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IMPACT OF FINANCIAL LITERACY ON FINANCIAL WELL-BEING: MEDIATING ROLE OF FINANCIAL ATTITUDE

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ABSTRACT.
The primary aim of this article is to assess the influence of financial literacy on financial wellbeing while investigating the mediating role of financial attitude. Both financial literacy and financial wellbeing are treated as multidimensional concepts within this study. Additionally, the research examines how financial attitude functions as a mediator pertaining to the connection or relationship existing between financial literacy and financial well-being. To gather data, a questionnaire was employed, and a sample of 150 employed individuals was chosen through the utilization of a simple random sampling (SRS) approach. In order to establish the reliability of the measurement scales, a confirmatory factor analysis was performed, while hypothesis testing was conducted using structural equation modeling. The examination of mediation was executed through the application of a 95% confidence interval percentile bootstrap technique. This study revealed that financial literacy significantly influences financial wellbeing. Furthermore, the influence of financial literacy on one's financial wellbeing was found to be partly mediated by financial attitude.

Keywords: Financial literacy, financial wellbeing, financial attitude, Random sampling.

INTRODUCTION

The overall well-being of individuals is complicatedly tied to the choices they make concerning their finances within any economic context. In our contemporary financially-focused society, possessing a solid foundation of financial knowledge is paramount for making sound financial decisions and preparing for the future. Financial literacy (FL) equips individuals with the skills needed to navigate investment choices effectively (Goyal & Kumar, 2021; Sachitra & Wijesinghe, 2018). Moreover, financial literacy plays a vital role in augmenting financial literacy inclusion within a nation and tackling the issue of limited financial access (Morgan & Long, 2020). However, financial well-being is an important part of people's general satisfaction and security in managing their finances (Furnham & Cheng, 2020). Financial pleasure, financial security, and the capacity to satisfy financial commitments and goals are all aspects of this (Lusardi, 2015). Achieving and sustaining financial well-being is a complicated process driven by a variety of personal, societal, and economic factors. Financial literacy, that includes knowledge, comprehension, and application of financial ideas and abilities, is important in fostering financial well-being (Lusardi & Mitchell, 2014). Individuals who are individuals who are financially literate possess the knowledge and competencies required to make informed educated financial decisions, manage their resources successfully, and prepare for the future (Hastings et al., 2013; Mandell & Klein, 2009). They are more likely to engage in budgeting, saving, investing, and retirement planning behaviors (Huston, 2010). As a result, they are better prepared to deal with financial difficulties and attain their financial objectives. Financial well-being is additionally shaped by financial literacy, as it cultivates a constructive financial attitude. (Philippas and Avdoulas 2020).

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The Events such as the global financial crisis in 2008, rising levels of debt, and the complex nature of financial services and products highlight how decisive it is for people to have a covered level of financial literacy. Making informed decisions about money requires this level of literacy. The UN's Sustainable Development Goals, which address economic, social, and environmental issues, are in line with having the ability in order to make prudent financial decision. Financial inclusion is one of these objectives. The advancement of sustainable economic growth depends critically on achieving financial literacy through educational programs and incorporation into the financial system.

Literature review

The capacity to manage financial assets, stability, and a general level of happiness are just a few examples of the many factors that make up financial well-being (Furnham & Cheng, 2020). Numerous factors, such as one's financial literacy, financial attitudes, financial skills, and prior financial experiences, can affect one's financial well-being (Huston, 2010; Lusardi, 2015; Robb & Sharpe, 2009). A detailed research review exploring the relationship between financial literacy, financial attitudes, and financial well-being is provided in this section. It also looks at how financial attitude functions as a moderator in this relationship**.**

Financial Literacy and Financial Well-Being:

Financial literacy is defined as the understanding, knowledge, and application of financial ideas and abilities (Lusardi & Mitchell, 2014). A number of researchers have found a link between financial literacy and financial well-being. Individuals with greater levels of financial literacy are more likely to participate in responsible financial behaviors including budgeting, saving, and investing, which leads to increased financial well-being (Hastings et al., 2013; Huston, 2010). Individuals who are financially literate are more likely to make educated financial decisions, manage their resources successfully, and prepare for the future (Mandell & Klein, 2009). Lusardi (2015), for example, did a study to investigate the influence of financial literacy on various financial outcomes and discovered that financially educated persons were more likely to engage in retirement planning, have greater levels of savings and display better debt management practices. Similarly, Hastings et al. (2013) discovered that those with greater levels of financial literacy had higher levels of net worth and were more likely to participate in retirement savings activities. Therefore, the first hypothesis of this study is.

H 1: There is a significant relation between financial literacy and financial well-being.

Financial Attitudes and Financial Well-Being:

Individuals' financial attitudes include their views, values, and feelings about money (Shim et al., 2009). These attitudes have an important role in determining people's financial behaviors and outcomes, impacting their financial well-being. Financial attitudes that are positive, such as financial self-efficacy, optimism, and confidence in financial decision-making, are connected with improved financial behaviors and results (Robb & Sharpe, 2009; Shim et al., 2009). Robb and Sharpe (2009) investigated the impact of financial knowledge, financial attitudes, and financial behaviors on college students. Positive financial attitudes, they discovered, moderated the association between financial knowledge and financial behaviors such as saving and investing. Individuals with favorable financial attitudes were more likely to participate in responsible financial behaviors, which resulted in better financial well-being. This leads to hypothesis 2.

H2: there is a significant relation between financial attitude and financial wellbeing

Mediating Role of Financial Attitude:

While financial literacy is vital for improving financial well-being, the ability to translate financial information into positive financial outcomes is controlled by factors other than knowledge and abilities. Financial views, for example, play an important moderating role in this connection (Furnham & Cheng, 2020; Shim et al., 2009). Furnham and Cheng (2020) investigated the function of financial attitude as a moderator within the connection between financial literacy and financial well-being among young adults. They discovered that financial attitude moderated the connection between financial literacy and financial well-being in part. Optimistic financial attitudes, such as financial self-efficacy and optimistic expectations regarding financial management, in particular, boosted the favorable influence of financial literacy on financial well-being.

Furthermore, financial attitude might influence the association between financial literacy and other characteristics such as emergency financial preparation, present money management stress, and perceived financial stability. Individuals with favorable financial attitudes are more likely to participate in financial preparation behaviors, minimize money management stress, and increase perceived financial security (Furnham & Cheng, 2020; Robb & Sharpe, 2009). Building on previous research, this study seeks to investigate the role of financial attitude as a moderator in the relationship between financial literacy and financial well-being, Specifically, we hypothesize:

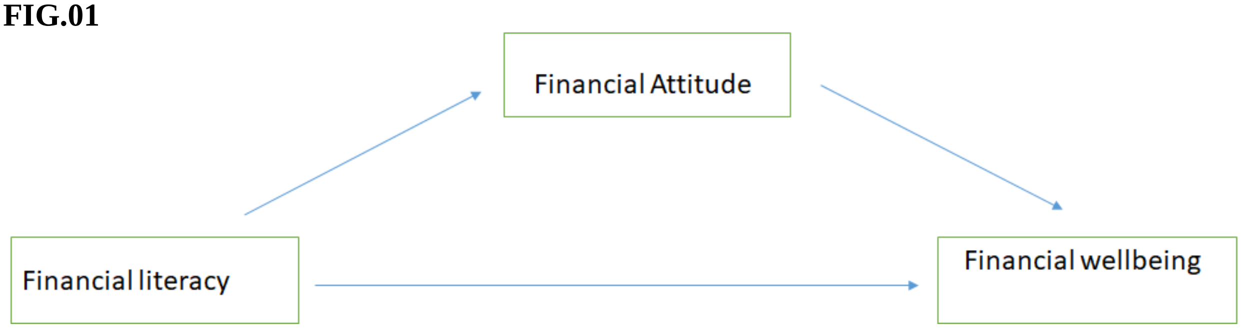
H3: The relationship between financial literacy and financial well-being will be mediated by financial attitude.

Materials and methods

Model.

The below fig.1 is proposed model, where financial literacy has direct impact on financial wellbeing, and financial attitude has mediating role between financial literacy and financial wellbeing**.**

FIG.01



Measures

The questions used to measure the different constructs were taken from earlier studies on financial literacy, financial attitude, and financial well-being. Financial awareness, financial experience, and financial competence are the three sub-dimensions that make up financial literacy. The questions used to assess these dimensions were adapted from previous research studies conducted by van Rooij et al. (2011) and Lone et al. (2022).The items evaluating financial attitude, which is a one-dimensional construct, were taken from research works by Çoşkun et al., (2020). Three components of financial well-being are also used to describe it perceived financial stability, current stress related to money management, and emergency preparation. A five-point Likert-type scale, spanning from 1 (strongly disagree) to 5 (strongly agree), was employed to collect responses from the participants.

Sampling Procedure, Methodology, and Data Collection.

The study's target population encompasses salaried persons (Government and non-government employees) with high education levels. The rationale behind opting for this choice is salaried employees as the target population. The paid individual adopts a positive financial mindset and engages in prudent expenditure. They weigh their needs against their wants and choose wisely how to divide their income. A salaried individual who has a good attitude toward money may look into investing alternatives. Through wise investments, long-term financial planning, and maintaining their financial well-being, they might look for ways to increase their wealth. A salaried individual who has a good attitude toward money may look into investing alternatives. Through wise investments, long-term financial planning, and maintaining their financial well-being, they might look for ways to increase their wealth.

The collection of data from participants was carried out through an online survey. There exist several justifications for choosing an online survey approach. Firstly, on the account respondents, they can be finished on their own time and from the comfort of their choice device, be it a computer, tablet, or smartphone, online surveys are convenient for respondents. In addition, the online mode is widely regarded as the most efficient and widely accepted approach for data collection. (Hsiao et al. 2010).

Secondly, In-built data analysis tools are frequently included in online survey platforms, which makes it simpler for researchers to process and use the data effectively. Flexible survey designs and question forms are possible with online surveys. Researchers can customize the experience for improved participation or modify the survey based on particular respondent characteristics. Researchers can track the status of data collected in real time using online surveys. They can keep tabs on response rates and modify their tactics to boost participation.

The study made use of a variety of online tools, including Google Forms and Messenger. The survey is created using a Google Form, and the respondents are contacted through email to complete the online form. Using What's Up and their email address, the appropriate respondent received the link to the questionnaire. The respondents' contact information was gathered via friends, acquaintances, classmates, students, and scholars.

Additionally, an itemized sampling technique was employed to choose the necessary sample from the population. To eliminate sampling error in this process, 5–10 respondents are sufficient for each question on the questionnaire (Hair et al. 1998). Since the current questionnaire only comprises 22 items, a sample size of 150 for the study. Utilizing the method of simple random sampling, the study endeavored to engage with a broad cross-section of the population. Ultimately, a total of 150 responses were successfully gathered.

Sample characteristics.

Table 01 sample characteristics

Sample category	Type	Frequency	Percentage.
Gender	Male	101	67%
	Female	49	33%
Age	18-35	35	23%
	36-50	70	47%
	51-60	30	20%
	60-onwards	15	10%
Education level	High school	12	8%
	College level	28	18%

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	Bachelor degree holder	90	60%
	Master's degree or above	20	13%
Employed	Employed	108	72%
	Temp. Unemployed	05	3%
	Self-employed or businessman	22	15%
	Retired.	15	10%

Table 01. Shows the characteristics of the sample size of the study. The male participant is high. It is 65%. The higher age of participants is 36-50. This is 37%. The education level is Bachelor's degree holders is 60%. The participants are mostly employed. The percentage of employed is 72%. These are some characteristics of the sample size. However, the sample KMO sample accuracy test is also done. Table 1a outcomes of the test are illustrated in the results.

Table 1a.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.740
Bartlett's Test of Sphericity	Approx. Chi-Square	1060.764
	df	231
	Sig.	.000

Data analysis

Confirmatory factor analysis (CFA).

Confirmatory Factor Analysis (CFA) was employed in AMOS 22 to appraise the validity and reliability of the measurement model. The CFA results underwent evaluation through various means, including model fit indices, standardized CFA loadings, composite reliability, average variance extracted, and the assessment of discriminant validity, following the approach outlined by Hair et al. (1998). The CFA for the 7 components listed in the study was conducted using MLE (maximum likelihood estimate). Table.02 represents Average Variance Extracted. CR Composite Reliability. AVG Square shows Average Variance Extracted Square. Model fit Indices include Chi-Square/df = 2.3, CFI = .717, RMR =.095, RMSEA =.078. Some model fits are outside of the threshold of .70. This is due to the poorly loaded elements.

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Table .02.

Constructs	Item	Factor loading	AVE	AVE Square	CR
Financial Awareness	FA1	.780	**0.6237243**	**0.7897622**	**0.833**
	FA2	.782			
	FA3	.807			
Financial Experience	FE1	.728	**0.2964217**	**0.544446202**	**0.532**
	FE2	.516			
	FE3	.305			
Financial skills	FS1	.874	**0.476804**	**0.690509956**	**0.716**
	FS2	.706			
	FS3	.410			
Financial attitude	FAT1	.458	**0.3493458**	**0.556188592**	**0.639**
	FAT2	.621			
	FAT3	.607			
	FAT4	.523			
Financial Preparedness	FP1	.549	**0.451397**	**0.633560047**	**0.666**
	FP2	.705			
	FP3	.637			
Current Money Management Stress	CM1	.363	**0.1850833**	**0.430213125**	**0.402**
	CM2	.435			
	CM3	.484			
Perceived Fin Security	PF1	.551	**0.3102313**	**0.556984141**	**0.532**
	PF2	.537			
	PF3	.582			

AVE- Average Variance Extracted. CR Composite Reliability. AVG Square shows Average Variance Extracted Square. Fin equals financial. Model fi Indices include Chi-Square/df = 2.3, CFI = .717 RMR =.095 RMSEA =.078

Source: AMOS output.

Table. 03 shows the values of the Correlation Matrix. Composite reliability was used to establish internal consistency, the assessment was conducted, and the obtained values were above the acceptable threshold of 0.70 for all seven constructs. This is detailed in Table 3. Convergent validity was established through AVE, and its value was found to be above the acceptable threshold of 0.50 for most of the constructs. Discriminant validity was established through AVE. According to Fornell and Lacker (1981), the correlation among different pairs should be lower than the square root of AVE. Table .03 shows the same required values. All values of inter-constructs are below the square root of AVE.

Table 03. Correlation Matrix.

	Financial Awareness	Financial Experience	Financial Skills	Financial attitude	Financial Preparedness	Money management	Perceived Financial sec
Fin Awareness	0.789						
Fin Experience	0.676	0.5444					
Fin Skills	0.635	0.634	0.6905				
Fin attitude	0.447	0.623	0.286	0.5561			
Fin Preparedness	0.351	0.698	0.423	0.483	0.6335		
Money management	0.398	0.289	0.322	0.37	0.605	0.43021	
Perceived Financial sec	0.471	0.716	0.165	0.393	0.64	1.162	0.5569

Result and discussion.

SEM (Structural equation model)

Financial literacy was analyzed as a higher or second-order latent construct in the first structural model, consisting of three dimensions: financial experience, financial awareness, and financial competence. Its effects on financial attitude and well-being were then determined by three other factors: financial preparedness, current money management stress, and Perceived financial security. The research methodology was assessed by constructing a structural model using graphical representations in AMOS. Applying the MLE approach to the initial 150 data sets of questionnaires (Primary data). Some indices for structure model CFI= 0.716, RMSEA=.097, chi-square= 479.7, degree of freedom=200. (FIG.2)

Two structural models were created to fulfill the study's goal and test the numerous hypotheses. Higher order construct model no.01, where financial literacy significantly impacts Financial wellbeing with the following model fits indices chi-square=523.228, degree of freedom=203 Prob level .000. RMESA=.103, CFI= .640. (Fig.01). Another model no.02. Financial attitude to financial well-being has the following indices model fingers. Chi-square=551.032, degree of freedom= 203, Probability level= .000 . RMSEA=.107, CFI= .609.(FIG.3).

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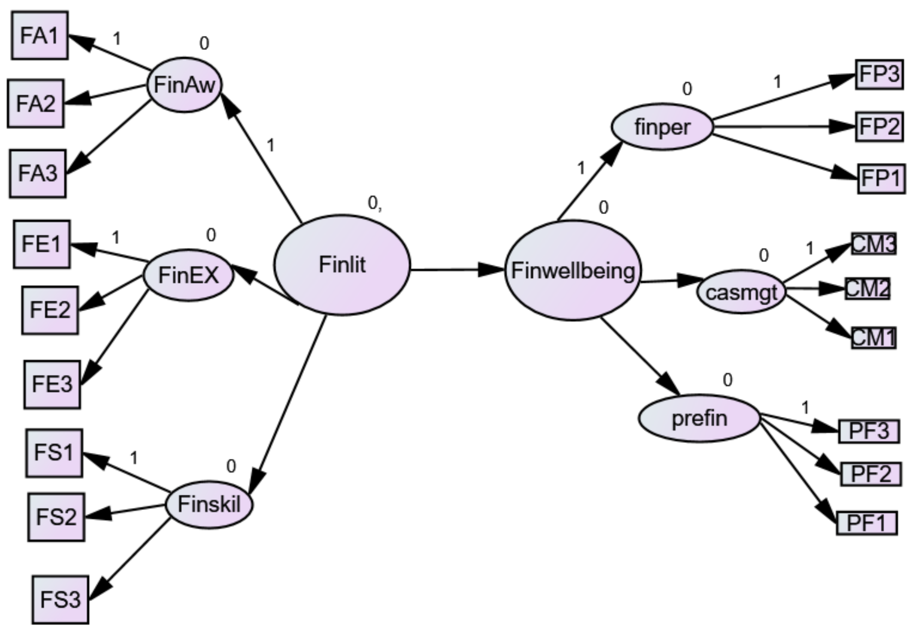
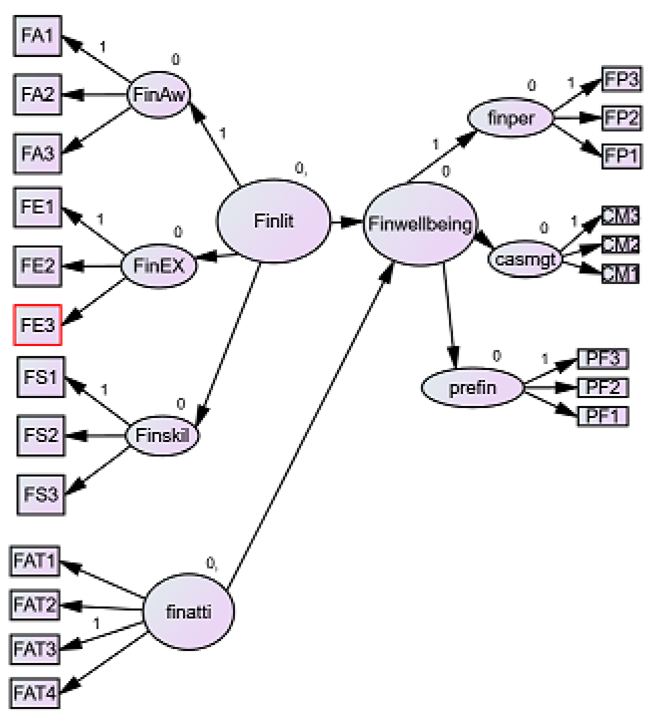
SEM (FIG.2)



SEM (FIG.3)



However, the structural equation modeling (SEM) outcomes for both structural models are presented in Table 4. This table includes estimations for critical ratios and standardized paths. The data indicates a significant impact of financial literacy on financial attitude. Specifically, the standardized regression estimate (SRE) of 0.87, with a critical ratio of 4.72 at a significance level of 0.05, provides support for hypothesis H1. The second hypothesis is supported by a significant level. The Financial attitude significantly impacts financial well-being with Standardized regression estimates .837, C.R shows 3.576. This shows that employed persons who have financial knowledge in terms of financial awareness, experience, and competence are more likely to feel confident in their abilities and, as a result, have a higher financial attitude.

Table 04. Results of SEM.

Hypotheses	Path	Reg. Estimation	C.R	Decision
H1	F.L- F.W	.879	4.720***	Supported
H2	F.A-F.W	.837	3.576***	Supported
The significant level at 0.05. F.L= Financial well-being, F.W= Financial well-being, F.A= Financial attitude. Reg. Esti= Regression estimates, C.R Critical Ratio. (Source= AMOS output.)				

Mediation analysis (Financial attitude as mediation role).

The study assessed the mediating role influence of financial attitude on the connection between financial literacy and financial well-being. The findings indicated a noteworthy influence of financial literacy on financial well-being as H1 and H2 are provided in table 04. Both hypotheses are supported. In addition to the mediation role, following the approach of Nitzl et al. (2016) was used to evaluate the mediation hypothesis H3. This method, In AMOS, this method was utilized to generate standardized direct and indirect effects, along with their corresponding 95% confidence intervals (CI), Involves performing mediation analysis through the utilization of the percentile bootstrap confidence interval method, incorporating 3000 bootstrap resamples.. The mediation summary is provided in Table 05 and FIG.04.The results depict the indirect effects of financial literacy on financial well-being mediating the role of financial attitude is .058. In addition, there is no zero between the Lower bound and the upper bound. It clearly says there is indirect mediation of financial attitude between financial literacy and financial well-being. Hence the financial attitude serves as partial mediator between financial literacy and financial wellbeing.

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FIG.4

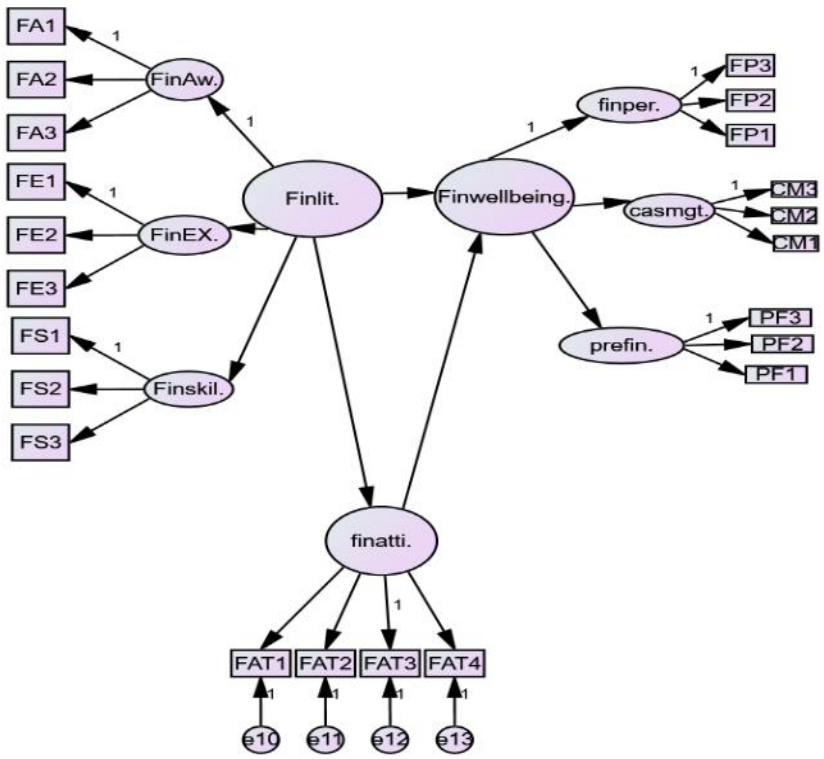

Table 05.

Hypotheses	Path	Direct: estimate	Indirect estimate	Confidence level		P-Value	Conclusion
				Lower Bound	Upper Bound		
H3	F.L-F.A-F.W	.112	.058 (000)	.125	.556	.031	Partial Mediation

Conclusion

In this uncertain and digital world, the capacity to make effective and sensible decisions regarding personal finances, which is of utmost importance become more crucial. Financially literate persons can manage their money and plan a bright future and save them from an uncertain world. This improves the financial well-being of the person. In this context, the current study made an effort to assess how financial literacy affects financial wellbeing. Even though numerous studies on various societal segments, including adults, and students. However, there are no studies on salaried persons' attitudes. This contributes to this study. The study employed structural equation modeling (SEM) to assess the stated hypotheses. The outcomes of the SEM analysis demonstrate that salaried persons have a financial attitude toward financial well-being. However, the salaried persons have good financial knowledge. A substantial correlation exists between financial literacy and financial well-being. In addition, There exists a positive association between financial. Attitude and financial well-being. In the context of mediation, financial attitude plays partial mediation regarding financial literacy and financial wellbeing. Therefore, salaried persons have measurable financial attitudes toward their financial well-being.

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