The Effects of Perceived Locus of Control and Perceived Income Adequacy on Satisfaction with Financial Status of Rural Households

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ABSTRACT: The purpose of this study is to examine the relationships among selected socioeconomic variables—perceived locus of control, perceived income adequacy, and satisfaction with financial status. Results of the study indicate that age, household income, household net worth, perceived locus of control, and perceived income adequacy are significantly related to satisfaction with financial status. Household income and household net worth have indirect effects on satisfaction through perceived locus of control and perceived income adequacy. Perceived locus of control also has an indirect effect on satisfaction through perceived income adequacy. These findings suggest that counselors and educators should emphasize the importance of perceptions of income adequacy and control over financial aspect in their courses and programs.

KEY WORDS: perceived income adequacy, perceived locus of control, satisfaction with financial status, socioeconomic variables.

Introduction

Katona (1975) suggested that psychological concepts such as perception, attitude, value, optimism, pessimism, and satisfaction are...
important factors in determining consumer behavior. Katona's studies focused on how consumers perceived their economic environment and how their perceptions affected their economic behavior. Psychologists, however, are more interested in investigating individuals' perception of themselves and their ability to control their behavior. Rotter (1966) introduced the term *perceived locus of control* to describe individuals' perceptions of their ability to control what happens to them. Perception of self-control or locus of control and its modifications along with its impact on other behavior is a major interest of psychologists (Blankstein & Polivy, 1982).

Rotter's concept was a general locus of control rather than a specific behavior control, although it has been applied to various specific behaviors. The concept of locus of control has been applied to health (Lau, 1982), religious beliefs (Furnham, 1982), educational settings (Feather, 1975), economic behavior (Furnham, 1986), and organizational behavior (Spector, 1982).

Family economists have employed the concept of perception in their studies and have examined how families perceived their adequacy of resources or income and how these perceptions affected their perception of economic well-being. These studies indicated that perceived income adequacy was related to socioeconomic characteristics and economic behavior of consumers (Deressa, 1987; Hafstrom & Dun sing, 1973; William, Nall, & Deck, 1976).

The purpose of this study is to examine the relationships among selected socioeconomic characteristics—perceived locus of control, perceived income adequacy, and satisfaction with financial status. This study also investigates the mediating effects of perceived locus of control and perceived income adequacy between socioeconomic characteristics and satisfaction with financial status. Investigation of this relationship will enhance an understanding of the role of psychological dimensions of human beings and their impact on subjective economic well-being. Rowland, Dodder, and Nickols (1985) emphasized that information on how families perceived the adequacy of their resources could help not only educators but also families to analyze the reality of household managers' goals in relation to their resources. From a financial management perspective, understanding the significance of feelings in control of one's financial situation will help emphasize the development of appropriate managerial activities that enhance the feelings of control.