

## **“A Study On The Role Of Financial Literacy On The Financial Well-Being Of Individuals, With Financial Self-Efficacy Being A Mediator”**

**Dr Avni Patel<sup>1</sup>, Ms. Freya Patel<sup>2</sup>, Ms. Birwa Gondalia<sup>3</sup>**

<sup>1</sup>*Asst. Professor, Faculty of Management, GLS University F/2, Shayona Park, Opp Vaibhav Bunglows, Ghatlodiya, Ahmedabad - 380061 Email: avni.patel@glsuniversity.ac.in*

<sup>2</sup>*F- 21 Akansha Apartment near Sola railway crossing, Ghatlodiya Road, Ahmedabad  
freya12patel@gmail.com*

<sup>3</sup>*D-53, Sarvoday Society Part-2, Gate no. 4, Opp. Ragani Maa Temple, Nr. Sola Bridge Flyover, Ghatlodiya, Ahmedabad, 380061  
birwajgondalia@gmail.com*

### **Abstract**

The Financial industry has evolved so drastically that it requires to change and act in different and new ways with complex financial products in the market. And due to this, Financial Literacy, Financial Self-Efficacy and Financial Well-Being are considered as integral aspects of Personal Finance and Overall Well-Being. Thus, the objective of this study is to find out whether Financial Self-Efficacy plays a Mediating role between Financial Literacy and Financial Well-Being or not. The study adopts a Questionnaire Survey to collect information from 170 Gujarat state respondents. The sampling technique employed was Non-Probability Convenience Sampling. The initial testing about the Demographic Data was conducted using MS-Excel and SPSS. And to satisfy the objective of the research, the testing was done using PLS-SEM as it is the tool that is used to conduct the Path Analysis to find out whether there is a Mediating Effect of Financial Self-Efficacy between Financial Literacy and Financial Well-Being. The results indicated that there was a full mediation of Financial Self-Efficacy between Financial Literacy and Financial Well-Being. This study demonstrated the need of considering not just people's understanding of their financial information but also their confidence in using it. Encouraging individuals to take control of their financial futures by fostering financial self-efficacy and financial literacy can boost financial resilience and prosperity.

**Keywords :** Financial Literacy, Financial Well Being, Financial Efficacy, Mediation

### **Introduction**

An Individual's Role has surged in the last few years due to reforms and transformations in the financial industry for handling their finances. This expanded function necessitates knowledge of the risk-return characteristics of potential investment opportunities as well as the capacity for optimal selection. [Financial literacy and financial well being An empirical study ( Garima Bansal, Jitendra Kumar, 2021) <http://hdl.handle.net/10603/358483>]

The idea of financial literacy is becoming a new paradigm of growth in the globalized and competitive world because it is crucial to reducing poverty and promoting economic growth by giving everyone equal access to the formal financial system. It also helps people have a better knowledge of the different facets of financial decision-making. [Evaluation of financial inclusion strategies and financial literacy level in gujarat state (Sakariya, Sanjaykumar M., Ruparel, Neelima, 2021). <http://hdl.handle.net/10603/471244>]

One of the most important life skills that enables people to make wise financial decisions is financial literacy. Comprehending a range of financial concepts, including debt management, retirement planning, investing, saving, and budgeting, is necessary. Economic stability is promoted, prudent financial behavior is encouraged, and people are given the confidence to successfully negotiate the intricacies of the financial world. Financial literacy is still crucial for maintaining a prosperous and safe future for people and communities, even as the financial landscape changes. [Impact of financial literacy on financial behaviour ( Sharmila, Ishwar Mittal, 2023) <http://hdl.handle.net/10603/589176>]

The advantages of financial literacy as a critical ability required for anyone involved in financial decision making have also been highlighted by empirical studies and publications from researchers and academicians worldwide. To achieve financial goals and objectives, financial literacy aids in the selection of better finance-oriented goods and services as well as in the creation of better financial plans. [Financial literacy and financial well being An empirical study ( Garima Bansal, Jitendra Kumar, 2021) <http://hdl.handle.net/10603/358483>] However, managing one's personal money requires more than just financial literacy and information; one also needs to have "self-belief," or confidence, in one's own talents. In the psychology literature, this personal quality is referred to as "self-efficacy." [Farrell, L., Fry, T. R., & Risse, L. (2016). The significance of financial self-efficacy in explaining women's personal finance behaviour. *Journal of economic psychology*, 54, 85-99. <https://www.sciencedirect.com/science/article/pii/S016748701500094X>]

Financial well-being is a popular topic among stakeholders. Individuals who are financially prepared can easily handle obstacles such as personal bankruptcy, health issues, early retirement, and job losses, compared to those with poor financial management. [Financial Literacy and Financial Wellness Among Rural Households in Tiruppur District an Empirical Study ( Jayamary P, Venkatachalam A , 2019) <http://hdl.handle.net/10603/300651>]

## Literature Review

The literature on the relationship between financial literacy and financial well-being is extensive, with numerous research suggesting that financial behavior and financial self-efficacy act as mediators between the two. However, very few of these studies concentrated on Gujarat State, India.

Dwijayanti, G. A. I., Kawiana, I. G. P. et. al. (2023) in their research using PLS-SEM, have established that different levels of financial literacy significantly and favourably affect financial well-being. Financial behaviour is significantly and favourably affected by financial literacy. Financial well-being is significantly and favourably influenced by financial behaviour. Additionally, financial behaviour somewhat mediates the impact of financial literacy on the generation Y's financial situation.

Bilal, M., & Zulfiqar, M. (2016) observes that financial literacy is an essential element for the wellbeing. Analysis indicated that financial literacy is significantly and positively related to financial wellbeing. Thus, the results of this study has also been confirmed by the previous study.

Gunawan, V., Dewi, V. I. et. al. (2021) targeted a group of woman whose result was that perceived financial knowledge has a significant effect on financial management behavior in the dimensions of savings behavior, long-term planning, and short-term planning. Moreover,

the study results showed that the respondents had a moderate level of financial literacy and financial management behavior.

KP, B., & Nidheesh, K. B. (2022) conducted a study where the aim of the study was to investigate whether financial self-efficacy mediated the link between organic farmers' financial well-being and their financial capabilities. According to the results, organic farmers' financial well-being and financial capabilities are significantly mediated by financial self-efficacy.

Riaz, S., Khan, H. H. (2022) suggested that financial self-efficacy, financial socialization agents, money attitude, financial literacy, and mindfulness were all positively correlated. The results of the mediation study indicate that financial self-efficacy significantly mediates the relationship between financial social agents with financial literacy and attitude toward money. Students with a good attitude and self-efficacy have high financial literacy, as evidenced by the strongest influence of financial self-efficacy between attitude toward money and financial literacy.

While the previous studies implied that there was significant mediating effect of Financial Self-Efficacy between various factors, the study conducted by Dare, S. E., van Dijk, W. W. et. al. (2022) observed that financial self-efficacy was strongly positively related to financial well-being via positive financial behaviors, executive functioning was not related to financial wellbeing via positive financial behaviors, nor that executive functioning or financial self-efficacy operated as moderators.

Sabri, M., Wijekoon, R. et. al. (2020) conducted a study, whose findings suggested that according to the regression analysis, the variables contributed 32.3% to the model. Money attitude, financial practices, self-efficacy, and emotion coping all made significant contributions to FWB, with financial practices rated as the most important performance part of FWB. And also, in other study conducted by Sabri, M. F., Wijekoon, R. et. al. (2022), the findings indicated that only financial behaviour and money attitudes had a direct influence on financial health, that all three antecedents had a positive impact on individual financial health through their money attitudes, and that all three antecedents revealed significant and positive correlations with money attitudes. The analysis for this study were done using PLS-SEM.

Lambert, M. J. C. M., Jusoh, Z. M. (2023) implied that strong financial literacy leads to better financial management, surplus, and improved financial well-being. Financial behaviour and attitude, marked by the ability, desire, and confidence to apply knowledge, are equally important. Personality traits, social and economic environments, and support from businesses and organizations also significantly influence financial well-being.

Based on earlier research, it is proposed that achieving financial well-being requires financial literacy. Thus, the study by Sehwat, K., Vij, M. et. al. (2021) indicated that the creation of effective policies and curricula that supports individuals' attempts to achieve greater FWB and responsible FinBs may be made easier with an awareness of the routes that raise an individual's FWB.

Along with the previous discussions, Lone, U. M., & Bhat, S. A. (2022) conducted a research with the purpose of Studying the effect of financial literacy on financial well-being among

business school faculty members and to examine the mediating role of financial self-efficacy between financial literacy and financial well-being. The analysis was done using PLS-SEM. The findings of the study suggested that financial literacy and its aspects have a strong beneficial influence on financial self-efficacy and financial well-being and the other finding was that financial self-efficacy has partially mediated the influence of financial literacy on financial well-being.

Even so, there is a lack of literature on this connection. Additionally, not many research was carried out with Gujarat State as the main emphasis. With a focus on Gujarat State respondents, the current study will empirically examine how financial self-efficacy mediates the connection between financial literacy and financial well-being.

### Objective of the study

- To identify whether Financial Self-Efficacy plays a mediating role between Financial Literacy and Financial Well-Being.

Descriptive research design has been used for the study. Primary data has been collected with the help of structured questionnaire and secondary\_data has been collected from journals, research papers and website pages etc.

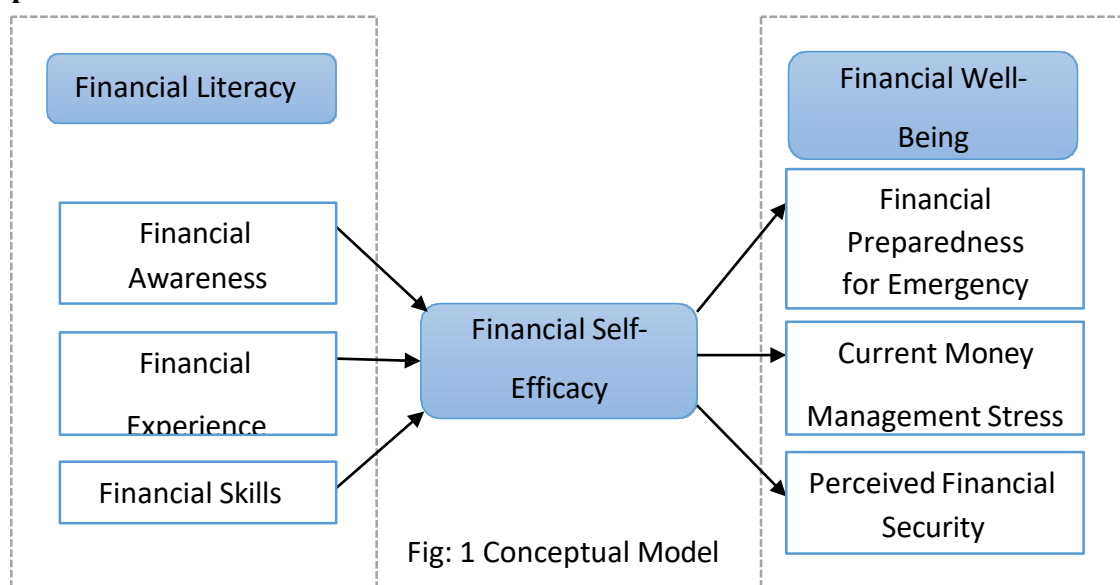
Non-Probability convenience sampling had been used to collect 170 samples from Guajrat, India.

### Research Instrument:

The Research Instrument used was Questionnaire consisting of closed-ended questions, with Likert scale, Dichotomous, Multiple choices and other attitude measurement scales.

PLS-SEM was utilized in this study to do a path analysis between financial well-being and financial literacy, with financial self-efficacy acting as a mediator. Additionally, the study by Gondalia, B., Patel, F. et. al. (2024) was taken into account for the statistical tests conducted on demographic characteristics, which form the basis for the PLS-SEM path analysis conducted in this study. Also, SPSS and MS-Excel were used to perform these statistical tests.

### Proposed Model



*(FA-Financial Awareness, FE-Financial Experience, FS-Financial Skills, FL-Financial Literacy, FSE- Financial Self-Efficacy, FPE-Financial Preparedness for Emergency, CMMS- Current Money Management Stress, PFS-Perceived Financial Security, FWB-Financial Well-Being)*

The conceptual model has been developed on the basis of above-discussed literature pertaining to financial well-being and its various determinants. The present study has put forward a model that contains seven constructs in which financial well-being is depicted as endogenous variable (measured with three constructs, namely financial preparedness for emergency, current money management stress and perceived financial security). Financial literacy is exogenous variable (measured with three constructs, namely financial awareness, financial experience and financial skill) and financial self-efficacy represents a mediating variable measured with a single construct.

These model fit indices were slightly out of the acceptable range because of the poor loading of some items (below the threshold of 0.70). The items FA1, FE7, FA 3, FE 1, FPE 4, CMMS 7, and PFS 1 were dropped on the ground of factor loading below the standard threshold of 0.70. These items were successively removed from the model, and model fitness was rechecked at each dropout.

Here, in order to check the Fitness of the Model, tests were applied to check the Outer as well as the Inner Models, using Reliability and Validity tests (Outer Model) and Path Co-efficient and  $R^2$  (Inner Model). Also, to check whether the Financial Self-Efficacy plays a mediating role, Simple Mediation Analysis Testing was conducted.

## Hypotheses for the Model

1. **H0:** Financial awareness has no significantly positive impact on financial self-efficacy.  
**H1:** Financial awareness has a significantly positive impact on financial self-efficacy.
2. **H0:** Financial experience has no significantly positive impact on financial self-efficacy.  
**H1:** Financial experience has a significantly positive impact on financial self-efficacy.
3. **H0:** Financial skill has no significantly positive impact on financial self-efficacy.  
**H1:** Financial skill has a significantly positive impact on financial self-efficacy.
4. **H0:** Financial Self-efficacy has no significantly positive impact on financial well-being.  
**H1:** Financial Self-efficacy has a significantly positive impact on financial well-being.
5. **H0:** Self-efficacy does not mediate the impact of financial literacy on financial well-being.  
**H1:** Self-efficacy mediates the impact of financial literacy on financial well-being.

**Analysis:** From the below test results of Outer and Inner Model as well as Mediation analysis, it can be said that all the Alternative Hypothesis (H1) are accepted, which indicates that FA, FE, FS and FL has a significantly positive impact on FSE. While FSE also has a significantly positive impact on FWB. Also, as the test results indicated a Full Mediation, it can be said that the FSE mediates the impact of FL on FWB.

## Outer Model (Measurement Model) Assessment

### Construct Reliability And Validity

The reliability and validity of the constructs were determined through composite reliability (CR), convergent validity and discriminant validity.

	Cronbach' s alpha	Composit e reliability (rho_a)	Composit e reliability (rho_c)	Average variance extracted (AVE)
CURRENT MONEY MANAGEMENT STRESS	0.894	1.196	0.889	0.573
FINANCIAL AWARENESS	0.741	0.761	0.827	0.491
FINANCIAL EXPERIENCE	0.722	0.729	0.828	0.548
FINANCIAL PREPAREDNESS FOR EMERGENCY	0.741	0.751	0.837	0.563
FINANCIAL SKILLS	0.773	0.778	0.854	0.593
PERCEIVED FINANCIAL SECURITY	0.677	0.739	0.822	0.61
SELF EFFICACY	0.82	0.825	0.87	0.529

Table 5.24 Construct Reliability and Validity

(To achieve the above result, there were certain statements from different constructs that have been omitted. The statements were: FA3, FE1, FPE4, CMMS7 and PFS1).

### Composite Reliability:-

Here, the Composite Reliability can be known with the help of Cronbach's alpha. The threshold limit for the same is  $>0.70$ . From the above table, it can be seen that the values of Cronbach's alpha for all constructs are more than 0.70 (except for PFS, whose value is 0.677 which can be rounded-off to 0.70), which means the composite reliability has been achieved in the model.

**Convergent Validity:-**

For the Convergent Validity, the threshold limit of Average Variance Extracted should be  $>0.5$ , which, from the table, it can be seen that the AVE values for all the constructs are more than 0.5 (except for FA, whose value is 0.491 which can be rounded-off to 0.05), indicating that the convergent validity has been achieved.

The other way to confirm the convergent validity is by checking the Outer Loadings (which should be  $>0.5$ ), p-values (which should be  $>0.05$ , and CI Biased- Corrected (which should not have 0 present in between). From the below table, it can be seen that all the above criterias have been fulfilled, which ultimately means that all the Constructs/Statements are "important" and the Convergent Validity has been Achieved.

	Outer Loadings		CI Biased-Corrected	
	Original Sample (O)	P Values	2.50 %	97.50 %
Current money management stress I am frequently concerned about my persona <- Current Money Management Stress	0.828	0	0.467	0.893
Current money management stress I am not able to enjoy life on account of being <- Current Money Management Stress	0.735	0	0.294	0.858
Current money management stress I am worried about meeting my normal monthl <- Current Money Management Stress	0.677	0	0.159	0.828
Current money management stress I have moderate level of financial stress <- Current Money Management Stress	0.729	0	0.211	0.85
Current money management stress my finances have complete power over my life <- Current Money Management Stress	0.867	0	0.758	0.973
Current money management stress whenever I think I am in charge of my finance <- Current Money Management Stress	0.688	0	0.204	0.822
Financial awareness I always compare financial products before making a decision <- Financial Awareness	0.622	0	0.465	0.73
Financial awareness I am always willing to discuss financial issues <- Financial Awareness	0.661	0	0.499	0.761
Financial awareness I am aware of the interest rates being charged by banks <- Financial Awareness	0.681	0	0.534	0.788
Financial awareness I am familiar with the fundamentals of personal finance <- Financial Awareness	0.747	0	0.651	0.81
Financial awareness I often gather information related to financial issues <- Financial Awareness	0.782	0	0.707	0.84
Financial experience I always maintain financial records <- Financial Experience	0.699	0	0.57	0.785
Financial experience I have an experience in managing personal assets <- Financial Experience	0.825	0	0.739	0.879
Financial experience I have an investing experience in stock market <- Financial Experience	0.699	0	0.552	0.795
Financial experience I plan how I will spend and invest my money <- Financial Experience	0.73	0	0.612	0.808
Financial preparedness for emergency I consider credit limits as extra cash <- Financial Preparedness For Emergency	0.732	0	0.629	0.807
Financial preparedness for emergency if I lose my job today I will be able to cope <- Financial Preparedness For Emergency	0.689	0	0.549	0.787
Financial preparedness for emergency I have been able to save enough money <- Financial Preparedness For Emergency	0.831	0		0.873
Financial preparedness for emergency I regularly manage to save some money <- Financial Preparedness For Emergency	0.744	0	0.657	0.808
Financial skills I always try to diversify my investments <- Financial Skills	0.753	0		0.829



Financial skills I evaluate personal financial statement on regular basis <- Financial Skills	0.774	0		0.831
Financial skills I manage risks through purchasing insurance <- Financial Skills	0.766	0	0.637	0.842
Financial skills I regularly evaluate my debt position <- Financial Skills	0.787	0		0.855
Perceived financial security I am not worried about my current financial situation <- Perceived Financial Security	0.634	0	0.41	0.77
Perceived financial security I plan to secure my future financial life <- Perceived Financial Security	0.803	0	0.696	0.865
Perceived financial security the financial goal that I have set will be accomplished <- Perceived Financial Security	0.884	0	0.829	0.916
Self-efficacy I am confident in managing my monthly expenses <- Self Efficacy	0.746	0	0.658	0.814
Self-efficacy I am confident in my ability to manage my funds <- Self Efficacy	0.768	0	0.69	0.831
Self-efficacy I can plan for the future from the money saved in my bank <- Self Efficacy	0.652	0	0.528	0.742
Self-efficacy I have prioritized between spending, savings, and investments <- Self Efficacy	0.764	0	0.69	0.824
Self-efficacy I possess the potential to take a loan from the bank <- Self Efficacy	0.636	0	0.492	0.732
Self-efficacy I use financial skills efficiently to manage my financial goals <- Self Efficacy	0.785	0		0.837

Table 5.25 Convergent Validity

**Discriminant Validity:-**

<b>DISCRIMINANT VALIDITY</b>							
	<b>Current Money Management Stress</b>	<b>Financial Awareness</b>	<b>Financial Experience</b>	<b>Financial Preparedness For Emergency</b>	<b>Financial Skills</b>	<b>Perceived Financial Security</b>	<b>Self Efficacy</b>
Current Money Management Stress	0.757						
Financial Awareness	-0.231	0.701					
Financial Experience	-0.333	0.487	0.74				
Financial Preparedness For Emergency	-0.418	0.477	0.434	0.751			
Financial Skills	-0.4	0.562	0.459	0.559	0.77		
Perceived Financial Security	-0.302	0.403	0.506	0.533	0.487	0.781	
Self-Efficacy	-0.369	0.596	0.523	0.683	0.637	0.57	0.728
<b>(ACHIEVED)</b>							

Table 5.26 Discriminant Validity

Here, to determine the divergent validity the Fornell-Larcker criteria (FLC) was checked. Where, as the discriminant validity has to be achieved, it can be seen from the above table that the figures that are represented diagonally, their dimensions should be maximum for the corresponding rows and corresponding columns (the highlighted figures). Thus, it can be said that the discriminant validity has been achieved with the help of FLC, which ultimately shows that the divergent validity has also been achieved for the model.

➤ Thus, from the above reliability and validity testing, it represents that the Outer Model (Measurement Model) has been established.

## Inner Model (Structural Model) Assessment

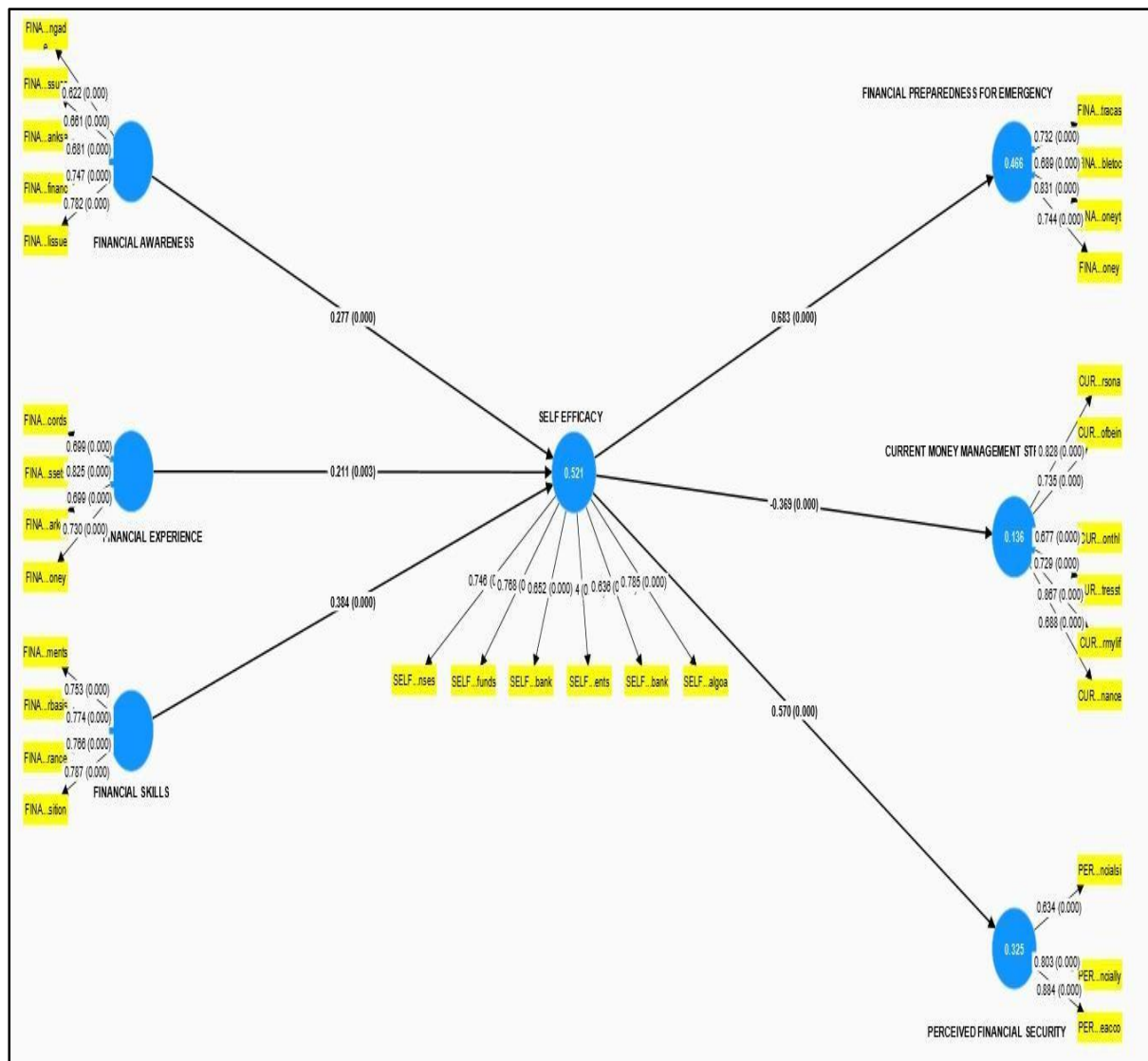


Fig: 2 Path-Coefficients and R<sup>2</sup>

In order to assess whether there is an inner model fit, two things need to be checked, that are: Path-Coefficients and R<sup>2</sup>. The above figure shows the values of R<sup>2</sup>, path-coefficients as well as the p-values for each respective variable and construct. The basic criteria to determine whether the R<sup>2</sup> and path-coefficients for the inner model are achieved or not, are:

**R<sup>2</sup>**: should be between 0 to 1

**Path-Coefficient**: if +1, it represents Strong Positive Relationship, If -1, vice-a-versa, and if 0, then there is No Relationship.

**STEP: 1 Co-linearity Statistics**

<b>Outer Model</b>			
<b>Variables</b>	<b>VIF</b>	<b>Variables</b>	<b>VIF</b>
CMMS 4	2.381	FPE 1	1.325
CMMS 3	2.722	FPE 3	1.702
CMMS 5	3.158	FPE 2	1.382
CMMS 6	2.853	FS 4	1.477
CMMS 1	1.474	FS 1	1.384
CMMS 2	2.054	FS 2	1.566
FA 4	1.346	FS 3	1.627
FA 6	1.402	PFS 4	1.164
FA 1	1.461	PFS 2	1.521
FA 2	1.514	PFS 3	1.596
FA 5	1.693	SE 5	1.655
FE 2	1.285	SE 1	1.736
FE 3	1.635	SE 2	1.402
FE 4	1.313	SE 6	1.681
FE 5	1.369	SE 3	1.384
FPE 5	1.432	SE 4	1.768

Table 5.27 Co-linearity Statistics-Outer Model

<b>Inner Model</b>	
	<b>VIF</b>
FINANCIAL AWARENESS -> SELF EFFICACY	1.621
FINANCIAL EXPERIENCE -> SELF EFFICACY	1.404
FINANCIAL SKILLS -> SELF EFFICACY	1.565
SELF EFFICACY -> CURRENT MONEY MANAGEMENT STRESS	1
SELF EFFICACY -> FINANCIAL PREPAREDNESS FOR EMERGENCY	1
SELF EFFICACY -> PERCEIVED FINANCIAL SECURITY	1

Table 5.28 Co-linearity Statistics-Inner Model

From the above tables, it can be seen that the values of VIF are lesser than 5, which indicates that there are no issues related to Co-Linearity. Hence, the First step of Structural model Assessment has been cleared.

**STEP: 2 Significance and Relevance of the Model**

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values
FINANCIAL AWARENESS -> SELF EFFICACY	0.277	0.282	0.072	3.857	0
FINANCIAL EXPERIENCE -> SELF EFFICACY	0.211	0.215	0.07	3.023	0.003
FINANCIAL SKILLS -> SELF EFFICACY	0.384	0.383	0.063	6.138	0
SELF EFFICACY -> CURRENT MONEY MANAGEMENT STRESS	-0.369	-0.399	0.072	5.112	0
SELF EFFICACY -> FINANCIAL PREPAREDNESS FOR EMERGENCY	0.683	0.687	0.046	14.757	0
SELF EFFICACY -> PERCEIVED FINANCIAL SECURITY	0.57	0.577	0.057	10.018	0

Table 5.29 Significance &amp; Relevance P-Values

	Original sample (O)	Sample mean (M)	Bias	2.50%	97.50%
FINANCIAL AWARENESS -> SELF EFFICACY	0.277	0.282	0.005	0.129	0.414
FINANCIAL EXPERIENCE -> SELF EFFICACY	0.211	0.215	0.004	0.072	0.343
FINANCIAL SKILLS -> SELF EFFICACY	0.384	0.383	-0.002	0.251	0.496
SELF EFFICACY -> CURRENT MONEY MANAGEMENT STRESS	-0.369	-0.399	-0.03	-0.45	0.454
SELF EFFICACY -> FINANCIAL PREPAREDNESS FOR EMERGENCY	0.683	0.687	0.004	0.58	0.763
SELF EFFICACY -> PERCEIVED FINANCIAL SECURITY	0.57	0.577	0.007	0.441	0.668

Table 5.30 Significance &amp; Relevance CI Biased-Corrected

In order to determine the significance and the relevance of the model, the three things has to be considered, that are, the p-values should be  $<0.05$ , the path-coefficients should be nearer to +1, and the CI biased-corrected must not contain any 0 is-between the values. From the above table, it can be seen that the p-values are lesser than 0.05, which is the most important

determinant for the assessment of model. Apart from “SELF EFFICACY -> CURRENT MONEY MANAGEMENT STRESS”, the CI biased corrected for the other variables does not contain 0 in between the values. Also, the path coefficients for all the other variables except for “SELF EFFICACY -> CURRENT MONEY MANAGEMENT STRESS” are nearer to +1, which signifies that there is a Strong positive relationships between the paths. This can be because the CI biased corrected for “SELF EFFICACY -> CURRENT MONEY MANAGEMENT STRESS” was containing 0 in between the values, but, since the most important determinant is p-values, and those are lesser than 0.05, it ultimately means that there would be no issues related to “SELF EFFICACY -> CURRENT MONEY MANAGEMENT STRESS”. Thus, the above results indicates the accomplishment of Step Two.

### STEP: 3 Co-efficient of Determination ( $R^2$ )

	R-square	R-square adjusted
CURRENT MONEY MANAGEMENT STRESS	0.136	0.131
FINANCIAL PREPAREDNESS FOR EMERGENCY	0.466	0.463
PERCEIVED FINANCIAL SECURITY	0.325	0.321
SELF EFFICACY	0.521	0.512

Table 5.31 Co-efficient of Determination ( $R^2$ )

From the above table, it can be seen that the values of  $R^2$  adjusted are all between 0 to 1, it means that there is an explanatory power of the model. The explanatory powers of FPE, PFS and SE constructs are moderate, while the CMMS has a weak explanatory power since its value is 0.131. Hence, the Step Three has been achieved.

➤ Thus, from the above Path-Coefficient and  $R^2$  testing, it represents that the Inner Model (Structural Model) has been established.

### SIMPLE MEDIATION ANALYSIS

VAF (variance accounted for)	
	Percentages
FINANCIAL EXPERIENCE -> SELF EFFICACY -> PERCEIVED FINANCIAL SECURITY	100
FINANCIAL SKILLS -> SELF EFFICACY -> FINANCIAL PREPAREDNESS FOR EMERGENCY	100
FINANCIAL SKILLS -> SELF EFFICACY -> PERCEIVED FINANCIAL SECURITY	100
FINANCIAL AWARENESS -> SELF EFFICACY -> CURRENT MONEY MANAGEMENT STRESS	100
FINANCIAL EXPERIENCE -> SELF EFFICACY -> CURRENT MONEY MANAGEMENT STRESS	100
FINANCIAL AWARENESS -> SELF EFFICACY -> FINANCIAL PREPAREDNESS FOR EMERGENCY	100
FINANCIAL SKILLS -> SELF EFFICACY -> CURRENT MONEY MANAGEMENT STRESS	100
FINANCIAL EXPERIENCE -> SELF EFFICACY -> FINANCIAL PREPAREDNESS FOR EMERGENCY	100
FINANCIAL AWARENESS -> SELF EFFICACY -> PERCEIVED FINANCIAL SECURITY	100

Table 5.31 VAF (Variance Accounted For) In order to find the value of VAF, the formula is:  

$$VAF = \frac{\text{Indirect Effect}}{\text{Total Effect}}$$

where, **Total Effect**= Direct Effect + Indirect Effect.

As it can be seen from the above table that the VAF for all the paths are 100 percent, it indicates that there is a Full Mediation between the paths. And thus, it can be said that Financial Self- Efficacy plays a Mediator Role between Financial Literacy and Financial Well-Being.

#### **Discussion on the Findings:**

The outer model had been established by testing three parameters, in which, the composite reliability was achieved as the Cronbach's Alpha for the constructs were above the threshold limit of >0.70. For the second parameter, which was convergent validity, it was found that the threshold limit of average variance extracted (AVE) of all the constructs were >0.5; thus, convergent validity was achieved. For the third parameter, the divergent validity was achieved as with the help of the Fornell-Larcker Criteria (FLC), the discriminant validity was established.

For the inner model testing, a 3-step procedure was followed. In which, the 1st step was Co-Linearity Statistics, the 2nd step was Significance and Relevance of the model in which P-values, Path Co-efficient, and CI Biased-Corrected were taken into consideration, and the 3rd step was Co-efficient of Determination, also indicated as R<sup>2</sup>. And for all three steps, the necessary criteria had been fulfilled. Hence, both the outer and inner models were established.

In order to check the mediating effect of financial self-efficacy, Simple Mediation Analysis was tested, in which Variance Accounted For (VAF) was taken into consideration, which indicated that there was full mediation between Financial Literacy and Financial Well-Being by Financial Self-Efficacy.

From the above tests, it can be seen that all the Alternative Hypothesis (H1) are accepted, which indicated that FA, FE, FS and FL has a significantly positive impact on FSE. Thus, the objective of the study, which was to identify whether Financial Self-Efficacy plays a mediating role between Financial Literacy and Financial Well-Being is satisfied, as the results signifies the Full Mediation effect of Financial Self-Efficacy between Financial Literacy and Financial Well-Being.

### Conclusion

In an economic environment characterized by rapid change and increased financial insecurity, the capacity to make prudent personal financial decisions has become increasingly important. Planning ahead and spending prudently to meet future demands are two ways that financially literate people may make better financial decisions. The current study was carried out to evaluate the impact of financial literacy on financial well-being in this scenario. Numerous studies with adults, students, and other paid class members have been conducted.

The study's findings have clarified the crucial part that financial literacy plays in assessing a person's financial well-being, with self-efficacy acting as a mediating factor. According to the survey, those with higher levels of financial literacy also use better money management strategies, including budgeting, saving, and investing. These individuals are more likely to avoid common risks like taking on excessive debt or making risky investments and to make prudent financial decisions.

Through the examination of the mediating function of financial self-efficacy, a more profound comprehension of how people's confidence in their own capacity to handle financial affairs impacts the conversion of financial information into favorable financial outcomes has been acquired. This study underscored the need of considering not just people's understanding of their financial information but also their confidence in using it. Encouraging individuals to take control of their financial futures by fostering financial self-efficacy and financial literacy can boost financial resilience and prosperity.

Furthermore, according to the research, increasing financial literacy may lead to noticeable improvements in financial outcomes including greater resilience, reduced debt burdens, and higher savings. People will become more financially secure and independent if they are given the knowledge and skills necessary to effectively deal with complex financial circumstances.

Given these results, it is critical that financial institutions, educators, and policymakers collaborate to develop and implement policies that successfully raise financial literacy in both people and communities. This might mean providing targeted support to underserved populations, making information easily available and culturally relevant, and integrating financial education into school curriculum.



## References

1. Mapping Financial Self efficacy of urban and rural demographics of Gujarat (Acharya Margie, Upadhyay Hiteksha, 2024).  
<http://hdl.handle.net/10603/597974>
2. Evaluation of financial inclusion strategies and financial literacy level in gujarat state (Sakariya, Sanjaykumar M., Ruparel, Neelima,2021). (2 line of introduction)
3. <http://hdl.handle.net/10603/471244>
4. Impact of financial literacy on financial behaviour ( Sharmila, Ishwar Mittal, 2023)(3 line)
5. <http://hdl.handle.net/10603/589176>
6. Financial literacy and financial well being An empirical study ( Garima Bansal, Jitendra Kumar, 2021) ( 1 line of intro and ending  
<http://hdl.handle.net/10603/358483>
7. Financial Literacy and Financial Wellness Among Rural Households in Tiruppur District an Empirical Study ( Jayamary P, Venkatachalam A , 2019) ( For Financial Well-being) ( For Abstract)  
<http://hdl.handle.net/10603/300651>
8. Financial competence financial self efficacy and financial behaviour of inward and outward migrant labourers in Kerala (Abhijith P. S., Antony Joseph .K , 2023) ( For Abstarct)  
<http://hdl.handle.net/10603/617478>
9. A study of Financial Literacy on Financial well being Mediating role of investment behaviour(Roopam Kumari, Agrawal S.P.,2024)  
<http://hdl.handle.net/10603/593017>
10. Rai, K., Ahuja, B. K., & Sharma, M. (2025). Exploring linkages of financial literacy with financial well-being: the mediating aspect of financial behaviour and financial self-efficacy. *International Journal of Law and Management*.
11. <https://www.emerald.com/insight/content/doi/10.1108/ijlma-02-2025-0066/full/html>
12. A study of Financial Literacy on Financial well being Mediating role of investment behaviour(Roopam Kumari, Agrawal S.P.,2024)  
<http://hdl.handle.net/10603/593017>
13. Sabri, M. F., Wijekoon, R., Abd Rahim, H., Burhan, N. A., Madon, Z., & Hamsan, H. H. (2022). Financial literacy, financial behavior, self-efficacy, and financial health among Malaysian households: The mediating role of money attitudes. *The International Journal of Academic Research in Business & Social Sciences*, 12(13).
14. Dare, S. E., van Dijk, W. W., van Dijk, E., van Dillen, L. F., Gallucci, M., & Simonse, O. (2023). How executive functioning and financial self-efficacy predict subjective financial well-being via positive financial behaviors. *Journal of Family and Economic Issues*, 44(2), 232-248.
15. Lone, U. M., & Bhat, S. A. (2022). Impact of financial literacy on financial well-being: a mediational role of financial self-efficacy. *Journal of Financial Services Marketing*, 1-16.
16. Sabri, M., Wijekoon, R., & Rahim, H. (2020). The influence of money attitude, financial practices, self-efficacy and emotion coping on employees' financial well-being. *Management Science Letters*, 10(4), 889-900.
17. Bilal, M., & Zulfiqar, M. (2016). Financial wellbeing is the goal of financial literacy. *Research Journal of Finance and Accounting*, 7(11), 94-103.

18. Sehrawat, K., Vij, M., & Talan, G. (2021). Understanding the path toward financial wellbeing: evidence from India. *Frontiers in Psychology*, 12, 638408.
19. Dwijayanti, G. A. I., Kawiana, I. G. P., & Sudiana, I. W. (2023). The Role of Financial Behavior in Mediateing the Influence of Financial Literacy on Financial Well-Being in The Millennial Generation in Badung Regency. *International Journal of Social Science, Education, Communication and Economics (SINOMICS JOURNAL)*, 2(4), 791-804.
20. Gunawan, V., Dewi, V. I., Iskandarsyah, T., & Hasyim, I. (2021). Women's financial literacy: Perceived financial knowledge and its impact on money management. *Economics and Finance in Indonesia*, 67(1), 63.
21. Lambert, M. J. C. M., Jusoh, Z. M., Abd Rahim, H., & Zainudin, N. (2023). Factors Affecting Financial Well-being of Millennials: A Systematic Review. *Information Management and Business Review*, 15(2 (I) SI), 98-108.
22. Riaz, S., Khan, H. H., Sarwar, B., Ahmed, W., Muhammad, N., Reza, S., & Ul Haq, S. M. N. (2022). Influence of financial social agents and attitude toward money on financial literacy: The mediating role of financial self-efficacy and moderating role of mindfulness. *Sage Open*, 12(3), 21582440221117140.
23. Bamisha K.P., Nidheesh K.B., (2022). Financial capability and financial well being of organic farmers in Kerala mediating role of financial self efficacy. <http://hdl.handle.net/10603/530325>
24. Birwa Gondalia, Freya-Patel, & Patel, A. (2023). A study on the role of financial literacy on the financial well-being of individuals. *Faculty of Management*.