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The Mediating Effect Of Financial Literacy On The Correlation Between Financial Management Practices And Retirement Preparedness Among Public School Teachers

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Abstract: The burden of retirement preparedness has increased in recent years. This study determined the significance of the mediating effect of financial literacy on the correlation between financial management practices and retirement preparedness among public school teachers. Using a descriptive-correlational design, and involving 200 samples selected through a purposive sampling technique, it was found that financial literacy, accounting for 35.29% partially mediates the correlation between the predictive variable and criterion variable, supporting the Theory of Planned Behavior. Future studies may be conducted in other areas with different groups to validate the role of financial literacy. Further, teacher training on financial literacy and management may be prioritized.

Keywords: *Mediating effect of financial literacy, correlation between financial management practices, retirement preparedness, public school teachers*

I. Introduction

The burden of retirement preparedness has increased in recent years (Bond & Doonan, 2020). Ensuring sufficient financial resources for retirement is a growing global concern (Flores, 2025). In Brazil, a significant portion of the population is not financially prepared for retirement (Bravo et al., 2022). Similarly, South Africa reports poor retirement planning, with only a minority saving adequately (Dhlembeu et al., 2022). In India, rural educators face alarming levels of unpreparedness (Shukla, 2021). In the Philippines, retirement planning remains a major issue; retirees face financial pressures and often use their retirement pay to settle debts (Mansueto et al., 2025; Damayon et al., 2022). Persistent issues in retirement preparedness may lead to psychological problems, difficulties adjusting to retirement, increased dependency, and health-related concerns (Kiyiapi et al., 2023). Financial insecurity also correlates with low job satisfaction, high stress, reduced motivation, diminished commitment, and higher turnover intentions among educators, affecting institutional performance (Hardi et al., 2025). Given these impacts and the limited research on the topic, this study was conducted to address the pressing issue of low retirement preparedness among teachers.

This study underscores the role of financial literacy in improving teachers' financial management and retirement preparedness. It benefits teachers by promoting better financial planning and helps school administrators address financial challenges through supportive programs, fostering a more stable and satisfied workforce.

This study aimed to determine the significance of the mediating effect of financial literacy on the correlation between financial management practices and retirement preparedness among public school teachers.

Specifically, the study was guided by the following objectives:

1. To determine the levels of financial management practices in terms of cash management, credit management and, saving and investment; financial literacy in terms of financial knowledge and

financial attitude; and retirement preparedness in terms of financial planning and retirement confidence

2. To determine the significance of the correlation between personal financial management practices and financial literacy, and the retirement preparedness
3. To determine the significance of the direct and indirect effects of financial management practices on retirement preparedness in the presence and absence of financial literacy.

The Theory of Planned Behavior by Ajzen (1991) explains behavior through behavioral intentions influenced by attitude, subjective norms, and perceived behavioral control (Knowles, 2024). In this study, financial management practices—comprising cash management, credit management, and saving and investment (Mien & Thao, 2015)—represent perceived behavioral control. Financial literacy—indicated by financial knowledge and financial attitude (Mien & Thao, 2015)—corresponds to attitude. Retirement preparedness—measured by financial planning and retirement confidence (Gupta et al., 2021)—reflects behavior. This study focuses solely on attitude, perceived behavioral control, and behavior, excluding subjective norms and behavioral intention.

II. RESEARCH METHODOLOGY

The study employed a descriptive-correlational design with mediation analysis to explore how financial literacy influences the link between financial management practices and retirement preparedness, using structured data collection and statistical analysis to identify patterns and associations (Takona, J. P., 2024). This design clarified the role of financial literacy in improving financial management and overall retirement readiness among educators. The study was conducted in selected public schools in Digos City, Davao del Sur, focusing on the financial situations of teachers in these specific settings. It involved 200 public school teachers, each with at least 15 years of teaching experience. A purposive stratified random sampling technique was employed to ensure diverse and representative participation (Mashingia, 2023). The sample size was chosen to concentrate on experienced educators while maintaining adequate representation of the broader population.

This study used survey questionnaires with a total of 31 questions. The instruments—Financial Management Practices, Financial Literacy, and Retirement Preparedness—showed high internal consistency, with Cronbach's alpha values of 0.943, 0.942, and 0.938 respectively. An alpha value of 0.70 is generally considered a sufficient measure of reliability (Taber, K. S., 2018). Additionally, the tools were modified to better fit the study's objectives and the local educational context, improving their clarity and relevance. Part I of the questionnaire focused on financial management practices, consisting of 12 questions adapted from Mien and Thao (2015), rated on a five-point Likert scale from 1 (Very Low) to 5 (Very High). Part II assessed financial literacy using 10 questions also adapted from Mien and Thao (2015), similarly measured on a five-point Likert scale. Part III evaluated retirement preparedness through nine questions adapted from Gupta et al. (2021), using the same five-point Likert scale ranging from 1 (Very Low) to 5 (Very High).

The researcher obtained permission to conduct the study from the Dean of the Graduate School of Holy Cross of Davao College, Inc., the DepEd Digos City Schools Division Superintendent, District Supervisors, and school heads. Survey questionnaires and informed consent letters were distributed in person, ensuring participants understood the study's purpose, their rights, and the voluntary nature of participation. Respondents completed all sections of the questionnaire, covering financial management practices, financial literacy, and retirement preparedness. Ethical protocols were followed, with data kept secure and confidential. After analysis, the data were properly disposed of. Findings informed conclusions and recommendations regarding the mediating effect of financial literacy on the relationship between financial management practices and retirement preparedness among rural public-school teachers.

Data analysis involved using the Mean to describe variable levels, Pearson Correlation Matrix to examine relationships, and Structural Equation Modeling (SEM) for mediation analysis. Statistical software was used to process and analyze the data based on the study's objectives. Results were encoded and converted into relevant information. The study also applied a standard scheme to measure the strength and significance of correlations.

Some of the data collected from survey respondents were private and handled with strict confidentiality. Compliance with data privacy regulations, including Republic Act 10173 or the Data Privacy Act of 2012, was ensured throughout data collection, processing, and storage. To maintain privacy, only the researcher managed the data, which were securely stored and properly disposed of after the study. Respondents had the option to omit their names on the survey and were provided with informed consent forms prior to participation. Participation was voluntary, with the option to withdraw at any time. Respondents were acknowledged in the study as a gesture of appreciation for their involvement.

III. Result and Discussion

3.1 Results of Descriptive of Study Variables

Table 1 is the descriptive table. It contains the variables in the study, namely, financial management practices, financial literacy, and retirement preparedness. In addition, it includes the sample size, standard deviation, mean, and the desciptive level.

Table 1. Descriptive Table

Variables	N	SD	Mean	Descriptive Level
Financial Management Practices	200	.597	4.34	Very High
Cash Management		.584	4.39	Very High
Credit Management		.650	4.30	Very High
Saving and Investment		.721	4.14	High
Financial Literacy	200	.563	4.43	Very High
Financial Knowledge		.734	4.31	Very High
Financial Attitude		.538	4.65	Very High
Retirement Preparedness	200	.916	4.12	High
Financial Planning		.878	4.13	High
Retirement Confidence		.905	4.12	High

Table 1, the respondents rated the financial management practices variable obtained an overall mean of 4.34, which is described as very high, indicating that public school teachers are excellent in financial management. The finding of this study reveals that teachers have excellent financial management practices. Such a finding aligns with the study of Ecija (2020), emphasizing that the budgeting and debt management of teachers are remarkable. Indeed, this affirms the study of Remis (2023), which stated that the financial behavior of teachers was favorable. However, the results of this study negate the findings of Bustos and Marapao (2025), stating that financial behavior revealed challenges in debt management and overspending. Moreover, the respondents assessed financial literacy with an overall mean of 4.43, which is labeled as very high, conveying that public school teachers have excellent attributes in financial concepts The excellent financial literacy of public school teachers supports the study of Bustos et al. (2025), which showed high financial literacy among teachers, with financial knowledge scoring the highest. In addition, it corresponds to the result of the study of Lofranco et al. (2024), highlighting that teachers are financially literate to a high extent. Even so, this study refutes the findings of Prasad et al. (2020), asserting that the majority of teachers have moderate levels (58.5%) of financial literacy. Furthermore, the respondents evaluated retirement preparedness with an overall mean of 4.12, which is described as high, showing that public school teachers have very good preparedness for retirement Another finding of this study indicates that teachers have very good retirement preparedness conforms to the study of Damayon et al. (2022), which showed that the majority of the teacher-retirees are prepared personally to a high extent. Also, it corroborates the study of Fuchsman et al. (2024) by stating that most teachers are taking steps to prepare for retirement, even if many teachers do not currently possess the basic retirement knowledge necessary to plan effectively. Meanwhile, the findings do not support the study of Braynit (2025), as it revealed that teachers expressed dissatisfaction with the policy's ability to support effective retirement planning, with significant concerns about the policy's flexibility in pension options and its lack of emphasis on continuous professional development before retirement.

3.2 Correlation Analysis

Table 2 is the correlation analysis. It contains the variables in the study, namely, financial management practices, financial literacy, and retirement preparedness. It also contains the R-value, p-value, decision on Ho, and the corresponding interpretation.

Table 2. Correlation Table

	Retirement Preparedness			
Predictive Variables	**r-value**	**p-value**	**Decision on Ho**	**Interpretation**
Personal Financial Management Practices	.596	0.000	Reject	Significant
Financial Literacy	.406	0.000	Reject	Significant

Table 2 specifically shows that the correlation between financial management practices and retirement preparedness obtained a p-value of 0.000, which is less than 0.05 degree of confidence. Hence, the null hypothesis was rejected. It denotes that the correlation between financial management practices and retirement preparedness is significant. In addition, the obtained r-value of 0.596 implies that the correlation is moderately high. The research finding highlights that personal financial management practices significantly correlate with the retirement preparedness of teachers. This result agrees with the study of Patrisia and Fauziah (2019), which highlighted that financial management behavior is significant towards retirement preparedness, specifically on confidence. The finding supports the study of Mohidin et al. (2019), which revealed that money management and investment planning were found to have a significant positive relationship with retirement planning behavior or retirement preparedness.

Meanwhile, the correlation between financial literacy and retirement preparedness obtained a p-value of 0.000, which is less than 0.05 degree of confidence. Thus, the null hypothesis was rejected. It signifies that the correlation between financial literacy and retirement preparedness is significant. Moreover, the r-value obtained of 0.406 indicates that the correlation is moderately low. The research observation suggests that financial literacy is significantly correlated to the retirement preparedness of public school teachers. This finding ratifies the study of Md Hasnol et al. (2025), stating that financially literate respondents are more knowledgeable about retirement needs, attend financial seminars, and invest further into their retirement schemes voluntarily. Similarly, the result conforms to the study of Rupeika-Apoga et al. (2025), emphasizing that higher financial literacy and confidence in financial advisers are significantly associated with greater retirement preparedness.

Table 3.3 Mediation Table

Table 3 is the mediation analysis. It contains the mediation analysis results examining the relationship between financial management practices and retirement preparedness, with financial literacy as the mediating variable. The table includes the estimated values, standard errors, p-value, decision on null hypothesis, confidence intervals, z-scores, type of effect (indirect, direct, and total), and interpretations.

Path Estimates			Estimate	Std. error	p-value	Decision on Ho	Interpretation	Mediation
Financial Management Practices	→	Financial Literacy (A)	0.021	0.008	0.012	Reject Ho	Significant	
Financial Literacy	→	Retirement Preparedness (B)	0.834	0.098	<.001	Reject Ho	Significant	Partial Mediation
Financial Management Practices	→	Retirement Preparedness (C)	0.034	0.012	0.005	Reject Ho	Significant	

TYPE	LABEL	B	SE	Lower	Upper	z	p	Interpretation
Indirect	a * b	0.018	0.007	0.003	0.032	2.415	0.016	significant
Direct	c	0.034	0.012	0.010	0.057	2.809	0.005	significant
Total	c + (a * b)	0.051	0.014	0.024	0.078	3.738	< .001	significant
Percentage of Mediation = 35.29%								

Table 3 presents the indirect effect of financial literacy between financial management practices and retirement preparedness obtained an unstandardized coefficient (β) of 0.018 and p-value of 0.016, which means that there is a significant indirect effect. It suggests that at 1.8%, financial literacy partially mediates the relationship between financial management practices and retirement preparedness. This means that part of the effect of financial management practices on retirement process operates through its influence on financial literacy.

Moreover, the direct effect of financial management practices on retirement preparedness is significant, with an obtained unstandardized coefficient (β) of 0.034 and p-value of 0.016, showing that even when the effect of financial literacy is not considered, personal financial management practices still significantly influence retirement preparedness, though the effect is minimal at 3.4% only.

Furthermore, the total effect which includes both the direct and indirect effects is significant and stronger than the direct effect alone, with an unstandardized coefficient (β) of 0.051 and p-value of 0.001. This confirms that at 5.1%, financial literacy influences meaningfully to the relationship but does not completely account for it.

The results of the mediation analysis reveal that financial literacy serves as a partial mediator in the correlation between personal financial management practices and retirement preparedness. Specifically, 35.29% of the total effect of personal financial management practices on retirement preparedness is transmitted through financial literacy.

The mediating effect of financial literacy coincides with the study of Sabri et al. (2015), revealing that the relation between financial literacy and retirement confidence is fully mediated by financial management practices. In addition, even in minimal value, financial literacy still partially mediates the correlation between financial management practices and retirement preparedness. This finding agrees with the study of Dhlembeu et al. (2022), stating that financial literacy significantly influences retirement planning.

IV. CONCLUSION

Based on the results of the study, it is concluded that financial literacy significantly and partially mediates the correlation between financial management practices and retirement preparedness among public school teachers. The Theory of Planned Behavior is affirmed, except for the inclusion of subjective norms and behavioral intention. The theory states that a primary factor in predicting one's behavior is a shift in behavioral intentions and is dependent on attitude (either positive or negative), subjective norms (whether most people approve or disapprove of a behavior), and perceived behavioral control or self-efficacy.

V. RECOMMENDATION

Based on the conclusion, it is recommended that further studies be conducted in other local settings and involving other groups of respondents to validate the significance of the mediating effect of financial literacy. Teacher development activities related to financial management practices and financial literacy may be prioritized in another educational setting in order to improve the level of retirement preparedness among public school teachers.

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