboard to gain further insights about the financial and investment behavior. It is expected that more studies will be undertaken in this interesting area.

No study is perfect, in the sense that there are bound to be limitations. The present study also has a few limitations. Further studies have to be undertaken before the findings can be generalised, as data collection has been limited just to one country in the Middle East – KSA.

There are large numbers of diasporas in various other Middle East countries, particularly UAE and Kuwait, South East Asian countries like Malaysia and Singapore, Australia, New Zealand, certain European countries, Canada, the US, etc. Data were not collected from them. However, the results of the study are a pointer towards the way Indian expatriates take financial decisions. There is a definite scope for conducting a wider study with a larger population from various countries. This will help in finding out whether the findings of the study are limited to one country alone. Further, the present study was conducted among diaspora from India. Similar studies can also be conducted on the diaspora of various other countries to find out if there is a difference in attitude across different cultures. The author will be highly obliged if the present work triggers further studies in this direction.

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