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RELATIONSHIP BETWEEN FINANCIAL WELLBEING AND PERSONAL WELLNESS: A STRUCTURAL EQUATION MODELLING APPROACH

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ABSTRACT

In this Modern era, the world is moving at a very fast pace, and the people are looking for the factors or alternatives which can make them achieve financial wellbeing which ultimately will lead to overall personal wellbeing. So my research is to know about the factors which impact, influence and are responsible for achievement of financial as well as personal wellbeing, so it took the variables which are influencing the financial behavior and pattern of the people, for this we need some of the factors which help to prove financial wellbeing of people. So, we find nine factors from this we made a questionnaire, and we collected the responses from the people who are our respondents. This output helps us to find the dependent variable and try toprove the financial and personal wellbeing. Based on the dependent variable, we made a model to prove the financial and personal wellbeing, and this can help us to create the financial decision and planning for the people.

Keywords: Financial Behavior, Financial Literacy, Financial Satisfaction, Financial Stress, Materialism, Financial Wellbeing, Income Security, Demographic

Introduction

Every Human being has needs and wants in his/her life. Every person strives to get what he/she wants to satisfy his/her demands. When they fulfill their demands, they get a sense of wellbeing which is associated with the fulfillment of that demand. It provides a feeling of personal wellbeing. Personal wellbeing comes from financial wellbeing. Financial wellbeing means if a person can meet his todays demands, have enough funds to meet his future demands and is able to tackle any emergency financially, then that person is considered to have achieved financial wellbeing. Financial wellbeing comes only when we have good financial behavior. When we have good parental influence, it results in good financial behavior which ultimately results in financial wellbeing. A good financial behavior helps us to stay away from financial stress. Financial wellbeing gives us good financial behavior which incorporates a positive financial attitude within us. Financial behavior is influenced by financial knowledge. If we have sound financial knowledge, it will reflect in our financial behavior. This will result in financial wellbeing and will ultimately lead to personal wellbeing.

Maintaining your ideal level of wellness is crucial for leading a higher-quality life. Wellness is vital because everything we do and every emotion, we feel has an effect on how we feel. Therefore, how we are feeling has an instantaneous impact on our behaviors and emotions. It is a circle that never ends. Everyone must achieve optimal wellness to manage stress, reduce the risk of sickness, and maintain good interactions.

It's difficult to characterize financial behavior. Financial behavior analysis helps to better understand price trends across various industries and sectors. The efficient market hypothesis assumes that investors act responsibly towards their finances. Price variations are determined by market conditions and are unaffected by how investors manage their funds.

Financial well-being is the ability to make decisions that allow one to fully fulfil one's present and future financial obligations as well as to have faith in one's financial future. There are several adjustments you may make to your own money to enhance your financial wellness.

Additional definitions include having a sense of financial control, being able to recover financially from a setback, continuing to make progress towards financial goals, and having the flexibility to make decisions.

REVIEW OF LITERATURE

Objective knowledge and subjective knowledge are two crucial parts of financial knowledge (Friestad and Wright [1995]). There is a long history of separating objective knowledge from subjective knowledge in consumer psychology research (Friestad and Wright [1994]). According to research, subjective knowledge refers to beliefs about a state of knowledge whereas objective knowledge refers to information that is accurately recorded (Bettman and Park [1980], Park and Lessig [1981], Sujan [1985]). “Subjective knowledge can be thought of as including an individual’s degree of confidence in his/her knowledge, whereas objective knowledge refers only to what an individual actually knows” (Brucks [1985], p. 2). According to earlier studies (Moreau, Lehmann, and Markman [2001], Park, Mothersbaugh, and Feick [1994]), objective knowledge and subjective knowledge are separate categories with distinctive measures that have diverse effects on information seeking and behavior (Campbell and Kirmani [2000], Radecki and Jaccard [1995], Raju, Lonial, and Mangold [1995]). While confidence may be more influenced by investors' self-assessed subjective knowledge than accuracy, objective knowledge remains intact (Alba and Hutchinson [2000]). Since educated investors are likely to form a set of expectations about financial items over time, investors with greater levels of objective knowledge are typically able to use category-based processing (Wang [2006]). Those categories are represented by typical examples or prototypes, which can embody several the characteristics and qualities most frequently connected to the category members (Alba and Hutchinson [1987]). An initial category is available to process the information, so knowledgeable investors can process financial information about a mutual fund easily. They were able to process the information at the category level rather than based on individual attributes because they were able to use category-based processing (Chang [2004], Cohen [1982], Fiske [1982]). Because actual knowledge aids investors in understanding the information about the mutual fund, a higher level of objective knowledge promotes the development of the information (Chang [2004], Hallahan [2000a]). Investors can utilize objective knowledge to build on information by comparing newly acquired information to what they already know (Wang 2006). As an alternative, piecemeal processing might describe how investors with less objective knowledge interpret financial data. Investors with less objective knowledge who use piecemeal processing see financial information as being composed of distinct aspects. They add up or average the results using an attribute-by-attribute processing method (Fiske [1982]). They typically lack a strong category knowledge due to a lack of objective understanding. In this situation, investors with less objective information must consider each attribute individually before selecting.

From the above-mentioned statements, we have made our first hypothesis as:

H1: FKWN has a significant impact on FINBEH.

According to Potrich et al. (2016), student financial behavior is influenced by financial attitudes and financial literacy. Financial management behavior is influenced by financial attitudes, not by financial knowledge or parental income, according to Herdjiono & Damanik's (2016) research. Financial management conduct is also unaffected by financial knowledge. According to Setiawati and Nurkhin's (2017) research, there is no relationship between financial literacy and student financial attitudes, but there is a strong and beneficial influence of financial views on those students' financial conduct.

From the above-mentioned statements, we have made our second hypothesis as:

H2 - FATT has a significant impact on FINBEH.

Financial stress increases the risk of hopelessness and has a bad impact on one's physical and psychological health, according to Steen and MacKenzie. Financial stress can also have a negative impact on one's general well-being, including their state of health, as well as their ability to perform effectively at work. According to Bialik, 45% of employees who experienced financial difficulties reported higher levels of stress in their personal life, work environments, and interpersonal connections. According to the research by Netemeyer et al., financial literacy had no effect on stress related to money management but had a minor negative partial influence on expected future financial security. Additionally, it is acknowledged that buyers are more exposed because of their lower income and decreased financial security. According to Grable and Joo, college students who have credit card debt experience greater financial stress. But given these justifications, it is hypothesized in this study that financial stress negatively affects financial well-being.

From the above-mentioned statements, we have made our third hypothesis as:

H3 – FINSTR has a significant impact on FINBEH.

According to Atwood (2012:17), most people find it awkward to discuss money. To protect their children from financial information such as household debt and income, parents often hide it from them (Alsemgeest, 2014:520; Romo, 2014:95). Parents sometimes withhold financial information from their kids to save them the embarrassment and shame that comes with having money issues (Alsemgeest, 2014:521). According to Furnham, Von Stumm, and Milner (2014:49), childhood financial secrecy is linked to adult money disorders like irresponsible spending and hoarding. Thus, one of the ways that kids are financially socialized is through financial secrecy. Therefore, family financial disputes may have an impact on financial behavior and is a method of financial socialization.

From the above-mentioned statements, we have made our fourth hypothesis as:

H4 – PATINF has a significant impact on FINBEH.

In behavioral finance, the noble prize has been awarded three times out of that firstwas awarded to Daniel Kahneman and Vernon Smith in (2002) for their notable work psychology of judgment and decision making, as well as behavioral economics. Kahneman had done much work with Amos Tversky; one of them developed the Prospect theory, which aims to explain irrational human economic choices and is considered one of behavioral economics seminal works. Six years after Tversky's death, Kahneman received a noble prize in (2002) for the work he did with Tversky; at that time, Kahneman told New York Times. I feel it is a joint prize. The second noble prize was awarded to Robert J. Shiller and Eugene Fama (2013). They were awarded for their empirical analysis of asset prices. For this decision of noble prize committee, confused many "Both were in the opposite direction according to Shiller markets are often irrational and therefore beatable and at the other corner is Fama the father of the view that market is efficient" (Statman, 2014).

From the above-mentioned statements, we have made our fifth hypothesis as:

H5 - FINBEH has a significant impact on FWLBNG.

The idea of wellbeing has several facets. Individual satisfaction in the following six categories contributes to wellbeing, according to Van Praag et al. (2003): business, finance, home, leisure, health, and environmental. According to McGregor and Goldsmith (1998), elements affecting welfare can be political, spiritual, economic, physical, social, emotional, and environmental. One facet of welfare and convenience is material well-being, as both passages suggest. Financial well-being is defined by Fergusson et al. (1981) as the level of financial income and asset. Williams (1983) acknowledged the relationship between one's material and spiritual well-being, while Hayhoe et al. (1990) defined financial well-being as a person's sense of satisfaction with his or her financial situation. Porter (1990) asserts that one's attitude regarding one's financial situation based on objective factors and how they are judged considering standards determines one's financial well-being. The concept of wellbeing, or more specifically, how people perceive themselves to be in good health, varies with changes in people's quality of life, according to Joo (1998). A person's general pleasure or satisfaction with their financial condition or belongings was once referred to as their "wellbeing" in the past. However, the idea of wellbeing today has changed to encompass both tangible and intangible elements of one's view of their financial status, which has raised their level of living. The ability to meet needs, a sense of safety and security, and satisfaction with one's amount of income and award system are now included in this.

From the above-mentioned statements, we have made our sixth hypothesis as:

H6 - FWLBNG has a significant impact on PWLBNG.

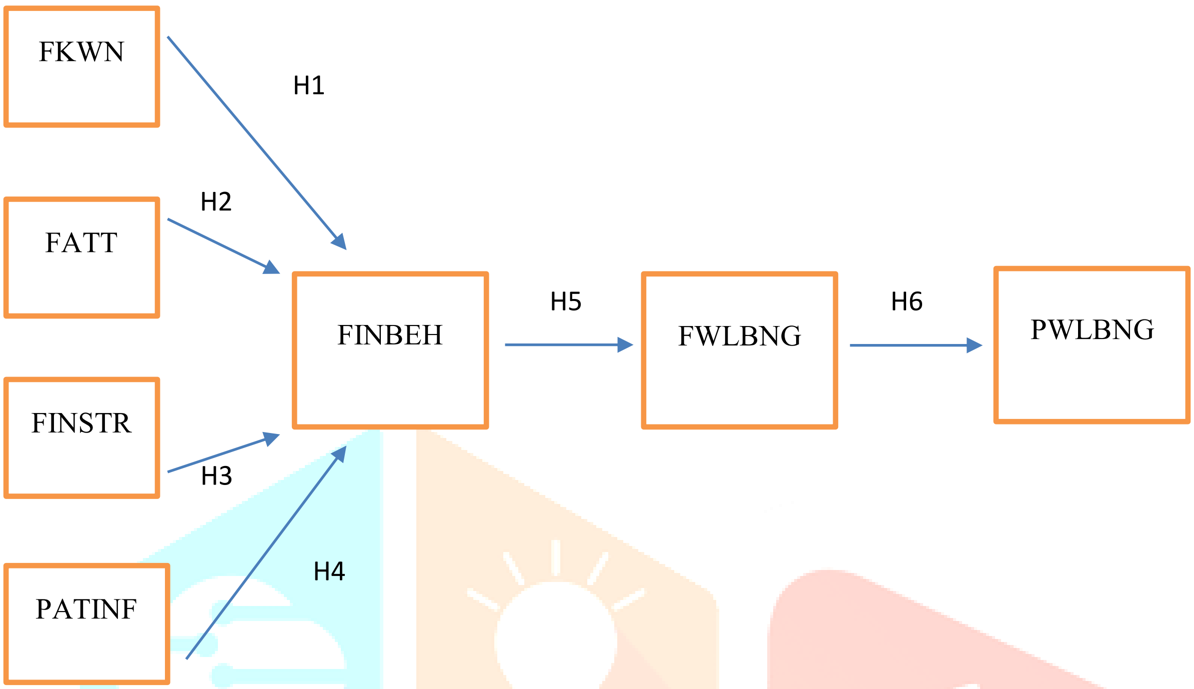
OBJECTIVES OF THE STUDY

The proposed study will try to explore the following objectives with context to financial behavior, financial wellbeing, and personal wellbeing.

1. To study the relationship between financial knowledge, financial attitude, financial stress, and Parental influence on financial behavior.
2. To study the relationship between financial behavior on financial wellbeing.
3. To study the relationship between financial wellbeing and Personal wellbeing.

CONCEPTUAL FRAMEWORK

The conceptual framework developed after studying the literature related to financial knowledge, financial attitude, financial stress, parental influence, and financial behavior is presented in Fig. below.



Research Methodology

Sampling Design and Sample Size

The research design is the framework for the study and includes instructions for data collecting, data measurement, statistical tools for analysis, and more. A plan of what we do from drafting the final analysis of data was incorporated in the research design. A research design is the arranging of the conditions for data collection and analysis in a way that tries to combine relevance to the research purpose with economy in technique. It also refers to decisions about what, when, how much, and by what means to conduct an inquiry or research study.

Data Collection

A structured questionnaire based on 5-point Likert scale for the collection of data from the individuals will be floated to collect the data from our respondents. The questionnaire consisted of 45 questions and our sample size was 322 participants from 22 different states of Punjab. The sample was collected from the people of age group of 15-64 years of age. There were more than 1100 people as our respondents but for our capstone project, due to lack of time we were able to collect only 322 responses. A total of 322 respondents are divided equally among the 22 states. The response has been collected online.

TOOLS USED

For our study on this topic, we used techniques and tools for methodologies: - the technology which we used is PLS, SEM to create the model and tools which we used is Smart PLS 3.0.

Analysis and Results

For this study we used techniques and tools for methodologies: - the technology we used PLS, SEM to create the model and tools are used is Smart PLS 3.0.
Table 1 shows the composite reliability and internal consistency (Cronbach alpha) of all constructs. Because the composite reliability and Cronbach alpha (internal reliability) values for all constructs were greater than 0.7, internal reliability for all constructs was established. The individual construct's convergent validity was established because its AVE (average variance extracted) was greater than 0.5.

VALIDITY TABLE

Table 1

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
FATT	0.839	0.903	0.757
FINBEH	0.79	0.877	0.704
FINSTR	0.851	0.91	0.771
FKWN	0.812	0.889	0.727
FWLBNG	0.85	0.909	0.77
PATINF	0.723	0.845	0.646
PWLBNG	0.712	0.838	0.633

Validity refers to a method that measures what it is supposed to. When a study's findings are highly valid, it means that they accurately reflect the genuine features, traits, and variations in the physical or social reality. Good dependability is one sign of a valid measurement.

The possibility that a product, system, or service will function as intended for a predetermined amount of time or will run faultlessly in a predetermined environment is known as reliability.

Discriminant validity showcases how much one construct is empirically different from all other constructs. Fornell and Larcker (1981) provided one criterion for assessing the discriminant validity wherein the sqrt of the AVE of the construct should be higher than the correlation with any other construct. The value of discriminant validity for all the constructs were illustrated in the table.

Table 2

	FATT	FINBEH	FINSTR	FKWN	FWLBNG	PATINF	PWLBNG
FATT	0.87						
FINBEH	0.349	0.839					
FINSTR	0.186	0.535	0.878				
FKWN	0.499	0.572	0.477	0.852			
FWLBNG	0.324	0.641	0.581	0.69	0.877		
PATINF	0.198	0.529	0.646	0.448	0.523	0.804	
PWLBNG	0.49	0.648	0.449	0.644	0.582	0.5	0.796

This table explains the correlation for individual variables compares to itself.

The value of R^2 determines the model's predictive accuracy. The mentioned criterion (rule of thumb) was used for the following study, with R^2 values above 0.75, 0.50, and 0.25, respectively, indicating substantial, moderate, or weak levels of predictive accuracy (Hair et al., 2011). Table 4 shows the R^2 value as well as the cumulative effect of exogenous variables on endogenous variables. Because R^2 is greater than 0.4, it can be concluded that the predictive accuracy for the relationship where financial stress is the dependent variable is moderate.
The predictive relevance of the inner model was represented by the value of Q^2. The higher the value of Q^2, the better the model's predictive accuracy. The predictive relevance of the inner models was demonstrated because the value of Q^2 for all endogenous variables was greater than zero (Ringle et al., 2012).

Table 3

	R Square	R Square Adjusted	Explanation	SSO	SSE	Q^2 (=1-SSE/SSO)	Predictive Relevance
FINBEH	0.453	0.446	Medium	966	664.825	0.312	Medium
FWLBNG	0.412	0.41	Medium	966	664.761	0.312	Medium
PWLBNG	0.339	0.337	Medium	966	770.54	0.202	Medium

This show the R2 value

Findings and Discussion

The results have significant partial implications for a consumer's propensity to make an online purchase. The best strategy for reducing uncertainty in finance is First Financial Wellbeing (FINBEH, FATT, FK, PATINF). Financial well-being is significantly influenced by financial conduct. where people look to achieve financial security. Building strong client relationships is largely dependent on one's financial behavior in FINBEH, FATT, FK, and PATINF.

This study shows that an individual can obtain financial wellbeing by using all these criteria.

Implications

The new study advances knowledge of the variables that can help to know about financial and personal wellbeing. To modify people's financial behaviors, policymakers and financial institutions must start initiatives to enhance financial knowledge. Previous studies have demonstrated that those who are knowledgeable about finances will behave better financially, leading to improved financial stability and reduced wellbeing. If financial literacy and financial education are aggressively pushed, people's financial stress will be minimized. By introducing additional financial products that promote financial inclusion, the government will increase the number of individuals who use the established banking system. Financial attitude and financial behavior are related, claim Morgan and Long (2020). Financial attitude has been proven to be significantly impacted positively or in a single direction by financial behavior. Financial attitude, Parental Influence and better financial behavior will lead to an increase in an individual's financial stability and a decrease in that individual's financial stress. Financial stress and wellbeing are inextricably related. Financial stress decreases as financial wellbeing increases. A person's mental, financial, and relational health will improve when they are less stressed out financially and have more time to consider their future development. He or she will give it their all at work, raising everyone's level of living in the process. This study also found that people with sound financial practices experience reduced financial stress. Financial stress is lower among Malaysian employees who have better financial habits, according to Narges and Laily's (2011) research. Poor financial management was found to be inversely correlated with financial well-being by Kim and Garman in 2004. Grohmann (2018) asserts that greater financial literacy promotes wiser financial decision-making. As a result, the primary goal should be to promote financial and overall personal wellbeing.

Limitations and Future Research Directions

As we know, research is a never-ending process, and every research has some limitations. The current study has some limitations as well. There would have been some other factors as well that could have impacted on the financial as well as personal well-being of an individual apart from the factors discussed in this study. The model could be expanded to find out how financial and personal wellbeing could be achieved.

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