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Financial Literacy and Financial Well-Being among Working Professionals in Dolakha District

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***Abstract:** The study attempts to examine the influence of financial literacy on financial well-being, the purpose of study is to identify the most influencing factors of financial literacy on financial well-being and analyze the mediating role of financial self-efficacy on working professionals. The causal comparative research design was employed in the investigate the cause and effect of financial literacy on financial well-being. Data gathered from 229 respondents through structured questionnaires distributed via KOBO toolbox utilized convenience sampling. Quantitative analysis involved both descriptive and inferential statistics, employing the PLS-SEM method. Out of four determinants of financial literacy determinants considered for the study, financial attitude, financial experience, financial skills had significant impact on financial self-efficacy however, financial awareness did not have a significant impact. Further, the study results found that financial self-efficacy had a significant impact on financial well-being of working professionals in Dolakha district. The results establish the mediating role of financial self-efficacy. This study is limited to current and potential working professionals in Dolakha district, utilizing cross-sectional data, which may restrict generalizability. Nevertheless, the outcome of the study will assist all the stakeholders, including employers, policymakers, local governments in Dolakha district. The application of this study is extensive. The study's findings will assist policymakers, local governments, employers and financial literacy researchers all stakeholder to protect the financial well-being of working professionals in Dolakha district. Similarly, improving the financial well-being of working professionals from rural part of Nepal can help reducing poverty by encouraging investing and fair economic growth. To the best of the author's knowledge, this study is one of the earliest studies to financial literacy and financial well-being a study on working professionals in Dolakha district by using PLS-SEM and theory of planned behavior.*

***Keywords:** Financial Well-Being, Financial Self-Efficacy, Financial Attitude, Financial Awareness, Financial Experience Financial Skills Working Professionals.*

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1. INTRODUCTION

Financial literacy is the knowledge of the terms and concepts required for efficiently managing of personal economic matters (Garman & Forgue, 2000). Person who are responsible for their short and long term financial decisions would benefit from having this life skills, which will contribute to their overall financial welfare. Financial well-being termed as the overall state of an individual's financial health and stability. Since, the ability to fulfill the current financial ability, save for future, effective budgeting, proper investment, prudent debt management and so on, financial literacy play a consequential role in achieving financial well-being (Brüggen et al., 2017).
The government of Nepal has initiated various programs to enhance financial literacy among its citizens, which plays and important role in the economic development, poverty elevation, and financial well-being (Chaulagain, 2018). Only 57.6 percent people are financially literate in Nepal and this number is even low in the context of Dolakha. Due to the lack of financial understanding among working people from Dolakha, they are facing various financial problems. Thus, in order to improve the financial well-being of working people from Dolakha, who have suffered from financial stress due to lack of understanding on financial terms, financial products and services.
Researcher like Ratnawati et al (2023) in Indonesia; in Philippines Parcia and Esimo (2017) has studied the financial literacy and its impact on financial wellbeing among the different demographics of people. Most studies are based in urban areas of both developed and developing countries. There are gaps in the current literature on the connection between financial literacy and financial well-being, particularly in Nepal. This study aims to fill these gaps by investigating the impact of financial literacy on the financial well-being of people in Nepal. Also this study wants better understand the impact of financial literacy on financial well-being of working professional in Dolakha district. The specific objectives are to examine the influence of financial literacy on financial well-being among working professionals in Dolakha district, to identify the most influential factors of financial literacy affecting financial well-being, and to investigate the mediating role of financial self-efficacy in the interconnection between financial literacy and financial well-being.

2. RELATED WORKS

2.1 Literature Review

Financial literacy including awareness, attitude, behavior, skills, technology, knowledge inclusion, information and financial tools, as well as how they are used in both personal and professional life (Huston, 2010). The importance of financial literacy in order to minimize the emotional stress and anxiety at office. Financial literacy had become inseparable concept in life because of its importance on the process of making financial decision. Financial wellbeing is a multidimensional concept that encompasses the general financial well-being and contentment of an individual with their financial circumstances. According to Lusardi and Mitchell (2014), key financial results during one's working life are impacted by financial understanding. Sabri and Falahati (2013) identifies that financial well-being is affected by

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financial behavior, financial capability, financial problem and financial stress of the Malaysian employees.

Eloriaga et al. (2022) entails that, capacity and utilization of money are major determinants of financial literacy that has direct impact on financial performance. Zhang and Chatterjee (2023), investigates that financial stress's function in elucidating the connection between Americans' financial well-being and financial literacy. Financial literacy is viral in shaping the financial behavior of an investor and this relationship is strengthened by financial self-efficacy (Mulasi & Mathew, 2021). Employee financial well-being has an impact on a person, team, and company, both directly and indirectly (Mokhtar et al., 2015). In the context of Nepal, according to Pantha (2023), shows that financial knowledge has a positive impact on personal financial planning. Similarly, financial attitude, awareness, confidence has significant impact on personal financial planning.

2.2 Research Framework

Figure 1: Research Framework

2.3 Specifications of Variables

Financial Well-Being

Being able to pay for present and future commitments, save for future financial needs, make decisions, and enjoy life are all indicators of financial well-being. Financial well-being, according to Bruggen et al. (2017), is the belief that one can maintain one's current and future aspirations for a level of living and financial independence. Bruggen et al., (2017) indicated that financial wellbeing includes various components such as saving plans, retirement plans, insurance, emergency fund management, budgeting and tax planning. The theory of planned behavior provides a comprehensive framework for the understanding of inter connection between attitudes, subjective norms, perceived behavioral control and financial well-being of people. Financial wellbeing is measured in terms of saving enough money, secure future financially, current financial situation and so on (Lone & Bhat, 2022).

Financial Attitude and Financial Self-Efficacy

Financial attitude suggests that a personal beliefs emotion, and behavioral tendencies regarding money and financial matters. According to Gasiorowska (2015), there is positive association of between financial attitude and financial self-efficacy. A person's attitude about money affects their actual financial conduct, in addition to how their planning horizon and risk tolerance affect their financial behavior, which ultimately affects their financial self-efficacy. Theory of planned behavior supports this hypothesis, which posits that attitudes toward a

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financial behavior influence an individual the role of perceived behavioral control in financial decision-making (Furrebøe & Nyhus, 2022). Based on this, the hypothesis developed as below:
H1: There is significant impact of financial attitude on financial self-efficacy.

Financial Awareness and Financial Self-Efficacy
Financial awareness such as good financial management dysfunctional impulsivity perceived behavioral control has a significantly positive with financial self-efficacy (Chan et al., 2012). This hypothesis is backed up by theory of planned behavior, increased awareness is a precursor to the formation of positive intentions and attitude, ultimately influencing financial decisions and outcomes (Lone & Bhat, 2022). However, Brüggen et al., (2017) concluded that financial awareness does not significantly influences on the family financial self-efficacy. Several studies like Lee et al., (2020) showed that there is positive effects of financial awareness on financial self-efficacy. Based on this finding the developed hypothesis is
H2: There is significant impact of financial awareness on financial self-efficacy.

Financial Experience and Financial Self-Efficacy
Financial experience is understood as the experience of purchasing of various financial products or services or exchanging the information related to finance with others and it is believed to improve financial literacy (Dewi et al. 2020). Theory of planned behavior supports this hypothesis, as it posits that individuals with greater financial experience are likely to develop more positive attitudes and intentions towards financial self-efficacy, in the theory's emphasis on the impact of subjective norms and perceived behavioral control on actual behaviors. Moreover, several scholars like Hapsari, (2021) reveled that, there is significant impact of financial experience on financial self-efficacy. Based on that the hypothesis is formulated as
H3: There is significant impact of financial experience on financial self-efficacy.

Financial Skills and Financial Self-Efficacy
Remund (2010) suggested that the four basic elements of budgeting, saving, borrowing, and investing might be used to operationally define financial skills. The hypothesis is backed up by theory of planned behavior, as the theory underscores the role of perceived behavioral control, influenced by skills and capabilities in shaping intentions and subsequently affecting financial well-being through proper decision making. Since Dewi et al. (2010) concluded that there is huge impact of financial skills on personal overall financial health with proper financial decisions. Moreover, Lee, Lee, and Kim (2020); confirmed that the positive association between financial skills and financial self-efficacy. Hence, the hypothesis is formulated as below:
H4: There is significant impact of financial skills on financial self-efficacy

Financial Self-Efficacy and Financial Well-Being
According to Joseph et al. (2017), financial self-efficacy is defined as the conviction that one can control a circumstance and bring forth a range of favorable outcomes. This hypothesis is aligning with the theory of planned behavior, as the confidence and perceived capability in handling financial tasks mediate the impact of both positive financial attitudes and literacy on

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overall financial well-being. However, Pijoh, et al. (2020) shows that financial self-efficacy cannot mediate financial literacy and financial behaviour towards financial well-being. Many scholars such as (Qasim, et al., 2021); Sarbi et al., (2022) verified that the association between financial literacy and financial well-being is mediated by financial self-efficacy. With the reference of this, hypothesis is formulated as.
H5: There is significant impact of financial self-efficacy on financial well-being.

3. METHODOLOGY

3.1 Variables and their Measurement

The research techniques employed in this study are presented in this section.

Table 1: Variables and their Measurement

Constructs	No of Items and Adopted from	Scale	Cronbach Alpha	Sample
Financial Attitude	7 Items from Ratnawati et al., (2023).	5-points Likert scale	0.811	"I compare prices before buying something"
Financial Experience	5 Items from Lone and Bhat, (2022)	5-points Likert Scale	0.913	"I've managed personal investments in the past."
Financial Awareness	6 Items from Lone and Bhat, (2022)	5-points Likert Scale	0.923	"I am aware of the interest rates that BFIs are charging."
Financial Skills	4 Items from Lone and Bhat, (2022)	5-points Likert Scale	0.890	"I manage risk through purchasing insurance."
Financial Self-Efficacy	4 Items from Lone and Bhat, (2022)	5-points Likert Scale	0.949	"I am confident in my abilities to handle my finances"
Financial Well-Being	8 Items from Lone and Bhat, (2022)	5-points Likert Scale	0.878	"I have been able to save sufficient money to secure my future life."

3.2 Respondents and Procedure

This study used a quantitative approach within a positivist and deductive framework to examine structural relationships. A causal-comparative research design was adopted to assess the impact of independent variable on dependent variable through mediating variable. Responses were collected from working professionals in Dolakha district, facing financial issues like saving, investing, and decision-making, using physical and online surveys. A pilot study with 30 respondents confirmed internal consistency, with no multicollinearity detected. As the population size was unknown, the sample size was determined using Hair et al. (2017), utilizing Structural Equation Modeling (SEM) for improved generalizability and explanatory power.

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3.3 Measurement Scale

The structured questionnaire, based on established empirical literature, includes five demographic questions and 34 items across five constructs, assessed on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The research framework (Figure 1) was constructed using proven relationships from prior studies. Additionally, the study includes general questions on financial literacy.

3.4 Analysis Tools

To analyze the proposed direct and mediating relationships, PLS-SEM was used, as it's well-suited for predicting dependent variables by combining multiple regression and factor analysis while explicitly accounting for error. PLS-SEM allows for the retention of more variables per factor, and in this model, the relationships between constructs and observed variables are reflective. SPSS was also used to analyze the interrelationships between demographic and dependent variables. The data analysis is presented using tables, figures, and charts, with inferential analysis conducted via SEM to assess the impact of independent variable on dependent variable. The theoretical model was evaluated by assessing both the measurement and structural models.

4. RESULTS AND DISCUSSION

4.1 Socio-Demographic Characteristics

Table 2: Socio-Demographic Characteristics.

Category	Frequency	Percentage
Gender		
Male	133	58.08
Female	96	41.92
Age Group		
18-25	67	29.26
26-35	111	48.47
36-45	30	13.1
45 Above	21	9.17
Education Level		
SLC/SEE	15	6.55
Plus 2	40	17.47
Bachelors	103	44.98
Masters and Above	71	31
Occupation		
Education Sector	87	37.99
Health Sector	42	18.34
Government Job Holders	42	18.34
Banking Sector	31	13.54
Hotels and restaurants (Tourism)	27	11.79
Monthly Income (Rs.)		

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Below 25000	70	30.57
25001-50000	91	39.74
50001-75000	38	16.59
75001-100000	18	7.86
Above 100000	12	5.24

The table depicts the profile of 229 respondents, with the majority being male (58.08%) and 41.92% female. The largest age group was 26-35 years (48.47%), followed by 18-25 years (29.26%). Most respondents had a bachelor's degree (44.98%), followed by those with a master's degree or above (31%), indicating a high level of education. The majority worked in the education sector (37.99%), followed by the health sector and government jobs (18.34%). Income-wise, 39.74% earned between 25,000 to 50,000 per month, and 30.57% earned below 25,000 per month. Thus, most respondents were male, young, highly educated, and employed in the education sector with middle-level income in Dolakha district.

4.2 Exploratory Factor Analysis

When the factor loading scores of the used observed items were calculated, they all above the 0.50 criterion. With the use of Cronbach alpha and composite reliability, internal consistency was investigated; the findings suggested that Cronbach's alpha values are ranges between 0.823 to 0.877 and CR value scales from 0.876 to 0.908, (from table 3), which confirms that the internal consistency fulfilled the threshold value of >0.70. This is true for all the constructs of this study; the least AVE is 0.545.

Table 3: Exploratory Factor Analysis

Constructs	Observed Items and Coding	Factor Loading	AVE	CR (Composite Reliability)	Cronbach's Alpha
Financial Attitude	FA1	0.79	0.545	0.893	0.861
	FA2	0.725			
	FA3	0.724			
	FA4	0.708			
	FA5	0.755			
	FA6	0.757			
	FA7	0.705			
Financial Awareness	FAW1	0.804	0.6	0.882	0.835
	FAW2	0.778			
	FAW3	0.732			
	FAW4	0.817			
	FAW5	0.738			
Financial Experience	FE1	0.811	0.586	0.876	0.823
	FE2	0.818			
	FE3	0.751			

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	FE4	0.707			
	FE5	0.734			
Financial Skills	FS1	0.754	0.712	0.908	0.864
	FS2	0.896			
	FS3	0.891			
	FS4	0.825			
Financial Self-Efficacy	FSE1	0.85	0.686	0.897	0.847
	FSE2	0.859			
	FSE3	0.746			
	FSE4	0.853			
Financial Well-Being	FWB1	0.735	0.621	0.907	0.877
	FWB2	0.825			
	FWB5	0.831			
	FWB6	0.721			
	FWB7	0.844			
	FWB8	0.763			

Note: One item of Financial Awareness (FAW6) and two items of Financial Well-being (FWB3 and FWB4)) were dropped due to factor loading issue as their factor loading were less than 0.7.

The results from table 3 indicates that all the constructs have composite reliability above the minimum of threshold of 0.7, confirming their relatability. A cursory look at the item loading from table 3 also proved indicator reliability per the minimum cut-off of 0.7. Lastly, the square roots of each construct's AVE are compared to the correlations of that construct with all other constructs in order to determine how adequate the discriminant validity is.
As recommended by Leguina, two well-known and reliable criteria the heterotrait-monotrait ratio (HTMT) and the Fornell-Larker criterion were used to evaluate the discriminant validity of the notions. Each construct's square root of the AVE, which is displayed along the diagonal axis, has values that are higher than the correlations with other latent constructs, satisfying condition. For Fornell and Larcker criterion was evaluated and found satisfied (from table 4). Similarly, the value of HTMT for all variables were significantly lower than the threshold of 0.85 (see table 5), confirming the model has sufficient discriminant validity.

Table 4: Fornell and Larcker Criterion

	FA	**FAW**	**FE**	**FS**	**FSE**	**FWB**
FA	0.738					
FAW	0.475	0.775				
FE	0.714	0.538	0.765			
FS	0.448	0.327	0.465	0.844		
FSE	0.579	0.4	0.626	0.519	0.828	
FWB	0.551	0.376	0.53	0.432	0.605	0.788

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Table 5: Discriminant Validity (HTMT)

	FA	**FAW**	**FE**	**FS**	**FSE**	**FWB**
FA						
FAW	0.546					
FE	0.842	0.634				
FS	0.511	0.367	0.544			
FSE	0.667	0.46	0.742	0.601		
FWB	0.631	0.433	0.623	0.486	0.693	

Table 6: Predictive Relevance of the Model (Explanatory Power)

Predictors	**Outcome (S)**	**R-Square**	**f-Square**	**Q-Square**
FA	FWB	0.366	0.037	0.313
FAW			0.002	
FE			0.096	
FS			0.095	
FA	FSE	0.480	0.037	0.455
FAW			0.002	
FE			0.096	
FS			0.095	

The R^2 value, which quantifies the variation accounted for by every endogenous construct in the model, indicates the explanatory power of the model, F-Square values are used to measure the effect of external variables on internal variables when they are removed from the model. Furthermore, the Q^2 values of 0.455 and 0.313 (see table 6), which are higher than zero (0), indicate that the model is predictive. These results suggest that the predictions made by the model are applicable and relevant.

4.3 Structural Model Analysis

The research hypothesis is tested and the overall model fit to the data is assessed using the structural model. It is a statistical method used in studies to look at intricate relationships between observed variables and latent constructs. It allows researchers to simultaneously assess the measurement properties of the observed variables and the structural relationship among latent constructs (Hair et al., 2021**)**. When performing a structural equation model (SEM) in PLS-SEM, testing the collinearity problem is recommended.
If the value of Variation Inflation Factor (VIF) is greater than 4, the problem of multicollinearity may exist Table 7 shows that the VIF ranges from 1 to 2.369, indicating that there is no indication multicollinearity among the indicators used to assess financial attitude, financial awareness, financial experience, financial skills, financial self-efficacy and financial well-being.

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Table 7: VIF Score

Construct	VIF
FA	2.152
FAW	1.451
FE	2.369
FS	1.33
FSE	1

4.4 Model Fit

Additional fit indicates and considerations are crucial in assessing the overall model fit accurately. NFI (Normal Fit Index) values range from 0 to 1, with higher values indicating better fit. Both models have NFI values close to each other. However, the NFI value fall below 0.8, indicating that the model may not be a good fit for the data, emphasizing the importance of considering additional fit indices and the theoretical plausibility of the model before making final judgements about its fit.

Table 8: Model Fit

	Saturated Model	Estimated Model
SRMR	0.061	0.078
d_ULS	1.861	3.019
d_G	0.707	0.732
Chi-square	888.444	911.643
NFI	0.782	0.776

4.5 Path Analysis

Figure 2: Path Analysis

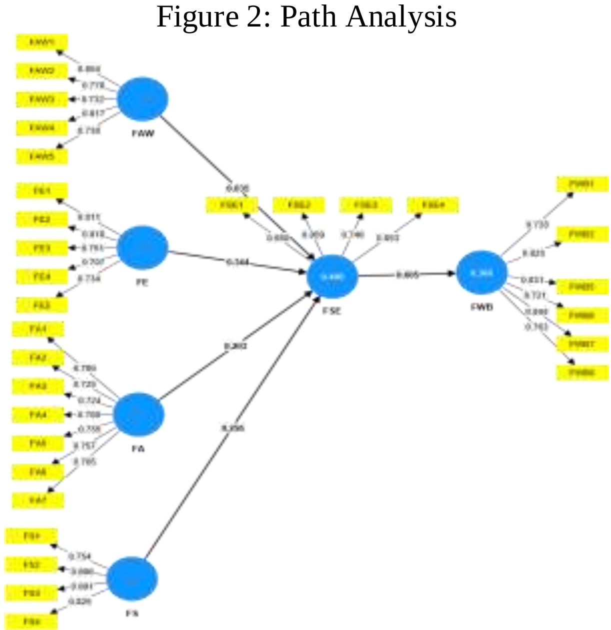

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Figure 2 presents a path diagram depicting the structural relationship between six constructs, encompassing a total of 34 items. These six constructs were based on 229 responses considering during the survey. Figure 2 shows path coefficient indicates how strongly and in which direction two variables are related. 0.035 for the path coefficient indicates a positive but relatively weak relationship between financial awareness and financial self-efficacy. Which refers that as a financial awareness increases, then there is modest increase in financial self-efficacy. Similarly, a path coefficient of 0.344 indicates that weak relationship between financial experience and financial self-efficacy. It means increases in financial experience leads to the slight increment in financial self-efficacy. Likewise, a path coefficient of 0.203 shows that weak positive relationship between financial attitude and financial self-efficacy. This suggests that a small increase in financial attitude is associated with a slight increase in financial self-efficacy. Furthermore, a path coefficient of 0.256 refers that there is a weak positive impact of financial skills on financial self-efficacy. Finally, beta coefficient of 0.605 indicates a strong positive relationship between financial self-efficacy and financial wellbeing. It suggests that significant increase in the financial inclusion in associated with a pronounced increase in financial well-being.

4.6 Hypothesis Testing

Table 9: Hypothesis Testing

Structural Path	Beta Coefficient	Sample Mean (M)	CI (95%)		P values	Conclusion
			LLCI 2.50%	ULCI 97.50%		
FA -> FSE	0.203	0.201	0.049	0.351	0.008	Supported
FAW -> FSE	0.035	0.042	-0.095	0.15	0.581	Not Supported
FE -> FSE	0.344	0.343	0.177	0.514	0.000	Supported
FS -> FSE	0.256	0.254	0.155	0.36	0.000	Supported
FSE -> FWB	0.605	0.605	0.474	0.703	0.000	Supported

Hypothesis testing comprises examining the relationships between constructs to determine whether the proposed model fits the observed data and whether the hypothesized relationships are statistically validated. Smart PLS tested the structural model using bootstrapping technique with 10,000 data resampling, taking into account beta values, sample mean, p-values, LLCI and ULCI as shown in table 9. The study examined five hypotheses at a level of significance of 0.05, and a p-value less than 0.05 supports the hypothesis, whereas a p-value more than 0.05 results in hypothesis rejection. Moreover, the CI test determines whether zero is inside the interval; if it is not, the hypothesis is accepted regardless of the statistical significance of the p-value.

4.7 Mediation Analysis

Mediation analysis was performed in this study to determine whether or not a mediating variable fully or partially explains the association between observed variables. The direct and indirect effects of financial self-efficacy on these variables are presented on table 10. The occurrence of non-zero positive values between Lower Limit Confidence Interval (LLCI) and

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the Upper Limit Confidence Interval (ULCI) shows that financial self-efficacy has a positive mediating influence in both of these relationships.

Table 10: Mediation Analysis

Structural Path	**Beta Coefficient**	**Sample Mean (M)**	**CI (95%)**		**P values**	**Conclusion**
			LLCI 2.50 %	**ULCI 97.50 %**		
FA -> FSE -> FWB	0.134	0.134	0.032	0.24	0.012	Supported
FAW -> FSE -> FWB	0.04	0.045	-0.052	0.138	0.404	Not Supported
FE -> FSE -> FWB	0.227	0.231	0.097	0.36	0.001	Supported
FS -> FSE -> FWB	0.274	0.271	0.153	0.389	0.000	Supported

The study discovered a high correlation between financial attitude and financial well-being, with the latter being mediated by financial self-efficacy. But the association between financial well-being and financial self-efficacy is not mediated by financial awareness. On the other hand, when financial self-efficacy is taken into account, both financial experience and financial skills have a substantial positive link with financial well-being that reaches statistical significance ($P<0.05$). The hypothesis's validity is supported and confirmed by these findings.

5. CONCLUSION

5.1 Conclusion

This study provides a significant and valuable contribution to existing knowledge, enhancing our understanding of financial well-being of working professionals, particularly in rural areas of developing countries. Furthermore, the findings have practical implications for employers, policymakers, banks, local government, and researchers interested in financial literacy. Moreover, the study employed SEM for data analysis, successfully accomplishing its objectives and showing key findings. It employed casual comparative research design with a diverse sample of 229 respondents who selected based on convenience. This study emphasized the importance of financial self-efficacy on financial well-being as well as the relevance of financial literacy characteristics such as financial attitude, financial awareness, financial experience, and financial skills which provides valuable insights to employers, policymakers, banks and financial institutions, and local governments. While the findings for most determinants were consistent with expectations. This study sets a foundation for future research to delve deeper into these topics.

In conclusion, the study highlights how importance of financial literacy determinates and the impact of financial literacy on financial well-being. Financial experience, financial skills, financial attitude, and financial skills have an impact on financial self-efficacy, which in turn has an impact on financial well-being. On the other hand, financial awareness has no significant impact on financial self-efficacy.

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5.2 Area for Further Studies

Regarding financial well-being and financial literacy in Nepal, there is a huge study vacuum. This study looked at how financial self-efficacy functions as a mediator in the relationship between financial literacy and financial well-being, but it did not explore the interrelationships between individual factors of these concepts. Future research should expand to include these interrelationships for a more comprehensive understanding. The limited research on this topic in Nepal highlights the need for further studies, especially from perspectives beyond the user's viewpoint, such as employers or local governments. These studies could guide policymakers, employers, banks, financial institutions, and local governments in promoting effective financial literacy to enhance the financial well-being of working professionals. Additionally, research should explore the impact of financial literacy on diverse populations in different locations to strengthen the existing literature.

Conflict of Interest

The study's author indicated that had no conflicts of interest.

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