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Financial Literacy, Socialization, and Constraints: A Moderated Mediation Model of Financial Well-Being in Pakistani Households

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Abstract
This study investigates the financial well-being of Pakistani households by examining how financial literacy, socialization, and financial constraints shape financial behavior and, in turn, overall well-being. Drawing on consumer socialization, behavioral life-cycle, and stress-coping perspectives, a moderated-mediation model was tested using household survey data. Partial least squares analysis revealed that financial literacy, financial socialization, and financial constraints each exert a significant positive influence on financial behavior, which subsequently enhances financial well-being. Financial stress also demonstrates a direct positive effect on well-being, but its interaction with financial behavior is not significant, indicating that stress does not alter the behavior-well-being pathway. These findings highlight the pivotal role of household financial behavior as the mechanism linking knowledge, social influences, and resource limitations to financial well-being in Pakistan. The results underscore the need for policies and educational initiatives that strengthen financial skills and resilience to improve household welfare in emerging economies.

Keywords: well-being, literacy, financial stress, households, socialization, financial behavior

1. Introduction

Recently financial wellbeing of Pakistani households has been adversely affected because of high inflation, joblessness, low income and overall poor macroeconomic condition (Gallop survey, 2024). Current years of economic recession has not only affected the unemployed population but also has left government/private employed households with poor financial wellbeing. Earlier, financial well-being was investigated at country level as objective and material resource without considering the individual perceptions (Sorengete & Lanz; 2019). Later on, after Easterlin (1974), it has been studied widely as subjective mater at the individual level (Brüggen et al. 2017). In many emerging economies research on subjective and objective financial wellbeing has conducted but still it was needed to explore the financial wellbeing of Pakistani households in context of important determinants of financial wellbeing (Qasim et al.2018). It is also observed in prior studies that individual and country level progress is negatively affected by low final wellbeing of households (Shim et al.2009). Gutter & Copur (2011) explained that financial well-being means controlling your money today and, in the future, along with secured and satisfied feelings. It's not just about how much money we make or save, but also about how we feel about our financial situation (Arber et al. 2014). Financial stability of individuals collectively shapes a stable

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economy, and determinants of financial well-being are crucial for promoting this economic stability and welfare. Previous researches highlight that these factors include financial socialization (FS), financial literacy (FL), childhood experiences, financial stress (ST) and financial behavior (FB) that can influence financial well-being. Financial socialization (FS) is a process which helps individuals to gain knowledge, make attitudes, and behaviors resulting in financial decision making (Pandey et al., 2020). This also plays a pivotal role in shaping individuals' financial behaviors and outcomes (Koekemor & Ferreira: 2019). Family, peers, and educational institutions are primary agents of financial socialization which are spreading financial values, norms, and skills to individuals throughout their lives (Osman et al., 2018). While, financial literacy (FL)is another critical determinant of financial well-being, which is equipping individuals with the knowledge and skills necessary to navigate increasingly complex financial landscapes (Sorgente & Lanz, 2019). It is the ability of households and investors to understand and effective application of financial concepts, such as budgeting, saving, investing, and managing debt (Vosylis & Erentaité, 2020). It also enables individuals to make informed financial decisions, accumulate wealth, and mitigate financial risks. Financial literacy plays a vital role in enhancing financial well-being and promoting long-term financial security (Lusardi &Mitchell,2011). But financial constraints (FC) often exist along with financial stress resulting in psychological strain arising from real or perceived difficulty in fulfilling financial obligations (Prawitz et al., 2006; Sweet et al., 2013). It does not only reflect the objective burdens of insufficient financial resources but also erodes cognitive bandwidth, weakening decision-making and resulting in impulsive borrowing that further compromise financial well-being (Netemeyer et al., 2018). Previous literature provides evidence from both developed and emerging economies that chronic financial stress causes anxiety, depression, and physical health problems (Drentea & Reynolds, 2012). In Pakistan, macroeconomic instability like inflation and currency depreciation frequently reduces real incomes, working adults often report persistent worry over their ability to pay bills, fund education, and maintain living standards despite full-time employment. This creates a feedback loop in which financial stress exacerbates poor financial behavior, which in turn diminishes financial well-being. So financial stress could be a potential moderator between financial behavior and financial wellbeing, but has not empirically tested. Our study will be adding new literature first time using this variable in conceptual model.

Our study focuses on Pakistani households' elderly 25 to 55 years who are currently doing jobs in private or government sectors, a demographic chosen for both theoretical and empirical reasons. This age bracket of individuals covers their prime earning and family-rearing years,a life phase in which financial decisions leavelong-term effects on wealth accumulation,retirement readiness, and intergenerational support. It is consistently identified in previous research that early to mid-adulthood is the period when financial behaviors are most significant. Literature argues that financial well-being is formed most strongly when individuals are simultaneously managing dependent children, mortgages, and career development (Netemeyer et al. (2018) and Brüggen et al. (2017)). Lusardi and Mitchell (2007)further emphasize that during working adulthood financial literacy involvements have the greatest impact, when

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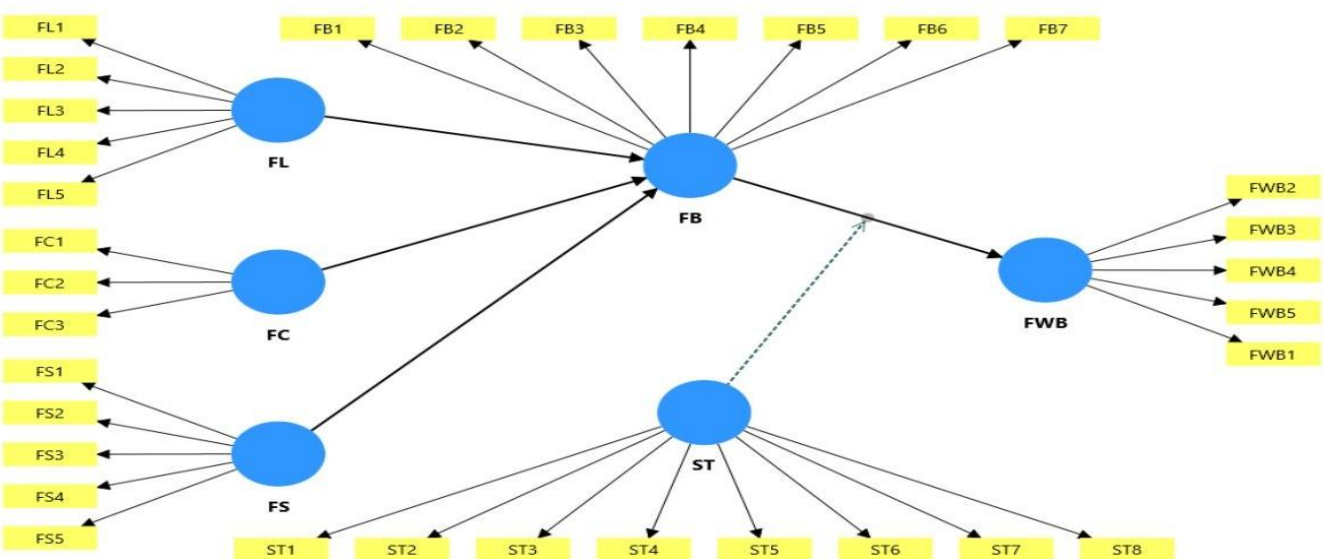
income levels are just enough to enable saving and investment decisions.As most Pakistanis complete formal education and enter stable employment by the age of 25so this is a logical starting point, while the upper bound of 55 precedes the typical retirement transition and captures the years in which financial stress begins to interact with health and job security concerns. Similar age cutoffs have been used in studies of financial well-being and behavior in both developed and emerging economies (Sabri et al., 2020; Prawitz et al., 2006),providing additional empirical support for focusing on this critical working-age population.This study therefore investigates the relationships among financial well-being, financial literacy,financial socialization, financial constraints, and financial behavior, while examining the moderating role of financial stress in Pakistani households. By integrating structural and behavioral perspectives, it seeks to advance both theory and practice, offering insights for policymakers, employers, and financial service providers striving to enhance financial resilience in a country where household-level financial security remains an elusive goal.

2. THEORETICLA BACKGROUND

Drawing on financial socialization theory, social learning theory (Bandura, 1989) and the financial capability framework (Brüggen et al., 2017), the proposed model positions financial literacy, financial socialization, and financial constraints as key antecedents of financial behavior. Financial behavior mediates their effects on financial well-being, while financial stress moderates the link between financial behavior and well-being (Jorgensen & Savla,2024). This integrated framework captures both structural and psychological determinants of household financial outcomes, offering a comprehensive lens for examining working Pakistani adults aged 25-55.

Conceptual Framework



FL=Financial Literacy, FC=Financial Constraints, FS=Financial Socialization, FB=Financia l Behavior (mediator),ST=Financial Stress (moderator),FWB=Financial Well Being.

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3. Literature Review and Hypotheses Development

3.1 Financial Well-Being

Financial well-being (FWB) represents both the objective state of meeting financial obligations and the subjective perception of financial security and freedom of choice (Brüggen et al., 2017; Netemeyer et al., 2018). Scholars conceptualize FWB as the culmination of a variety of economic and behavioral factors including income adequacy, savings behavior, and the ability to cope with financial shocks (Prawitz et al., 2006). In Pakistan, where high inflation and limited social protection amplify financial uncertainty, FWB is increasingly viewed as a multidimensional construct that reflects not only household resources but also psychological resilience. The literature on financial well-being presents a multifaceted landscape, where various factors interplay to shape individuals' financial satisfaction and security. Sabri et al. (2023) highlight the mediating role of financial behavior, identifying determinants such as financial literacy, socialization, self-control, and technology use. Qasim & Danish (2021) explore these dynamics further, focusing on stock market investors and finding significant relationships moderated by collectivism and locus of control. Vlaev & Elliot (2013) propose a psychological perspective on financial well-being, advocating for interventions prioritizing customer well-being by banks and regulatory bodies. Shusha (2016) suggests strategies for promoting financial education and literacy among Egyptians to enhance well-being. Sabri et al. (2020) examine positive financial behaviors among Malaysian employees, while Barraferm et al. (2021) discuss the impact of trust in government responses during crises on financial well-being. Powell et al. (2023) analyze Buy Now, Pay Later behaviors in Australia, emphasizing interventions to promote responsible behavior. Surwal et al. (2024) stress the importance of sound financial behaviors and accessible financial services in India. Stromback et al. (2017) expand on the Behavioral Life Cycle hypothesis, while Farida et al. (2021) explore the impact of financial literacy and technology usage among high school economics teachers. Arslan et al. (2021) and Wu et al. (2023) investigate factors influencing financial well-being in Pakistan and validate pathways through mindfulness, respectively. Riitsalu et al. (2023) discuss challenges in defining and measuring financial well-being, while Sorgente et al. (2021) review intensive longitudinal approaches to studying it. Bolger and Laurenceau (2013) advocate for a combination of traditional and intensive longitudinal methodologies for a comprehensive understanding.

Other studies explore financial literacy's impact on various demographics (F Khan & S Surisetti, 2020; Parkash et al., 2021; Rui Xui et al., 2020), behavioral theories' influence on perceptions (Rehman et al., 2021), and non-cognitive factors in financial decision-making (F Hashmi et al., 2021). Additionally, there's a focus on educational interventions (L She et al.,2022) and cross-cultural frameworks (A P Nanda & R Banerjee, 2021) to enhance financial well-being.

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Overall, these studies contribute to understanding the nuanced relationships between financial behaviors, psychological factors, and well-being, providing valuable insights for policymakers, educators, and individuals alike. The above literature reflects that inadequate work has been done along the similar lines in Pakistan and our study strives to fill this gap. We have included financial stress as moderator and a new mediation between financial constraints and financial wellbeing.

3.2 Financial socialization and financial wellbeing

The exploration of financial socialization theory serves as a foundational framework for understanding the interplay between various factors influencing individuals' financial well-being. Ward (1974) defines financial socialization as the process through which young individuals acquire the skills, knowledge, and attitudes necessary for effective participation in the market as consumers. Kim et a1. (2011) further elaborate on this concept, emphasizing that financial socialization extends beyond mere market efficiency to encompass the acquisition of knowledge, values, attitudes, and norms shaping subsequent financial behaviors (Danes, 1994). Gudmunson et al. (2016) assert that life stages of financial socialization, particularly during childhood, are critical periods for developing attitudes toward money, which strongly predict enhanced financial well-being. Positive attitudes toward money contribute to financial well-being, improved financial capacity, and increased savings. Childhood experiences serve as foundational elements in the financial socialization process, significantly shaping individuals' financial behaviors and attitudes (Kim et al.,2011; Pandey et al.,2020).

H1: Financial socialization (FS) has positive impact on financial wellbeing of Pakista ni households.

3.3 Financial Literacy and financial wellbeing

Financial literacy (FL) captures the knowledge and skills required to make informed financial decisions. Higher financial literacy is consistently associated with improved budgeting, saving, and investment practices (Lusardi & Mitchell, 2007). In emerging economies, financial literacy acts as a protective factor, enabling households to navigate complex credit markets and inflationary pressures (Sabri.etal.,2020). Complementing individual knowledge, refers to the process by which financial attitudes and behaviors are learned through parents, peers, and institutions (Gudmunson & Danes, 2011). Social learning theory (Bandura, 1989) suggests that exposure to prudent role models enhances self-efficacy and facilitates positive financial behavior ultimately financial wellbeing. Empirical studies demonstrate tha adults who received explicit financial guidance during youth exhibit stronger saving habits and lower debt stress in adulthood (Gutter et al., 2010; Lanz et al., 2019). Based on these arguments, financial literacy (FL) is expected to foster sound financial behavior, which in turn enhances financial well-being.

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H2: Financial literacy (FL) has positive effect on financial wellbeing of Pakistani hou seholds.

3.4 Financial Constraints and financial wellbeing

Financial constraints (FC) refer to the limitations households face in accessing affordable credit or accumulating liquid resources to smooth consumption and invest (Hadlock & Pierce,2010; Whited & Wu, 2006). When households are financially constrained, even knowledgeable individuals may fail to implement optimal financial practices. Empirical evidence shows that credit constraints restrict saving, investment, and precautionary behavior, thereby undermining financial behavior and financial well-being (Almeida et al.,2004). In Pakistan, where formal credit markets remain narrow and informal lending often carries predatory interest rates, financial constraints are pervasive and directly threaten household stability.

H3: Financial constraints are negatively associated with financial wellbeing of Pakista ni households.

3.5 Financial Behavior as a Mediator

Financial behavior (FB) including budgeting, saving, debt repayment, and disciplined spending, translates knowledge and social norms into tangible financial outcomes (Gutter &Copur,2011). The literature consistently positions FB as a mediator through which financial literacy and socialization exert their influence on financial well-being (Shim et al., 2009; Sabri et al., 2020). In a context like Pakistan, where households face both structural barriers and rising consumer prices, the mediating role of FB is especially salient: without effective day-to-day management, neither knowledge nor social influence can secure long-term well-being. We have included financial constraints (FC) as new independent variable with mediating role of financial behavior adding theoretical and conceptual knowledge in literature.

H4: Financial behavior (FB) mediates the relationship between financial socialization (FS) and financial wellbeing (FWB).
H5: Financial behavior (FB) mediates the relationship between financial literacy (FL) and financial wellbeing (FWB).

H6: Financial behavior (FB) mediates the relationship between financial constraints (FC) and financial wellbeing (FWB).

3.6 Financial Stress as a Moderator

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Financial stress (ST) represents the psychological distress arising from difficulties in meeting financial obligations (Prawitz et al., 2006). High stress levels impair cognitive functioning and self-control, leading to impulsive spending and avoidance of long-term planning (Netemeyer et al., 2018). Empirical studies demonstrate that financial stress can weaken the positive effect of prudent financial behavior on well-being, as anxiety undermines the emotional benefits of good management (Sweet et al., 2013; Drentea & Reynolds, 2012). For Pakistani employees coping with inflation and income instability, financial stress is likely to dampen the beneficial impact of healthy financial behaviors.

H7: Financial stress negatively moderates the relationship between financial behavior and financial well-being, such that the positive effect of financial behavior is weaker when financial stress is high.

4. Methodology

This study adopts a quantitative, cross-sectional design to examine the relationships among financial literacy, financial socialization, financial constraints, financial behavior, and financial well-being, with financial stress as a moderating variable. The design is appropriate because it allows for statistical testing of theoretically grounded relationships and is widely used in behavioral finance and household economics research (Netemeyer et al.,2018; Prawitz et al.,2006).

4.1 Population and Sampling

The target population comprises Pakistani households with income-earning adults aged 25-55 years. This age range is chosen because individuals in this bracket are typically in their prime working years, actively involved in income generation, financial decision-making, and long-term planning such as savings, investment, and retirement (Lusardi et al., 2011; Netemeyer et al., 2018). Individuals below 25 often lack stable employment or independent financial responsibility, while those above 55 frequently transition into retirement, which alters financial priorities and behavior (Sweet et al., 2013).

Data were collected from urban centers of Pakistan (twin cities), using purposive sampling, the study targeted respondents employed in formal and semi-formal sectors to ensure their direct engagement in household financial management. A total of 149 usable responses were obtained, which meets the minimum threshold for Partial Least Squares Structural Equation Modeling (PLS-SEM) based on the “10-times rule” (Hair et al., 2017) and is sufficient for detecting medium effect sizes with adequate power.

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4.2 Data Collection Procedure and scale development

For collecting data, a self-administered structured questionnaire was distributed online and in person to those employees who are currently working under private as well as government organizations in Pakistan (twin cities). We performed pilot-testing before distributing questionnaire to whole sample with 20 respondents to ensure clarity, cultural relevance, and content validity. Feedback from the pilot led to minor adjustments in wording and sequence to improve respondent comprehension. We took care of every ethical consideration, participation of all employees was voluntary, informed consent was obtained, and anonymity was guaranteed. All constructs were measured using multi-item Likert scales ($1 = \sin\frac{\alpha}{2} g(1 - \sin\frac{\alpha}{2})$ disagree to5 = strongly agree), adapted from well-validated instruments in the literature to ensure reliability and comparability: Financial Well-Being (DV): Measured using the In Charge Financial Distress/Financial Well-Being Scale (Prawitz et al., 2006),which captures perceived control over one's financial situation and ability to meet current and future obligations. Financial Literacy (IV): Assessed with objective and subjective items adapted from Lusardi and Mitchell (2014), focusing on knowledge of interest rates, inflation, risk diversification, and budgeting. Financial Socialization (IV): Items drawn from Shim et al. (2010), covering parental teaching, peer influence, and workplace exposure to financial knowledge. Financial Constraints (IV): Measured using indicators of access to credit, borrowing ability, and liquidity challenges adapted from Hadlock and Pierce (2010) and Cleary (1999). Financial Behavior (Mediator): Captured through Netemeyer et al. (2018) and Xiao and Porto (2017), focusing on budgeting, saving, debt management, and investment behavior. Financial Stress (Moderator): Measured via the financial distress scale of Prawitz et al. (2006), which assesses the emotional and psychological burden of financial obligations. All scales were slightly modified to reflect Pakistani household realities, such as informal credit practices and joint family decision-making. Content validity was confirmed through expert review by two finance and consumer behavior scholars.

4.3 Data Analysis

Data were analyzed using SmartPLS 4.0, which is appropriate for small to medium sample sizes and complex models with mediating and moderating effects (Hair et al., 2017). The analysis followed a two-stage approach. First Measurement Model Assessment: Reliability tested through Cronbach's alpha and Composite Reliability (CR) (>0.70 threshold). Convergent validity assessed via Average Variance Extracted (AVE) (>0.50). Discriminant validity evaluated using the Fornell-Larcker criterion and HTMT ratio (<0.85). second, Structural Model Assessment: Path coefficients and bootstrapping (2,000 resamples) to test hypotheses. R2, Q^2, and effect sizes (f2) to evaluate model strength and predictive relevance. Moderation analysis performed to test whether financial stress weakens the relationship between financial behavior and financial well-being. Mediation analysis assessed the indirect effects of financial behavior between financial literacy, financial socialization, financial constraints, and financial well-being.

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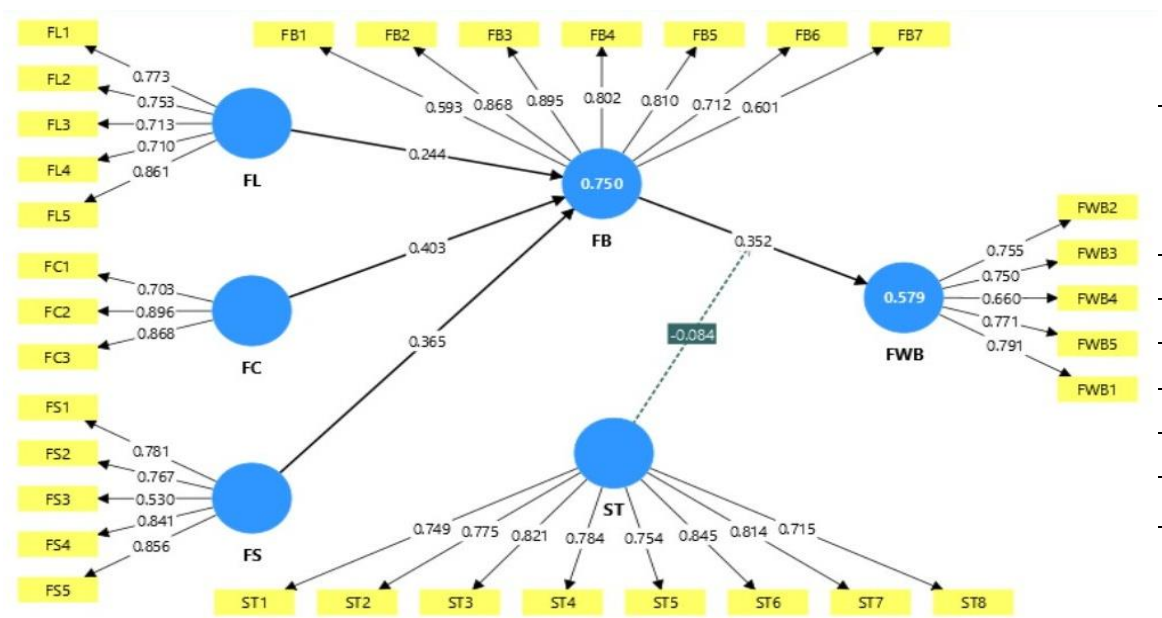
5. Results and Discussion

Following Surwal et al. 2024 we conducted our research in two steps, firstly we determined the reliability and validity of our modeI and in second step we used structural equation model for studying the relationship among variables of interest. VIF reading are checked for standard method bias before evaluating the model. Our findings didn't show any systematic bias because except two items all VIFs for components were less than 3.0.

5.1 Measurement Model

To confirm the model's validity, we have computed composite reliability (CR) and Cronbach's alpha. Table 1 of our findings indicates that scale has internal reliability based on Cronbach's alpha and Composite reliability because all values are more significant than cut point level of 0.7 (Henseler, 2012). We used discriminant and convergent validity method for establishing the construct's validity. As factor loading above 0.7 and average variance explained less than 0.5 shows high degree of correlation between indicators and constructs (Henseler, 2012; Hair et al., 2021), so for enhancing AVE we dropped the couple of items of various constructs with loading factors less than 0.7 (FB8, FB9, FS6, FL4). For testing discriminant validity, the correlation values should be lower than the square root of average variance extracted, according to Fornell and Larcker (1981). In our study we have used the same criterion for establishing the scale.

Figure 2:Measurement Model



ST

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Source: Author's Computation.

5.2 Structural Model (Path Analysis)

For validating the proposed hypothesis, our next step was evaluating the structural model. We run bootstrapping with 2000 iterations to compare the T statistics of hypothesis (Hair et al.,2015: Surwal et al. 2024). Table 2 demonstrates that our all hypothesizes are accepted at 5%level of confidence except moderating effect of financial stress on financial wellbeing through financial behavior. The coefficient determination(R^2)was 0.579, indicating that variation between independent variable (FB) and dependent variable (FWB) accounted for at least 57.9%.The high R^2 value confirms the significance of the independent variable (FB) in explaining the relationship with the dependent variable (FWB). The correlation between financial behavior and financial well being has t statistics of 3.114 indicating acceptance of our hypothesis. Similarly, table 2 is indicating statistical significance of FL, FS and FC with t-values 2.958,4.293, 3.301.but our analysis shows that financial stress has insignificant weal relationship between financial behavior and financial wellbeing.

Table 2: Hypothesis Testing

	Sample mean (M)	Standard deviation (STDEV)	T statistics (IO/STDEV|)	P values	Relationship
FB->FWB	0.345	0.113	3.114	0.002	Significant
FC->FB	0.401	0.066	6.117	0.000	Significant
FL->FB	0.249	0.083	2.958	0.003	Significant
FS->FB	0.362	0.085	4.293	0.000	Significant
ST->FWB	0.399	0.115	3.301	0.001	Significant
ST x FB->FWB	-0.075	0.050	1.654	0.098	insignificant

Source: Author's Computation

The significance of FS, FL, and FC was further confirmed by bootstrapping, as all the other associations had t-statistics larger than 1.96(FS→FB=2.753, FL→FB=2.958, FC→FB=6.117) The t-statistic for the relationship between FC and FB (6.117) was more significant than the t-statistic for the relationship between FS, FL and FB (2.753,2.958), indicating that FS has a more significant influence on financial behavior than financial literacy and financial socialization. Financial constraints were also found to have a significant indirect effect on the relationship between financial behavior and financial well-being, proving the mediation effect of financial behavior. The findings revealed that financial behavior mediated the relationship between financial constraints and well-being more strongly as compared to financial literacy and financial socialization. Whereas the moderating effect of financial stress was not found significant in our selected sample with 1.65 t-value and .098 p-vale.

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Table 3: Direct and Indirect Effect Measurement (Bootstrapping at 2000 iteration)
Total Effect (Financial Behavior to Financial wellbeing)

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	Pvalues
FB->FWB ST at	0.351	0.345	0.113	3.114	0.002

Specific Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (IO/STDEV|)	P values
FC->FB->FWB	0.141	0.137	0.045	3.108	0.002
FL->FB->FWB	0.086	0.089	0.048	1.810	0.070
FS->FB->FWB	0.128	0.123	0.047	2.753	0.006

We have used VAF to quantify the strength of mediation of financial behavior between i ndependent variables (FS, FL, FC) and dependent variable (FWB).

VAF=Total Effect/Indirect Effect

Using this rule VAF for FS=35.6%, FL=25.7%, FC=39.7%,

Following the guidelines (Hair et al., 2022, PLS-SEM) we can argue that all independent variables (FS,FL,FC) in our study show partial mediation. R^2 is a measure of the model's reliability for prediction, and the value of R^2 and the total impact of exogenous factors on the dependent variables are displayed in Table 4. Because R^2 in all cases was greater than 0.4 (R^2 for FB=0.75, R^2 for FWB=0.579), it can be opined that the relationship between financial behavior and financial well-being is moderately predictive (Hair et al., 2011).

Table 4a: Values of R2 (Coefficient of Determination)

	R-square	R-square adjusted
FB	0.750	0.744
FWB	0.579	0.571

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Table 4b: Model Fit Summary

	Saturated model	Estimated model
SRMR	0.111	0.114
d_ULS	6.895	7.315
d_G	3.395	3.504
Chi-square	2150.446	2182.873
NFI	0.549	0.542

The values of R^2 usually exposes the model's in-sample explanatory capacity but not the forecasting ability, so to overcome this issue we also have computed PLS predict as an out-of sample prediction strategy to make our model's prediction as significant (Hair et al.2021 and Shmueli et al.2019). Prediction statistics such as root-mean-squared and mean-absolute errors allow researchers to evaluate a model's prediction accuracy. It is statistically suggested that the RMSE (or MAE) of all indicators in the PLS-SEM analysis should be less than the simple LM benchmark to have high prediction power. Table 5 shows that all indicators have Q2 values above than zero. Which shows cross check of our model relevance.

Table 5: Predictive Relevance (Q2)

	Q'predict	PLS-SEM_RMSE	PLS-SEM_MAE	LM_RMSE	LM_MAE	IA_RMSE	IA_MAE
FB1	0.294	1.078	0.812	0.950	0.638	1.282	1.029
FB2	0.562	0.888	0.689	0.749	0.571	1.342	1.126
FB3	0.550	0.845	0.668	0.840	0.630	1.259	1.001
FB4	0.354	0.889	0.706	0.860	0.648	1.106	0.897
FB5	0.424	0.869	0.696	0.914	0.726	1.145	0.914
FB6	0.391	0.743	0.594	0.629	0.476	0.952	0.677
FB7	0.309	0.804	0.634	0.630	0.470	0.967	0.679
FWB2	0.378	0.798	0.613	0.825	0.583	1.011	0.763
FWB3	0.215	0.850	0.643	0.842	0.636	0.959	0.667

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FWB 4	0.213	0.914	0.729	0.631	0.486	1.031	0.764
FWB 5	0.278	0.837	0.652	0.747	0.564	0.984	0.717
FWB 1	0.399	0.812	0.637	0.817	0.625	1.048	0.775

Source: Author's Computation.

Because of the sever criticism on relying only on p-values or t-statistics for finding significance of model, we also have focused on effect size (f2) which represents the significance of relationship between the independent and dependent variables (Huberty, 2002). According to Cohen (1988), the effect magnitude with f2 values is classified as negligible (less than 0.02), weak (0.02 to 0.15), medium (0.15-0.35), and strong (greater than 0.35) (Surwal et al. 2024). The effect size of each independent variable (FS, FL, FC) on the dependent variable (FB) is found to be medium (refer to Table 6). In contrast, FB strongly affected FWB (refer to Table 6).

Table 6: Effect size (f2)

	FB	FC	FL	FS	FWB	ST	ST x FB
FB					0.168(M)		
FC	0.287(M)						
FL	0.128 (S to M)						
FS	0.153(M)						
FWB							
ST					0.105(S)		
ST xFB					0.021(S)		

6. Implications of Findings and limitations

Financial wellbeing and its relationship to financial socialization, literacy and constraints along with financial behavior and stress are studied in context of Pakistani households. This research about wellbeing adds to the body of knowledge about the financial wellbeing. It uses theoretical and conceptual frameworks from existing literature and filling up the gap by introducing financial behavior as mediator between financial constraints and financial wellbeing. Stress coping theory clearly explains the negative impact of stress on wellbeing of individuals, our study empirically tested financial stress as a moderator between financial behavior and financial wellbeing.

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Practical implication of our findings suggests that in Pakistan there is strong need of developing financial well-being programs for government and private employees. They would be able to prepare themselves for managing under financial stress and financial constraints. According to findings individuals who are financially literate have better financial behavior and ultimately improved financial wellbeing. Findings also showed a favorable result for improved financial wellbeing for those who have financial socialization. But our sample is very small fraction of overall population, so it is suggested exposing children to personal financial management in their early years of life may help them become more confident in making financial decisions. Governments and financial institutions can help individuals plan their future financial events by providing safe and affordable financial avenues, financial awareness, financial literacy, and easy access to loans and insurance products (to cover future risks of life and material). People should also be aware of sound financial practices such as bill payment, emergency fund maintenance, debt reduction, and balancing consumption and savings. The same would help lessen their financial decision-making delays and reliance on others, resulting in greater financial well-being. Our study is not free of some limitations; like other studies it relies on judgment sample for conclusions. Future researchers should use more robust sample methods and should focus on other parts of Pakistan for more reliable results.

7.Conclusion

Financial wellbeing is becoming more crucial in Pakistan, especially in recent past, because of severe economic downturns has made individuals concerned for their financial wellbeing. Study results showed significant close relationship between financial socialization and financial wellbeing, financial literacy and constrains also effect the financial wellbeing mediated by financial behavior. Financial stress can either erode or reinforce these relationships. Socialization theory and stress coping theory suggest that how Pakistani households should manage money and financial stress under economic or psychological pressures. These results suggest the need of targeted financial education programs, supportive government policies and family centered awareness programs.

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