IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Impact of Financial Knowledge on Financial Well-Being of Young Adults: The Mediating Role of Financial Behaviour

Neelam

Department of Evening Studies-MDRC

Panjab University, Chandigarh

Abstract

This study examines the effect of financial knowledge and financial behaviour on financial well-being of young adults. The sampling method used in this study is convenience sampling with a total sample size of 130. The data has been collected using an online questionnaire distributed via social media in Chandigarh, India. Data is examined using the SEM technique. The results showed that financial knowledge has positive effect on financial behaviour and financial well-being. The study also found positive effect of financial behaviour on financial well- being. The study also found the partial mediating effect of financial behaviour between the relationship between financial knowledge and financial well – being.

Keywords: Financial Knowledge, Financial Behaviour, Financial Well-Being,

1. Introduction

Young people are far more affected by the global financial and economic crisis than older adults (Choudhry et al. 2010; Verick 2009). As a consequence, youths' financial well-being has increasingly received great attention from both media and academic research. College students are at a decisive time in their lives as they move from financial dependence to financial independence. For a majority of students, the college life is viewed as an important transitional stage in which parental supervision and oversight are reduced and students begin to achieve some degree of financial autonomy. When they go to college, many students are confronted with financial responsibilities such as paying bills, creating a budget, and using credit for the first time in their lives. How well they cope with these challenges depends in part on the financial knowledge and behaviours they acquired prior to arriving at college (Lyons et al., 2006). Previous studies in the United States and other countries have shown that college students are inadequately prepared for these new burdens and that they often poorly manage their finances (Chen & Volpe, 1998; Beal & Delpachitra, 2003; Murphy, 2005). A recent review (Sorgente & Lanz 2017) of the literature on financial well-being among emerging adults (i.e., people aged 18–29 years old; Arnett 2014) showed that 35 studies were published on this topic during the 7 years after the crisis as compared with only six studies published before 2008. According to Sorgente & Lanz (2017), financial well-being can be defined as a positive and good financial condition that includes both an objective and a subjective side. Subjective financial well-being corresponds to the individual's emotional and cognitive evaluation of his/her own financial condition, that is, his/her subjective experience of that condition. As stressed by Brüggen et al. (2017), subjective financial well-being is made up of individuals' perceptions of their own financial situation. These perceptions are entirely personal and subjective, thus implying that individuals may experience certain levels of financial well-being regardless of their own objective financial condition (e.g., people with similar financial conditions may experience different levels of subjective financial well-being depending on their personal characteristics). To date, research on emerging adults' financial well-being has mainly focused on identifying factors that may predict the level of financial well-being among youth (Sorgente et al. 2016; Lanz et al. 2019). So far, much less attention has been paid to the outcomes of emerging adults' financial well-being. However, practitioners and policymakers are not just interested in what can enhance emerging adults' financial well-being, but also in the possible reasons low and high of financial well-being. According to the review summing up studies about emerging adults' financial well-being (Sorgente & Lanz 2017), among the few studies investigating the reason of financial wellbeing, more than 50% of them assessed that materialistic value and lack of financial knowledge has an impact on financial well- being (e.g., Norvilitis et al. 2003; Shim et al. 2009; Simons et al. 2002; Switek 2013; Xiao et al. 2009). Thus, this study is conducted to identify the role of financial knowledge on financial well-being among young adults with mediating effect of financial behaviour.

2. Literature Review and Hypothesis Development

2.1 Financial Knowledge

Financial illiteracy is a growing problem. A review of the literature on financial literacy, also referred to as financial knowledge, suggests that a majority of college students lack sufficient knowledge to effectively manage their personal finances (Chen & Volpe, 1998; Avard, Manton, English, & Walker, 2005; Murphy, 2005; Norvilitis et al., 2006). Most previous and current studies tried to establish a relationship between financial knowledge and financial behavior (Chen & Volpe, 1998; Hilgert, Hogarth, & Beverly, 2003; Cude et al., 2006; Robb & Sharpe, 2009). However, there is little previous or current research that links financial knowledge and financial well-being among college students, and the extent to which financial knowledge (or literacy) affects financial well-being has had very limited attention. Shim et al. (2009) were the first to try to establish a link between financial knowledge and financial well-being among college students. Financial well-being in their study was defined as satisfaction with one's current financial status, including the level of debt. Shim et al. did not find a significant relationship between these two variables. Joo and Grable (2004) investigated the determinants of financial satisfaction (rather than financial well-being) among white-collar clerical workers. They defined financial satisfaction as a person's satisfaction with his or her current financial situation. Results indicated that financial knowledge had both a direct and an indirect effect on financial satisfaction. The limited research on this topic and the mixed results makes it difficult to draw conclusions about the relationship between financial knowledge and financial well-being or financial satisfaction.

2.2 Financial behaviour

Financial behaviour can be defined as human behaviour is to do with money management (Gutter & Copur, 2011). The behaviour of financial management is regarded as one of the key concepts in financial discipline, particularly with regard to the effective management of funds (Thi, Mien, & Thao, 2015).

Bad management of personal finances can have serious social and societal consequences. Empirical evidences found by Xiao et al., (2009) who revealed that positive financial behaviours contribute to financial satisfaction, which in turn contributes to life satisfaction. Subsequently, good financial practices have a positive effect which is to improve one's health, as evident in a study by O'Neil et al., (2005) where participants in a credit counselling session who reported having improved health are more likely to engage in positive financial behaviours and experience improved finances. As a matter of fact, financial behaviour shaped by parents with excellent financial development of their 64 children has been known as the main influencer of financial self-sufficiency and financial well-being in their children during adolescence and the transition to adulthood (Shim et al., 2010). Other researchers attributed the same factor as the main contributor to the satisfaction with one's financial status (Parrotta & Johnson, 1998). The findings of research studies generally reveal that those who practise more of the financial behaviour recommended by experts reported a lower level of financial problems and stress (Joo & Grable, 2004; Lea, Webley & Walker, 1995). This is supported by Delafrooz and Paim (2011) who in an attempt to study the determinants of financial wellness among Malaysian workers, concluded that individuals who exhibit better behaviours tend to have lower financial stress resulting in higher financial satisfaction.

2.3 Financial Well- Being

Subjective well-being has been studied extensively since the 1980s (Diener et al., 1999; Diener and Oishi, 2000; Dolan et al., 2008). Subjective well-being is considered to consist of satisfaction in many domains, such as overall, interpersonal, community, occupational, physical, psychological and economic well-being (Prilleltensky et al., 2015). Financial Well- Being is one of the sub-domains of subjective well-being that is mainly concerned about whether individuals feel happy and content about their financial state. This happiness or contentment could be related to a feeling of security, having enough for one's needs, or having enough to achieve a desired standard of living.

Brüggen et al. (2017) propose a new definition of FWB as the follows**: "FWB is defined as the perception of being able to sustain current and anticipated desired living standards and financial freedom."** Two important aspects of this definition are that an individual should be able to sustain their desired living standards in the future and that they should be able to enjoy financial freedom.

2.4 Financial Knowledge and Financial well-being

Financial knowledge is one of the crucial aspects in determining the level of financial well-being (Perry & Morris, 2005; Purniawati & Lutfi, 2017). Financial knowledge is needed to manage finances well (Brilianti & Lutfi, 2020; Mudzingiri et al., 2018; Perry & Morris, 2005; Purniawati & Lutfi, 2017). People with good financial knowledge tend to save more and invest more for the future (Henager & Mauldin, 2015; Lusardi & Mitchelli, 2007; Pangestu & Karnadi, 2020; Van Rooij et al., 2012), and are not trapped in excessive debt that causes financial difficulties (French & McKillop, 2016; Lusardi & Tufano, 2015). Thus, they could use financial knowledge to improve their financial well-being (Bannier & Schwarz, 2018; Brüggen et al., 2017; Gerrans et al., 2014). People who have better knowledge tend to have greater wealth accumulation (Behrman et al., 2012) and a better perception of financial well-being (Falahati & Sabri, 2015).

H1: Financial Knowledge will positively associate with Financial Well- Being.

2.5 Financial Knowledge and financial behaviour

There have been many studies carried out among young people and students on financial literacy. There is considerable evidence that financial education increases financial literacy and encourages desirable financial behaviours of individuals (Lusardi & Mitchell, 2007). Previous research also shows that higher financial literacy and good financial behaviours benefit the nation (Chen & Volpe, 1998; Lusardi & Mitchell, 2007). Financial education and attitudes are also important predictor of financial literacy. Sholehah et al (2017) found that family influence, financial attitude and financial knowledge have significant positive relationship towards financial literacy. Albeerdy & Gharleghi (2015) showed that financial education, financial socialization instruments and the attitudes towards money had a direct impact on financial literacy of university students in Malaysia. They also found that financial education was the most influential factor of financial literacy. In another study, Ergun (2017) investigated the relationship between financial behaviour and financial knowledge of university students across five European countries. They found that financial education improves financial literacy among students and those who took finance course from university were more knowledgeable than those who got the information about financial issues from social media. On the basis of empirical evidence of a positive association between financial knowledge and good financial behaviours and existing limited evidence of an inverse association between financial knowledge and financial behaviours, this study hypothesizes that:

H2: Financial Knowledge will positively associate with financial behaviour.

2.6 Financial Behaviour and Financial Well-Being

Contemporary young adults are facing more uncertain financial prospects (Lusardi et al., 2016) and, thus, research on the connections between individual financial behaviour and multiple aspects of well-being among young adults is of growing interest. A common finding among college student samples is the positive association between financial behaviours and financial satisfaction (Gutter & Copur, 2011; Joo et al., 2003;

Shim et al., 2009; Xiao et al., 2006; Serido et al., 2010; West & Friedline, 2016). The extant literature also provides evidence of a positive connection between financial behaviours and well-being beyond the financial domain. For instance, several studies using cross-sectional data from young adults, including college students, have found a positive association between financial behaviours and personal well-being (Shim et al., 2009; Xiao and O'Neill, 2018), psychological well-being (Britt et al., 2015; Kim et al., 2003) and life satisfaction (Gutter and Copur, 2011; Norvilitis and MacLean, 2010). Some researchers have found similar associations over time. For example, two independent studies, one in the USA (Serido et al., 2013) and one in Finland (Ranta and Salmelo-Aro, 2018), both found that financial behaviours (e.g., saving, budgeting) were associated with subsequent life satisfaction, as well as financial satisfaction, using data from college students at two time points. On the basis of the consistent positive association between financial behaviours among young adults and well-being in multiple life domains, it is hypothesized that:

H3: Financial behaviours will be positively associated with personal well-being.

H4: Financial Behaviour mediates the relationship between Financial Knowledge and Financial well-being.

Conceptual Model

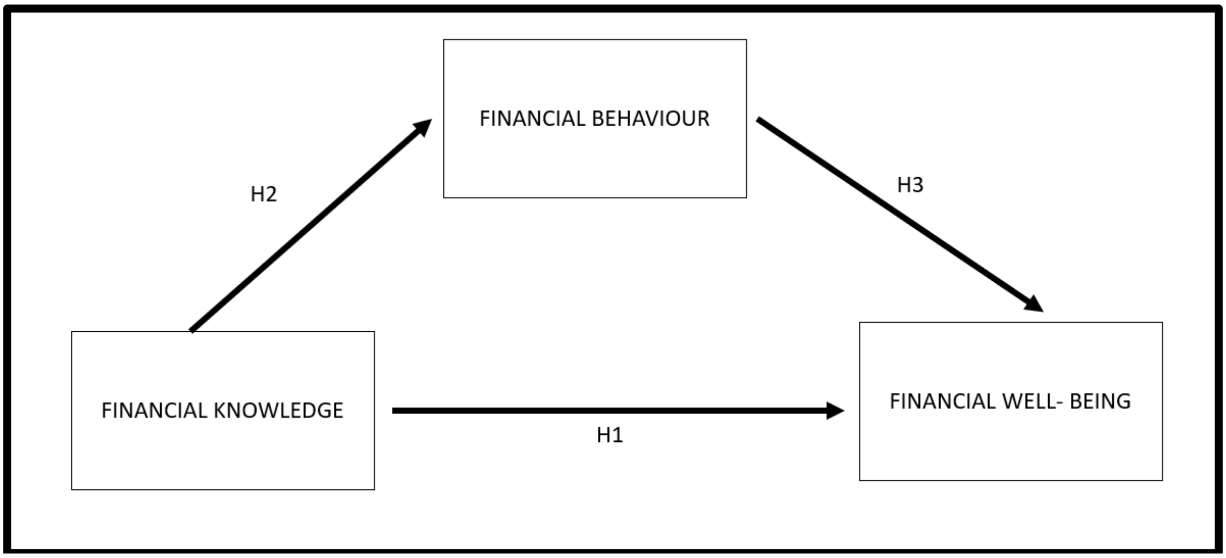

Figure 1. Hypothesized Structural Measurement Model

Source: The Author own Compilation

3. Research Methodology

3.1 Research Design

The study is descriptive in nature as it is identifying the relationship between financial knowledge and financial well- being among young adults. The study is based on primary data which is collected using standardised questionnaire sent through e-mail and other social media sites.

3.2 Sample size and sample selection

Several studies have indicated that the minimum sample size for conducting structural equation models is about 150. Some researchers have recommended a minimum sample size of 100–150 for conducting SEM (Anderson & Gerbing, 1988). The actual sample size used in this study is 130, which is adequate by these benchmarks. Convenience sampling method has been used for the purpose of collecting data. The questionnaire is shared through social media (Facebook and WhatsApp groups) and individual e-mails with 150 individuals. The targeted sample is spread over Chandigarh city in India. The sampling method is convenience sampling. Within one month, 130 responses (42 males and 82 females) are received, i.e., the response rate was about 86.6 percent. Since the number of respondents met the criteria for adequacy of sample size, it is used for our analysis. Table 2 contains the characteristics of the sample collected for the study

Table 2: Demographic Details of the Respondents

Variables	Description	Frequency	Percentage
Gender	Male	42	36.9
	Female	82	63.2
Age	18-22	25	19.2
	23-28	85	65.4
	29+	20	15.4
Education	Up to Higher Secondary	10	7.7
	Graduation	20	15.4
	Post-Graduation	79	60.8
	Ph.D.	21	16.2
Marital Status	Married	26	20
	Unmarried	104	80
Occupation	Professional	3	2.3
	Self- Employed	47	11.5
	Salaried People	15	36.2
	Student/Unemployed	65	50
Income	less than 25000	58	44.6
	Rs.25000 to Rs.50000	38	29.2
	Rs.50000 to Rs.100000	29	22.3
	Rs.100000 and above	5	3.8

Source: The Author’s own Compilation

3.3 Research Tool

The present work is based on data collection through well- structured questionnaire. Three distinct scales have been used for dependent and independent variable of this study.

- CFPB (Consumer financial protection bureau) (2015) developed a scale called FWB to measure an individual's perceived FWB – ranging from overwhelming financial distress (very low levels of well-being) to no financial distress (high levels of FWB). This scale has been used by several other authors (e.g., Gutter & Copur, 2011; Howell et al., 2013) including 10 items. This study adopted this scale to measure FWB.
- Financial knowledge (independent variable) has been examined with the measurement model proposed by Bhushan and Medury (2014) and Hasler and Lusardi (2017). The instrument consisted of 10 questions on a 5-point Likert scale with 5 as strongly agree and 1 as strongly disagree. To measure financial knowledge, the questions related to financial numeracy, savings and investments, borrowings, insurance, risk and return, etc., are included in the questionnaire.
- Financial behaviour is measured by the scale developed by OECD (2013) and Shockey (2002). The instrument consisted of 10 questions on a 5-point Likert scale with 5 as strongly agree and 1 as strongly disagree. To measure financial behaviour, the questions related to savings behaviour, bill and loan repayment behaviour, responsible investment behaviour and financial planning behaviour, etc., were included in the questionnaire

3.4 Structural Equation Modelling

Structural equation modelling is often used when one is interested in testing structural relationships among latent constructs that cannot be measured directly. SEM takes a confirmatory approach to the testing of several hypotheses at the same time (Hox, 2009). A structural equation model consists of a measurement model and a structural model. The confirmatory factor analysis allows one to build the measurement model. The structural model or path model allows one to estimate the relationships between these latent constructs. Since, the study is primarily interested in testing a conceptual model of effect of financial knowledge and financial behaviour on FWB (Financial Well- Being). To test the conceptual model and investigate the hypothesized associations, structural equation modelling is used. First, a measurement model is developed by conducting a CFA on the multi-item scales. Next, the structural model is used to test the hypothesized associations among the constructs in the structural model.

4. Data Analysis and Results

The data is first analysed by reporting descriptive statistics of variables in the study which include mean, standard deviation and correlation among construct. To test the conceptual model and investigate the hypothesized associations, two-step, structural equation modelling procedure (Anderson & Gerbing, 1988). First, a measurement model was developed by conducting a CFA on the multi-item scales. Next, the structural model was run to test the hypothesized associations among the constructs in the structural model.

4.1 Descriptive Analysis

The descriptive statistics reported in the Table 3 shows the mean values and correlation between the constructs. The correlation between financial well-being and financial behaviour is positive as expected, with a coefficient of 0.106 and also positive correlation with the financial knowledge. The correlation coefficient between the variables is still below 0.6, indicating there is no problem with discriminant validity. This is also supported by the results of discriminant validity tests using the Fornell-Larcker criteria and the Heterotrait-Monotrait ratio of correlations (HTMT)

Table 3: Mean, Standard Deviation and Construct Correlation

				Correlation	
Variables	**Mean**	**S.D.**	**FK**	**FB**	**FWB**
Financial Knowledge	3.63	0.72	1		
Financial Behaviour	4.08	0.843	0.235**	1	
Financial Well- Being	2.46	0.778	0.455**	0.106**	1

**$p < 0.05$; *** $p < 0.01$ reported along the diagonal

Source: The Author's own Compilation

4.2 Measurement of model

The proposed research model is empirically evaluated using the maximum likelihood estimation method, and two-step structural equation modelling was followed using the AMOS software. The measurement model is assessed in the first step, and the results are given in Figure 1.

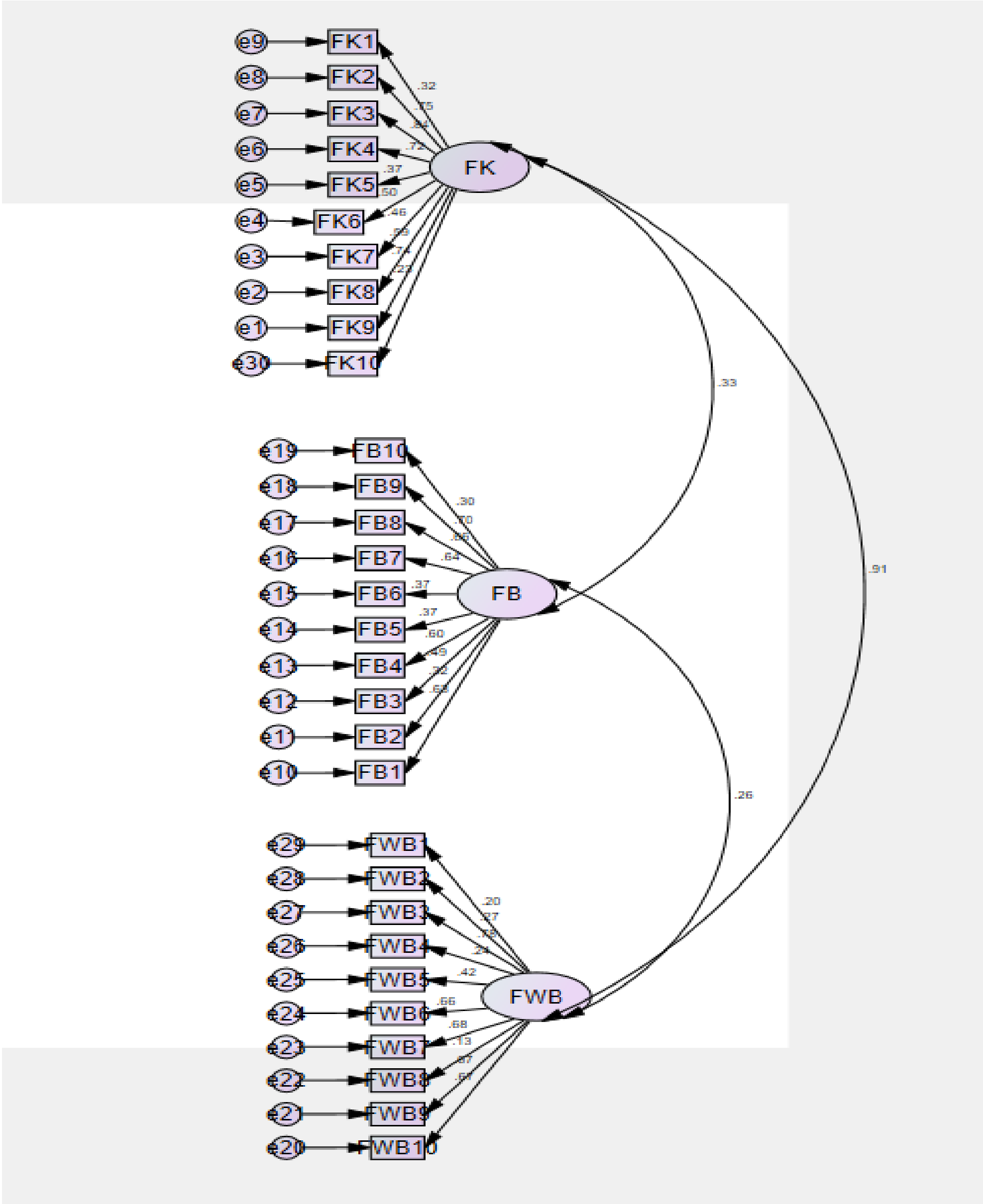

Figure 2: Measurement Model

In order to verify the factors of the three variables, the fitness of model was defined as confirmatory factory analysis (CFA; Ho, 2006) and the model fit was found to have adequate data. Table 4 represents the results of CFA for all the three variables in form of validity of scale and goodness of fit. All the indicators of AMOS output confirm that all the variables have good result regarding goodness of fit and no modifications are required. A good model fit indices includes chi-square/degree of freedom (CMIN/df), and badness of fit indicator like root mean square error of approximation (RMSEA). The results show that all the indicators of model fit are within the permitted rates and is consistent with past studies (Bentler & Bonett, 1980; Hooper, Coughlan, & Mullen, 2008; Steiger, 2007)

Table 4: Measurement of Model of Different Constructs

		Results from SEM Model	Recommended threshold values (Hooper et al. 2008)
CFI	Comparative fit index	0.89	>0.9
IFI	Incremental fit index	0.991	>0.9
TLI	Tucker Lewis index	0.901	>0.9
RMSEA	Root mean square of error approximation	0.086	<0.05–0.1
$\chi 2$ /df	$\chi 2$ per degree of freedom	2.09	<3

Source: The Author's own Compilation

4.3 Reliability and validity

Each of the constructs measured in this study passes commonly accepted criteria for reliability and validity. The Cronbach's α for all of the latent constructs is above 0.7, indicating acceptable levels of internal consistency (Tavakol & Dennick, 2011). Convergent validity can be checked using the composite reliability (CR) and average variance extracted (AVE). These values have been calculated for each latent construct in the measurement model and presented in Table 5. As can be seen from this table, the values of CR are all greater than 0.7 which is recommended as a threshold (Hooper et al., 2008). The AVE is not very high for the models, with the highest AVE being 0.732. The reason for this may be that the latent constructs used here may not be the only factors that contribute to FWB. The discriminant validity is also good as the AVE value of all the latent variables are more than MSV value.

Table 5: Reliability & Validity

	CR	AVE	MSV	MaxR(H)	FK	FB	FWB
FK	0.832	0.575	0.532	0.879	**0.912**		
FB	0.782	0.519	0.112	0.819	0.335	**0.529**	
FWB	0.755	0.732	0.302	0.840	0.912	0.265	**0.993**

Source: The Author's own Compilation

4.4 SEM and Hypotheses Testing

To test the hypotheses and the conceptual model proposed above, structural equation models has been developed using SPSS AMOS. The hypothesized model is tested and path coefficients is estimated.

4.4.1 Direct Effect

A significant association between independent, and dependent variables can be observed, from table 6 Which explains the total value of financial well-being (0.73) without any mediating variable.

Table 6: Path Analysis between Financial Knowledge and Financial Well Being

			Estimate	S.E.	C.R.	P
FWB	<---	FK	0.931	0.317	1.841	0.006

Source: The Author's own Compilation

The table 6 indicates the regression weight and critical ratio test that signifies financial knowledge (0.006. $p < 0.05$) have a strong positive association with financial well- being. H1 was based on the premise that financial knowledge positively impacts financial well-being. The results indicate that there is positive relation between the level of financial knowledge and financial well-being among young adults. This finding is consistent with previous studies conducted by Delafrooz & Paim (2013) and Zaimah (2013), which stated that financial behaviour is the primary determinant of financial well-being. Xiao (2009) stated that individuals with better financial behaviour would experience higher financial well-being. Xiao (2009); and Joo (2008) state financial behaviour as the main factor in determining the satisfaction of a person's financial status. According to expectations, financial knowledge has a positive association with financial well-being, leading to acceptance of H1. Data showed a strong and significant positive association. Thus, the findings of this study support H1.

4.4.2 Mediation Analysis

Mediation analysis is described as direct path that associates between the dependent and independent variable. Through this analysis the total value of the outcome variable either gets decreases or increases (Baron & Kenny (1986). The mediating test results for the associations between financial behaviour, financial knowledge and financial well-being are given in the Figure 2. Prior to conduct a mediator test, a mediator model should be established to examine the direct effect between financial knowledge (FK), financial behaviour (BV), and financial well- being (FWB). While the indirect effect involves the association of financial knowledge (FK) through a financial behaviour (FB) towards financial well- being (FWB).

The following figure shows the mediating effect of financial behaviour between financial knowledge and financial well- being among young adults. From the following figure it could be identified that the total value of Financial well- being has been increased from 0.665 to 0.780.

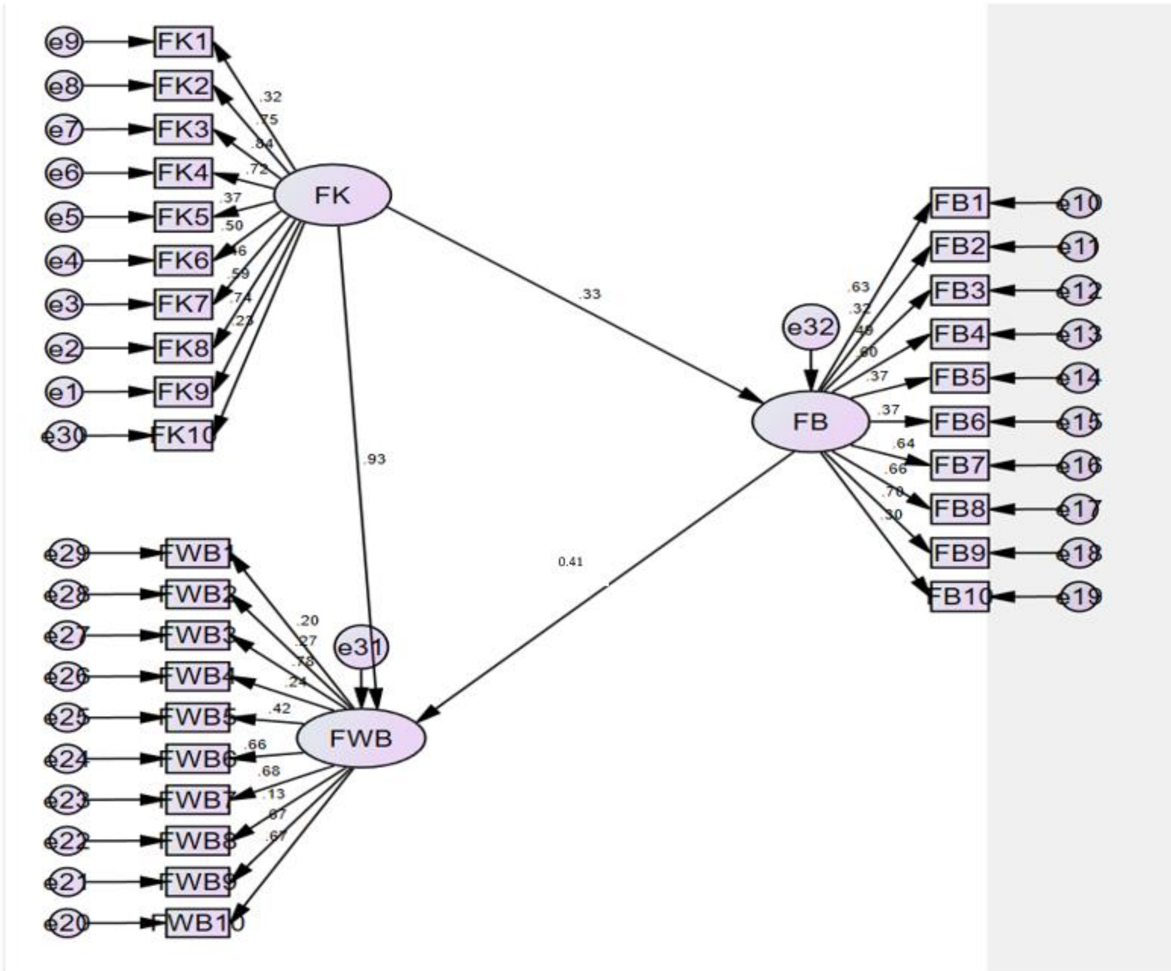

Figure 3: Path Analysis with a mediating effect of Financial Behaviour between the financial knowledge and financial well-being among young adults

H2 is based on the premise that, financial knowledge is positively associated with financial behaviour (H2). The table also shows that there is a significant positive relationship between financial knowledge and financial behaviour (0.328, p< 0.05). The positive relationship confirmed that adults with high financial knowledge tend to have positive financial behaviour. According to expectations, financial knowledge is positively associated with financial behaviour, leading to acceptance of H2. Data showed a moderated and significant positive association. Thus, the findings of this study support H2. The assessment of R2 value indicates that a total of 32.3 percent of the variance in financial behaviour can be explained by financial knowledge, thus having weak impact.

H3 is based on the premise that financial behaviour will be positively associated with financial well-being. The results show that there is a significant positive association between financial behaviour and financial well-being with (0.41, p<0.05). Based on these findings, H3 is supported. Specifically, the results revealed that financial behaviour is positive associated with financial well-being. Past studies conducted by Kim et al. (2003) found that poor financial management was negatively related with good financial well-being. However, this study found a consistent result in terms of financial behaviour and financial well-being. The result shows that when the respondents practised good financial behaviour, they have financial well-being. This could be due to the fact that financial behaviour is not the only factor that could influence a person's financial well-being. Other factors such as psychological determinants (future time perspectives and retirement goal clarity) and demographic variables (number of children, household income, level of education) might have a bigger influence on the respondents' financial well-being.

H4 mediating effect of financial behaviour on the relationship between financial knowledge and financial well- being.

The results of testing the fourth hypothesis indicate a relationship between financial knowledge and financial well-being, which is mediated by financial behaviour. However, the nature of the mediation is only partial (path mediation). The increase in the total value of financial well- being from 0.665 to 0.728 in association with financial knowledge is significant (0.99, $p > 0.05$) shown in table 7 and considered by the Mediator called financial behaviour. This shows that financial behaviour mediates the relationship between financial knowledge and financial well- being. According to the findings of Baron and Kenny (1986), financial behaviour partially mediates the association between financial knowledge and financial well- being. So, it can be interpreted that basic financial knowledge can have a direct influence on well-being even without a mediator. Further, the partial mediation is tested with significance test, and the results are compatible with the criteria which is given by Baron and Kenny (1986). Therefore, the H4 is accepted.

Table 7: Summary Results of Hypothesis Testing/ Path Analysis Results

Hypothesis	Relationships	Std. Beta	Std. Error	P Values	Results
Direct Effect (Adjusted R2= 0.665)					
H1	FWB <--- FK	0.956	0.517	0.006	Accepted
H2	FB <--- FK	0.321	0.367	***	Accepted
H3	FWB <--- FB	0.41	0.928	0.004	Accepted
Mediation/ Indirect Effect (Adjusted R2= 0.728)					
H4	FWB <--- FB<--- MAT	0.99	0.834	***	Accepted

Source: The Author's own Compilation

***, **, *** means significant at 10%, 5% and 1% level of significance respectively.**

5. Discussion and Implications

The present study examined the associations of financial knowledge and financial behaviour on financial well- being among young adults. Materialistic values seem to impede proactive financial behaviour. The findings regarding young adults' financial behaviour are consistent with growing research on the financial capability of Americans, and young adults in particular. Specifically, it was determined that proactive financial behaviour benefit the consumer beyond the realm of personal finance. Amidst mixed empirical evidence on the efficacy of financial education as a method for promoting financial capability, some researchers have suggested that further investment in financial education and interventions is futile (Mandell & Klein, 2009). In light of the present study, it is suggested that the knowledge and skills gained from education and interventions may be overridden by adults' desire for material goods. In this sense, effective financial education and intervention must incorporate an understanding of personal values and financial choices (Vostroknutov, 2013), and it must acknowledge that adults' choices are connected to the cultural frameworks of consumption, and therefore, modern ("materialist") consumption may be rational within those cultural frameworks (Dolan, 2002).

6. Implications For Young Adults' Financial Well-Being

The present study examined the associations of financial knowledge and financial behaviour on financial well- being among young adults. This study determined that an increase in financial knowledge correlated positively with proactive financial behaviour and financial satisfaction i.e., financial well- being. With that, implications emerge in the domain of young consumer education, ground-breaking initiatives addressing reduced consumption levels. With regard to consumer education, a need exists for financial education that takes into consideration (young) consumers' desire for material goods which in turn determines financial choices (Vostroknutov, 2013). Educating young consumers about the perils associated with overconsumption is particularly important (Segev et al., 2015). In addition, approaches used in financial education that demonstrate how limited resources can be managed on the micro level might be adapted to create positive financial behaviour

Given the dominance of corporate promotional campaigns that link materialism with happiness and achievement, consumer (financial and environmental) education programs should reinforce that material possessions do not compensate for deficiencies in well-being and may, in fact, further degrade individual and planetary well-being. According to Schaefer and Crane (2005), such approaches might be more effective than financial education efforts directed at adults. Programs and messaging that encourages decreased consumption or alternative consumption (e.g., collaborative consumption instead of product ownership), emphasizing the personal rather than the societal benefits for doing so may be more effective than macro-level messaging to safeguard the financial well-being of the planet as well. Harbouring societal concerns tends to make adults feel worse in terms of financial well-being, potentially leading them to avoid messages that focus on dangers to society (Iyer and Muncy, 2016). Rather, programs and messaging could encourage pro-environmental consumption by highlighting the positive effects reducing consumption has on individual financial well-being, effects such as increased autonomy and intrinsic happiness (Lee and Ahn, 2016)

7. Limitations and Future Research Opportunities

The current study is not free from limitations. First, the study has been conducted on young adults of Chandigarh only which may not be applicable in other cities of country. Second, the study covers financial well- being among young adults only which may not be applicable to older, or younger, age cohorts, young adults who did not attend college or young adults in different cultural settings. Third, the sample size taken for the study is very small. At last, only two variables are taken into consideration for checking the impact on FWB while other variables such as influences of socialization agent, cultural influences and issues related to family and environment are also important. All these variables could be investigated in future research. The limitations of this study can provide a scope for future qualitative study in the field of financial well-being related to gender differences, working and non-working women, students and working differences, etc. Moreover, the outcomes of this study are based on primary data which have its own limitations. For future studies, researcher can try to reduce all these limitations and can include a big sample size. Research should revisit the concept of financial knowledge using samples in different age groups, potentially adapting past conceptualizations of materialism to the altered meaning of possessions in the global digital economy and in the context of economic change. Conflicting descriptions of today's young adults in terms of rampant consumerism and environmental concern (Hume, 2010; Naderi and Van Steenburg, 2018) may guide future research projects on the interplay of financial behaviours and FWB. Studies should also investigate young adults' attitudes toward more simplistic lifestyles that enable them to spend less time working and more time on activities they value more highly.

8. Concluding Remarks

The main contributions of the current study are the examination of financial knowledge and financial behaviour in the context of financial well – being of young adults. The conclusion from this research is that financial knowledge has a significant positive effect on financial well-being and financial behaviour. This study also found the influence of financial behaviour on financial well-being. As well as financial behaviour mediate the effect of financial knowledge on financial well-being. The young adults should continue to improve their financial knowledge by continuing to study independently and in groups both offline (for example, by attending seminars, education, group sharing) and online (for example, by watching videos and reading websites on finance). This increasingly accessible learning must be put to fair use so that it can increase positive financial behaviour, such as doing good financial planning, managing finances and making better decisions. Good financial knowledge can also be utilized in the use of more efficient and effective financial products and services following the needs of each individual to improve financial well-being. For consultants or financial institutions as well as the government, it can take advantage of the role of financial knowledge to make users of financial products and services wiser in making decisions related to finance. So, no individual is trapped in financial products that are not profitable (for example, fake investments, making loans to moneylenders and others). The government, consultants or financial institutions must also provide education both online and offline that is easy to understand and the process by the community to increase public interest in using financial services and legal product, according to the needs of each individual. Financial consultants or institutions can direct individuals who wish to use financial products and services that are tailored to the benefits and risks that are desired by each individual. Therefore, financial knowledge must continue to be developed, which must continue to be done for the future.

9. References

Anderson, J.C. and Gerbing, D.W. (1988). Structural equation modelling in practice: a review and recommended two-step approach. *Psychological Bulletin,103* (3), 411-423.

Baron, R. M., & Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology, 51*, 1173-1182.

Beal, D. J., & Delpachitra, S. B. (2003). Financial literacy among Australian university students. Economic Papers: *A Journal of Applied Economics and Policy, 22*, 65-78. doi:10.1111/j.1759-3441. 2003.tb00337.x

Brüggen, E. C., Hogreve, J., Holmlund, M., Kabadayi, S., & Löfgren, M. (2017). Financial well-being: A conceptualization and research agenda. *Journal of Business Research, 79*, 228–237. https://doi. org/10.1016/j.jbusres.2017.03.013.

Chan, K. (2013), Development of materialistic values among children and adolescents. *Young Consumers, 14* (3). 244-257.

Chen, H., & Volpe, R. P. (1998). An analysis of personal financial literacy among college students. *Financial Services Review, 7(2),* 107–128.

Choudhry, M. T., Marelli, E., & Signorelli, M. (2010). The impact of financial crises on youth unemployment rate. *Quaderni del Dipartimento di Economia, Finanza e Statistica,79,* 1–18, Università Di Perugia.

Consumer Financial Protection Bureau, "Measuring Financial Well-Being: A guide to using the CFPB financial well-being scale," 2015.

Delafrooz and L. H. Paim (2011). Determinants of Financial Wellness Among Malaysia Workers. *African Journal of Business Management, 5*(24), 10092.

Diener, E. (1984). Subjective well-being. *Psychological Bulletin, 95*(3), 542-575.

Diener, E., Emmons, R.A., Larsen, R.J. and Griffin, S. (1985). The satisfaction with life scale. *Journal of Personality Assessment, 49*(1), 71-75.

Diener, E., Ng, W., Harter, J. and Arora, R. (2010). Wealth and happiness across the world: material prosperity predicts life evaluation, whereas psychosocial prosperity predicts positive feeling. *Journal of Personality and Social Psychology, 99(1), 52-61.*

Dittmar, H. (2005). Compulsive buying – a growing concern? An examination of gender, age, and endorsement of materialistic values as predictors. *British Journal of Psychology, 96*(4), 467-491.

Dolan, P. (2002). The sustainability of ‘sustainable consumption. *Journal of Micromarketing, 22*(2), 170-181.

Donnelly, G., Iyer, R. and Howell, R.T. (2012). The big five personality traits, material values, and financial well-being of self-described money managers. Journal of Economic Psychology, 33(6), 1129-1142.

Garðarsdottir, R.B. and Dittmar, H. (2012). The relationship of materialism to debt and financial well- being: the case of Iceland's perceived prosperity. *Journal of Economic Psychology, 33*(3), 471-481.

Gutter, M. and Copur, Z. (2011), "Financial behaviors and financial well-being of college students: evidence from a national survey", Journal of Family and Economic Issues, Vol. 32 No. 4, pp. 699-714.

Hooper, D., Coughlan, J., & Mullen, M. (2008). Structural equation modelling: Guidelines for determining model fit. *Electronic Journal of Business Research Methods, 6*(1), 53–60

Hume, M. (2010). Compassion without action: examining the young consumers consumption and attitude to sustainable consumption. *Journal of World Business, 45* (4), 385-394.

Hurst, M., Dittmar, H., Bond, R. and Kasser, T. (2013). The relationship between materialistic values and environmental attitudes and behaviors: a meta-analysis. *Journal of Environmental Psychology, 36*, 257-269.

Iyer, R. and Muncy, J.A. (2016). Attitude toward consumption and subjective well-being. *Journal of Consumer Affairs, 50* (1), 48-67.

Joo, S., & Grable, J. E. (2004). An exploratory framework of the determinants of financial satisfaction. *Journal of Family and Economic Issues, 25*(1), 162-171. http://dx.doi.org/10.1023/B:JEEI.0000016722.37994.9f

Kasser, T. and Ryan, R.M. (1993). The dark side of the American dream: correlates of financial success as a central life aspiration. *Journal of Personality and Social Psychology, 65*(20), 410-422.

Lanz, M., Sorgente, A., & Danes, S. (2019). Implicit family fnancial socialization and emerging adults' fnancial well-being: A multi-informant approach. *Emerging Adulthood*. https://doi.org/10.1177/21676 96819876752

Lea, S. E. G., Webley, P., & Walker, C. M. (1995). Psychological factors in consumer debt: Money management, economic socialization, and credit use. *Journal of Economic Psychology, 16*, 681-701.

Lyons, A.C., Scherpf, E., & Roberts, H. (2006). Financial education and communication between parents and children. *The Journal of Consumer Education, 23*, 64-76.

Lusardi, A., & Scheresberg, B. (2017). Financial capability and financial literacy among working women: new insights. Retrieved from http://gflec.org/wp-content/uploads/2017/03/ Research-Report_Working-Women_March-2017. pdf?x87657

M., Dittmar, H., Bond, R. and Kasser, T. (2013). The relationship between materialistic values and environmental attitudes and behaviors: a meta-analysis. *Journal of Environmental Psychology, 36*, 257-269.

Mandell, L. and Klein, L.S. (2009). The impact of financial literacy education on subsequent financial behaviour. *Journal of Financial Counselling and Planning, 20* (1), 15-24.

McNair, S., Summers, B., de Bruin, W. and Ranyard, R. (2016), "Individual-level factors predicting consumer financial behaviour at a time of high pressure", Personality and Individual Differences, Vol. 99, pp. 211-216.

Murphy, A.J. (2005). Money, money, money: An exploratory study on the financial knowledge of Black college students. *College Student Journal, 39*(3), 478-488.

Naderi, I. and Van Steenburg, E. (2018). Me first, then the environment: young millennials as green consumer. *Young Consumers, 19* (3), 280-295.

Norviitis, J.M., Merwin, M.M., Osberg, T.M., Roehling, P.V., Young, P. and Kamas, M.M. (2006). Personality factors, money attitudes, financial knowledge, and credit-card debt in college students. *Journal of Applied Social Psychology, 36*(6), 1395-1413.

O'Neill, S. and Nicholson-Cole, S. (2009). Fear won't do it' promoting positive engagement with climate change through visual and iconic representations. *Science Communication, 30*(3), 355-379.

Parrotta, J., & Johnson, P. (1998). The impact of financial attitudes and knowledge on financial management and satisfaction of recently married individuals. *Journal of Financial Counselling and Planning, 9*(2), 59-75.

Prawitz, A.D., Garman, E.T., Sorhaindo, B., O'Neill, B., Kim, J., & Drentea, P. (2006). InCharge financial distress/financial well-being scale: Development, administration, and score interpretation. *Financial Counselling and Planning, 17*(1), 34-50.

Sabri, M. F., & MacDonald, M. (2010). Savings behaviour and financial problems among college students: The role of financial literacy in Malaysia. *Cross-cultural Communication, 6(*3), 103-110.

Schaefer, A. and Crane, A. (2005). Addressing sustainability and consumption. *Journal of Macromarketing, 2*5(1), 76-92.

Shim, S., Xiao, J.J., Barber, B. and Lyons, A.C. (2009). Pathways to life success: a conceptual model of financial well-being for young adults. *Journal of Applied Developmental Psychology, 30* (6), 708-723.

Shockey, S. S. (2002). Low-wealth adults' financial literacy, money management behaviours, and associated factors, including critical thinking (Doctoral dissertation). Columbus, OH: The Ohio State University

Simons, C., Aysan, F., Thompson, D., Hamarat, E., & Steele, D. (2002). Coping resource availability and level of perceived stress as predictors of life satisfaction in a cohort of Turkish college students. *College Student Journal, 36*(1), 129–141

Sorgente, A., & Lanz, M. (2017). Emerging adults' financial well-being: A scoping review. *Adolescent Research Review, 2*(4), 255–292. https://doi.org/10.1007/s40894-016-0052-x.

Sorgente, A., & Lanz, M. (2019). The multidimensional subjective financial well-being scale for emerging adults: Development and validation studies. *International Journal of Behavioural Development, 43*(5), 466–478. https://doi.org/10.1177/0165025419851859.

Sorgente, A., Lanz, M., Schilirò, M., & Terranova, F. (2016). Emerging adults' subjective fnancial well-being: transition pathways and relational predictors]. *Psicologia Sociale,* 1, 47–68. https://doi.org/10.1482/82880

Steiger, J. H. (2007). Understanding the limitations of global fit assessment in structural equation modelling. *Personality and Individual Differences, 42*(5), 893–898.

Switek, M. (2013). Explaining well-being over the life cycle: A look at life transitions during young adulthood. *IZA discussion paper no. 7877*. Retrieved May 29, 2020 from https://ssrn.com/abstract=23776

Verick, S. (2009). Who is hit hardest during a financial crisis? The vulnerability of young men and women to unemployment in an economic downturn. Discussion paper series, IZA DP No. 4359. Retrieved May 29, 2020 from https://library.bsl.org.au/jspui/bitstream/1/1234/1/227148_Who_is_the_hardest_hit_during_fnancial_crisis.pdf

Vostroknutov, A. (2013). Preferences over consumption and status. *Theory and Decision, 74* (4), 509-537.

Xiao, J.J., Sorhaindo, B. and Garman, E.T. (2006). Financial behaviour of consumers in credit counselling. *International Journal of Consumer Studies, 30*(2), 108-121.

Appendix 1: Model Fit Value

RMSEA

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.086	.077	.094	.000
Independence model	.142	.135	.149	.000

CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	90	781.667	374	.000	2.090
Saturated model	464	.000	0		
Independence model	29	1730.503	435	.000	3.978