



Deconstructing the Association Between Financial-Psychological Factors and Financial Well-being: Evidence from the Nepalese Working Adults

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Abstract

The study examines how financial knowledge (SFK), financial attitude (FA), and locus of control (LOC) affect the financial well-being (FWB) of Nepalese working adults, with financial behavior mediating the effects. A quantitative survey was conducted with 385 adult participants from the Kathmandu Valley. The researcher analyzed the data using SmartPLS 4.0 and IBM SPSS 22. Structural equation modeling reveals that SFK ($\beta = 0.130$, $p < 0.05$), FA ($\beta = 0.341$, $p < 0.01$), and LOC ($\beta = 0.170$, $p < 0.01$) significantly enhance FWB. Furthermore, financial behavior ($\beta = 0.059$, $p > 0.05$) does not significantly predict financial well-being and is not an effective mediator, indicating that psychological beliefs operate through routes other than behavioral ones in this context. The findings indicate that the theory of planned behavior works differently in developing countries, where structural obstacles and income instability reduce the relationship between actual well-being and intended behaviors. This evidence indicates that interventions to increase financial knowledge will require methods to build financial confidence and resiliency, in addition to standard behavioral approaches, but further studies are required to substantiate these suggestions.

Keywords: financial attitude, financial behavior, financial well-being, locus of control, subjective financial knowledge

Introduction

The financial well-being of individuals in Nepal affects both individual and societal success. It enables people to manage current expenses while building future wealth and maintaining financial security (Brüggen et al., 2017). Financial well-being integrates objective financial metrics, such as income and savings, with personal assessments of financial stability (Chaulagain, 2017). It is officially defined as a

state of financial security in which an individual can meet all current and future financial obligations and make choices that allow them to enjoy life now and in the future (Consumer Financial Protection Bureau, 2015). The financial knowledge of Nepalese workers, together with income variations and limited access to formal institutions, creates challenges for their employment (B. S. Thapa & Nepal, 2015).

Three psychological factors strongly affect financial well-being: subjective financial knowledge, financial attitude,



and locus of control. Subjective financial knowledge refers to self-assessed financial knowledge that helps people make better decisions by boosting their confidence (Karki et al., 2024; Kumar et al., 2021). Financial attitude encompasses both belief systems and value systems that people use to manage their financial resources. Positive attitudes promote saving, budgeting, and avoiding unnecessary debt (Abdullah et al., 2019). Locus of control refers to whether people believe their choices (internal) or external factors (such as luck and economic conditions) control their financial outcomes. People with an internal locus of control demonstrate improved financial planning and saving abilities (Cobb-Clark et al., 2016). Chaulagain (2017) stated that Nepal continues to struggle with poverty and income inequality while its citizens face challenges in accessing financial services. M. Thapa, & Pun (2025) demonstrate that family and community relationships have a powerful impact on how people manage their financial activities. The rotating savings association "dhukuti" shows how traditional financial practices create community-based systems for handling money (Seibel & Shrestha, 1988). Research from developed countries demonstrates that psychological factors are significant (Goyal & Kumar, 2020), yet Nepal needs its own independent study.

As compared to developed economies, in which both formal financial markets are generally well-integrated and reliable patterns of behavior result in specific economic outcomes for individuals, many working adults in Nepal exist in an informal economy with very limited opportunities for access to formalized financial institutions, significant levels of income volatility, and strong societal values of collectivism (i.e., the dhukuti savings system). Therefore, these structural and culturally based elements may lead to alternative routes by which psychological beliefs and financial behaviors affect economic well-being; however, prior literature has not examined this issue. The study explores whether financial-psychological linkages function in the same way across Nepal's various social and economic systems. The study researched how financial knowledge, financial behaviors, financial attitudes, and locus of control enable Nepalese working adults to attain financial well-being. The research establishes practical financial education and public policy solutions for Nepalese financial education systems. This study employed Ajzen (1991) theory of planned behavior (TPB) as its primary conceptual model to determine how an individual's intention or attitude ultimately leads to a financial outcome within the context of a developing economy.

Literature Review

The research uses Ajzen's Theory of Planned Behavior (TPB) to show how people develop their actual behavior through their attitude formation, their assessment of social norms, and their perceived behavioral control. People who believe they can control financial outcomes (internal locus of control) demonstrate better financial management and greater financial health (Ajzen, 1991).

Subjective Financial Knowledge and Financial Well-being

Subjective financial knowledge (SFK) measures how individuals believe they understand financial concepts such as inflation, investment, and risk management. Studies show SFK significantly improves financial well-being (Antony & Thomas, 2023; Castellanos-Alvarenga et al., 2022). Financial education enhances well-being primarily through subjective knowledge and improved behaviors (B. Ghimire & Dahal, 2024; Netemeyer et al., 2024). Financial behavior is a more consistent predictor of subjective financial well-being than literacy alone, while psychological factors like impulsiveness and future orientation enhance explanatory models (Sajid et al., 2024). Financial skill (as indicated by responsible behaviors) is most strongly associated with subjective financial well-being (Phelps & Metzler, 2025).

H1: Subjective financial knowledge is positively related to financial well-being among Nepalese working adults.

Financial Attitude and Financial Well-being

Financial attitude comprises evaluative beliefs, values, and predispositions toward money management. Positive financial attitudes lead to responsible financial choices and long-term success (Lim et al., 2014; Sugiyanto et al., 2019). Pokharel (2024) demonstrated that financial experience, skills, and attitudes determine financial self-efficacy, which in turn affects well-being. Positive financial attitudes are consistently associated with improved financial well-being (Kaur & Singh, 2022).

H2: Financial attitude is positively related to financial well-being among Nepalese working adults.

Locus of Control and Financial Well-being

Internal locus of control leads to better financial planning and outcomes (Cobb-Clark et al., 2016). Individuals with an internal locus of control believe that their financial outcomes depend on personal decisions and exhibit responsible financial behavior (Joo, 2008; Wan Nawang et al., 2024). Longitudinal evidence suggests locus of control can be influenced by life events, affecting well-being over time (Stillman & Velamuri, 2025).

H3: Locus of control is positively related to financial well-being among Nepalese working adults.

Financial Behavior and Financial Well-being

Financial behavior includes saving, budgeting, timely payments, and investment decisions. It is a major predictor of financial security and well-being (Sabri & MacDonald, 2010). Responsible financial behavior directly enhances financial well-being (Bhat et al., 2025; Norizan et al., 2025). Generational studies confirm responsible financial behavior as the main driver across age groups (Fan & Henager, 2025).

H4: Financial behavior is positively related to financial well-being among Nepalese working adults.

Mediating Impact of Financial Behavior

People's financial behavior serves as a bridge between their psychological beliefs and their financial well-being. Research demonstrates that financial literacy, together with confidence levels, affects well-being through two distinct pathways that lead to responsible financial practices (Bhattarai et al., 2024; Sajid et al., 2024; Setiyani & Solichatun, 2019). The research by She et al. (2021) established that financial behavior serves as the link between psychological beliefs and financial well-being in Malaysia. However, researchers still face major obstacles because they need to understand how different cultural, economic, and institutional systems operate in developing nations. Nepalese workers face specific obstacles, including informal work arrangements, limited access to financial products, and a preference for conventional banking services (A. Ghimire et al., 2023). Existing literature inadequately covers these problems.

H5: Financial behavior mediates the relationship between subjective financial knowledge and financial well-being among Nepalese working adults.

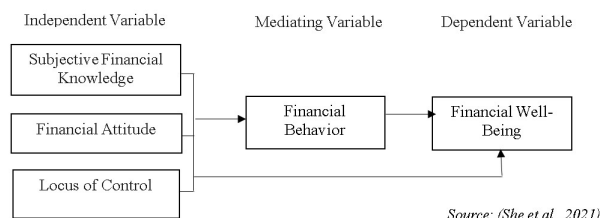
H6: Financial behavior mediates the relationship between financial attitude and financial well-being among Nepalese working adults.

H7: Financial behavior mediates the relationship between locus of control and financial well-being among Nepalese working adults.

Conceptual Framework

The study demonstrates its conceptual framework through existing literature. The framework demonstrates that financial behavior derives from three factors: financial knowledge, financial attitude, and financial control. The framework, as presented in Figure 1, shows a structured approach to examining how these variables interact.

Figure 1: Research Framework



Methodology

The study employs a positivist philosophy and uses descriptive and causal research designs. The population comprises working adults in the Kathmandu Valley. Using convenience sampling (Etikan, 2016), 385 respondents were surveyed via Google Forms (205) and hard copy (180) from April to July 2025. Ethical approval was obtained from Nepal Commerce Campus, Tribhuvan University (reference 147/082-083, dated 28 March 2025). Written informed consent was obtained.

Measures

All variable measurement scales for this study were drawn from previously published works to accurately reflect the setting, as presented in Table 1. The conceptualization of financial literacy and well-being measures in this study is broadly consistent with international standards for measuring financial literacy and inclusion (Organization for Economic Co-operation and Development, 2026).

Table 1
Measurement Instruments

Variables	Source	No. of Items
Subjective Financial Knowledge	Shanmugam, & Abidin (2013)	8
Financial Attitude	Davis, & Hustvedt (2012)	8
Locus of Control	Sapp, & Harrod (1993)	5
Financial Behavior	Dew, & Xiao (2011)	11
Financial Well-Being	Prawitz et al. (2006)	7

All items were measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Table 1 presents 39 items measuring five variables, aimed at gathering insights into the psychological beliefs and FWB of the working adults in the study. Eight items for subjective financial knowledge were adapted from Shanmugam, & Abidin (2013). Similarly, eight items on financial attitude were adapted from Davis, & Hustvedt (2012). To measure locus of control, five items were adapted from Sapp, & Harrod (1993). A total of 11 items for the mediating variable, financial behavior, were adapted from Dew, & Xiao (2011), and 7 items for financial well-being were retrieved from Prawitz et al. (2006).

Methods of Analysis

Data were analyzed using SmartPLS 4.0 (for non-normal distribution) and IBM SPSS 22 (for demographics). Reliability was assessed via Cronbach's alpha and composite reliability. Discriminant validity was tested using HTMT (<0.85), cross-loadings (<0.70), and the Fornell-Larcker criterion.

Study Demographics

The demographic characteristics of Nepalese adult respondents are presented in Table 2. Of 385 respondents, 57.1% were male, 42.9% female. Most (44.2%) were aged 25–34. Education: 48.6% bachelor's degree, 44.2% master's or above. Monthly income: 23.9% earned NRs. 20,001–30,000; 22.9% earned above NRs. 50,001.

Table 2
Demographic Profile of Respondents

Groups	Nos	%	Groups	Nos	%
Gender			Age group		
Male	220	57.1	18–24	76	19.7
Female	165	42.9	25–34	170	44.2
Marital Status			35–44	52	13.5
Married	169	43.9	45–54	61	15.8
Unmarried	216	56.1	55–60	26	6.8
Education Status			Income Level		
Intermediate (+2)	28	7.3	NRs. 20,000 and below	83	21.6
Bachelor's level	187	48.6	20,001 to 30,000	92	23.9
Master's level or above	170	44.2	30,001 to 40,000	63	16.4
			40,001 to 50,000	59	15.3
			50,001 and above	88	22.9
Total	385	100.0	Total	385	100.0

Table 3
Construct Reliability and Validity

Construct	Items	Loadings	Cronbach's Alpha	Composite Reliability (ρ_a)	Composite Reliability (ρ_c)	Average Variance Extracted (AVE)
Subjective Fin. Knowledge	SFK3	0.798	0.835	0.839	0.884	0.604
	SFK4	0.767				
	SFK5	0.847				
	SFK6	0.775				
	SFK7	0.692				
Financial Attitude	FA2	0.695	0.759	0.765	0.838	0.509
	FA3	0.714				
	FA4	0.677				
	FA5	0.771				
	FA6	0.709				
Locus of Control	LOC1	0.728	0.747	0.753	0.840	0.569
	LOC2	0.733				
	LOC3	0.827				
	LOC4	0.725				
Financial Behavior	FB2	0.703	0.825	0.831	0.873	0.534
	FB3	0.739				
	FB4	0.720				
	FB5	0.801				
	FB6	0.742				
	FB8	0.672				
Financial Well-Being	FWB2	0.808	0.878	0.882	0.908	0.623
	FWB3	0.815				
	FWB4	0.785				
	FWB5	0.766				
	FWB6	0.832				
	FWB7	0.725				

Source: Survey data (2025)

Reliability and Validity

As shown in Table 3, all constructs had Cronbach's alpha > 0.70 and composite reliability > 0.80. AVE values ranged from 0.509 (FA) to 0.623 (FWB). The Fornell-Larcker criterion showed that the square roots of the AVEs exceeded the inter-construct correlations. HTMT values were below 0.85. Cross-loadings were below 0.70 for non-target constructs. VIF values were below 3.3, indicating no collinearity.

The research used three methods, which included HTMT, cross-loading, and the Fornell-Larcker criterion, to evaluate discriminant validity. [Fornell, & Larcker \(2011\)](#) criteria compare the square root of the AVEs with the correlations between latent variables in a structural model. The criterion requires that all constructs have AVE square roots that exceed their highest correlations with other constructs.

Table 4
Fornell and Larcker's Test

	FA	FB	FWB	LOC	SFK
FA	0.714				
FB	0.674	0.731			
FWB	0.498	0.402	0.789		
LOC	0.327	0.312	0.358	0.754	
SFK	0.475	0.459	0.396	0.449	0.777

Table 4 reveals that, in accordance with the Fornell-Larcker criterion, the square roots of AVE are greater than the square roots of the related correlations. Additionally, it was observed that the loaded items exceeded their latent variable. The values of the HTMT ratio for every pair of constructs are usually shown in the HTMT ratio, as presented in Table 5.

Table 5
HTMT Ratios

	FA	FB	FWB	LOC	SFK
FA					
FB	0.839				
FWB	0.599	0.464			
LOC	0.428	0.406	0.434		
SFK	0.589	0.551	0.457	0.572	

The HTMT ratio values shown in Table 5 serve as measurements of discriminant validity, which researchers use to evaluate PLS-SEM results. The researchers established that constructs remain distinct when HTMT values are below 0.85, per their study guidelines. Table 5 provides evidence of good discriminant validity for the data in this study, as both FA and FB have HTMT values of 0.839, well below the 0.85 threshold. All other items had loadings ranging from 0.406 to 0.599. Therefore, it can be concluded that the entire model has discriminative validity, as each HTMT measure was less than .85. Furthermore, according to Gefen, & Straub (2005), the loadings of items on other constructs should generally be less than .70, thus helping to classify and differentiate the main construct with regard to its associated constructs.

Table 6 shows that most items exhibit strong connections to their associated constructs, namely FA, FB, FWB, LOC, and SFK. The results demonstrate that discriminant validity remains intact because cross-loadings to different constructs stay below the 0.70 threshold, which serves as the required standard. The assessment needs to be repeated because some items require clearer measurement definitions aligned with their main purpose.

Table 6
Cross Loadings

	FA	FB	FWB	LOC	SFK
FA2	0.695	0.527	0.250	0.166	0.330
FA3	0.714	0.481	0.406	0.189	0.374
FA4	0.677	0.421	0.301	0.227	0.282
FA5	0.771	0.524	0.454	0.273	0.354
FA6	0.709	0.446	0.343	0.312	0.349
FB2	0.574	0.703	0.281	0.188	0.301
FB3	0.517	0.739	0.354	0.154	0.397
FB4	0.475	0.720	0.216	0.144	0.261
FB5	0.547	0.801	0.355	0.250	0.353
FB6	0.462	0.742	0.265	0.280	0.340
FB8	0.340	0.672	0.266	0.385	0.358
FWB2	0.418	0.307	0.808	0.230	0.327
FWB3	0.441	0.318	0.815	0.268	0.346
FWB4	0.359	0.310	0.785	0.340	0.323
FWB5	0.389	0.325	0.766	0.353	0.303
FWB6	0.411	0.368	0.832	0.267	0.317
FWB7	0.331	0.269	0.725	0.232	0.247
LOC1	0.294	0.291	0.248	0.728	0.314
LOC2	0.230	0.196	0.307	0.733	0.350
LOC3	0.263	0.231	0.317	0.827	0.361
LOC5	0.185	0.219	0.193	0.725	0.329
SFK3	0.309	0.316	0.269	0.335	0.798
SFK4	0.444	0.346	0.381	0.288	0.767
SFK5	0.402	0.408	0.306	0.370	0.847
SFK6	0.351	0.372	0.291	0.336	0.775
SFK8	0.321	0.334	0.278	0.424	0.692

Source: Survey data (2025)

Presentation and Analysis

Descriptive Analysis

Table 7
Descriptive Statistics

Latent Variables	Minimum	Maximum	Mean
SFK	8	40	3.820
FA	8	40	3.718
LOC	5	25	3.740
FB	11	55	3.743
FWB	7	35	3.266

Note. Source: Survey data (2025)[cite: 5, 8, 21].

Based on the descriptive statistics presented in Table 7, respondents show moderate financial knowledge, positive attitudes, and responsible behaviors, but lower perceived financial well-being.

Normality Test

Table 8
Normality Test

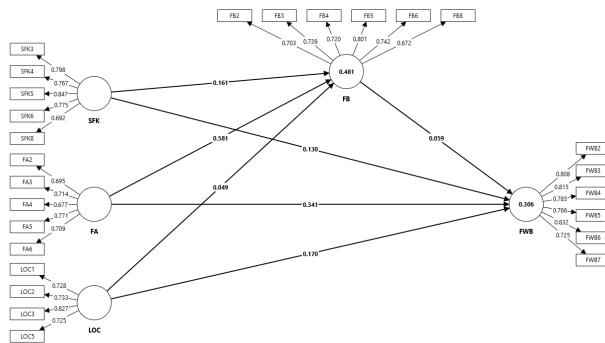
Construct	K-S Stat	Df	Sig.	S-W Stat	Df	Sig.
SFK	0.121	385	0.001	0.933	385	0.001
FA	0.09	385	0.001	0.971	385	0.001
LOC	0.125	385	0.001	0.965	385	0.001
FB	0.129	385	0.001	0.955	385	0.001
FWB	0.098	385	0.001	0.981	385	0.001

Kolmogorov-Smirnov and Shapiro-Wilk tests ($p < 0.001$ for all constructs), as presented in Table 8, indicated non-normal distribution, justifying PLS-SEM.

Measurement Model

A measurement model (also known as a latent variable model) establishes a mathematical structure that links observable elements to unobservable ones, as illustrated in Figure 2. Bollen (2001) noted that measurement models relate an individual's measured attributes with their respective measurement indicators directly or indirectly. The model is used to determine whether the selected measurement indicators are indeed representative of the theoretical construct they are intended to represent. The measurement model is used to provide confidence in the results of this research by validating the measurement instrument(s) used in the study, thereby enhancing their validity.

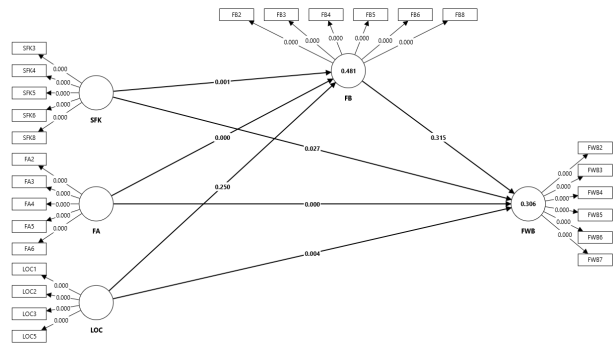
Figure 2: Measurement Model



Structural Model Assessment

The structural model serves as a theoretical framework for examining relationships among variables and their mutual influences.

Figure 3: Measurement Model



The study explains the structural equation model using Figure 3 to present the results. Together, SFK, FA, and LOC affect both FB and FWB. The path coefficient measures the degree of relationship among these variables. FB has a 0.315 relationship with FWB. Additionally, the R-squared (R^2) values represent the amount of variation explained by each endogenous variable; SFK, FA, and LOC collectively account for 48.1 % of FB's variation, whereas FB and all additional predictor variables jointly account for 30.6 % of FWB's variation. Since the partial effects are transmitted from FB to FWB, FB functions as a mediator.

Model Fit

Table 9
Measure of Model Fit

Model	SRMR	Sample Mean (M)	95%	99%
Saturated model	0.083	0.048	0.053	0.055
Estimated model	0.083	0.048	0.053	0.055

Table 9 shows that the SRMR in both models was 0.083, resulting just above the acceptable cut-off of 0.08, suggested by Hu, & Bentler (1999); however, it remains well below the 0.10 acceptability limit. The average SRMR was 0.048, and the 95% CI ranged from 0.053 to 0.055. Therefore, the SRMR values were found to be very stable and reliable.

Path Coefficient

According to the results in Table 10, FA, SFK, and LOC have strong effects on students' ability to maintain financial health, while students' actual financial behavior has no impact on their financial well-being. The results demonstrate that FA (0.581) and FWB (0.341) both indicate strong positive effects, highlighting the importance of developing positive financial attitudes. SFK has a strong impact on both FB (0.161) and FWB (0.130), as financial knowledge helps people achieve better financial outcomes through improved financial behavior. The study shows that LOC positively affects FWB,

Table 10
Path Coefficient

Path	Original (O)	Mean (M)	STDEV	T-Stat	P-Val	2.5%-97.5%
FA → FB	0.581	0.581	0.054	10.828	0.001	0.470–0.682
FA → FWB	0.341	0.344	0.064	5.330	0.001	0.217–0.469
FB → FWB	0.059	0.058	0.059	1.005	0.315	-0.059–0.172
LOC → FB	0.049	0.050	0.043	1.150	0.250	-0.034–0.134
LOC → FWB	0.170	0.170	0.059	2.881	0.004	0.054–0.286
SFK → FB	0.161	0.162	0.049	3.320	0.001	0.070–0.260
SFK → FWB	0.130	0.132	0.059	2.210	0.027	0.014–0.244

with an effect size of 0.170, indicating that people who believe they can manage their financial responsibilities achieve better financial outcomes. The two financial behavior effects on FWB (0.059) and the LOC effect on FB (0.049) are not significant, suggesting that good financial behavior and locus of control alone might not lead to better financial well-being. The findings demonstrate that psychological factors, such as financial attitude and control, play crucial roles in financial well-being research, whereas financial behavior alone does not yield better financial outcomes.

Model Predictive Capacity

The exogenous variable(s) determine the endogenous variable(s) through their explanatory power, as indicated by R-squared statistics. The system has a value range from 0 to 1. [Hair et al. \(2011\)](#) established R-squared thresholds of 0.75, 0.5,

and 0.25, which measure the explanatory power of endogenous latent variables as significant, moderate, and poor, respectively.

The coefficients of determination for the structural model linking FB with FWB appear in Table 13. The R-squared value for FB is 0.481, indicating that 48.1% of the variation in financial behavior is explained by the model. At the sample mean, the R-squared for FB at the sample mean equals 0.489, with a standard deviation of 0.053. The t-statistic is 9.162, and the p-value is 0, indicating a highly significant association. The 95% confidence interval for FWB ranges from 0.231 to 0.406. The model demonstrates strong explanatory power for both FB and FWB, with greater capacity to explain FB than FWB. F Square (F2) helps researchers understand how much results are affected by their underlying causes, and researchers use it to demonstrate their findings. Extrinsic latent variables show low to medium to strong impacts, which [Gignac, & Szodorai \(2016\)](#) define as value ranges of 0.02 to 0.15 to 0.35. An effect disappears when the effect size falls below the 0.02 threshold.

Table 11
Coefficient of Determination of Structural Model

	R-Square	Sample Mean (M)	STDEV (STDEV)	T Statistics ($ O/STDEV $)	P Values	2.50%	97.50%
FB	0.481	0.489	0.053	9.162	0.001	0.386	0.590
FWB	0.306	0.318	0.045	6.789	0.001	0.231	0.406

Source: Survey data (2025)

Table 11 shows that FA and SFK significantly explained FB ($R^2 = 0.481$) and FWB ($R^2 = 0.306$). These results indicate that psychological beliefs account for a medium-to-high share of the variation in the outcome variables, with 30-48% of the variation explained by the predictors. However, as shown in Table 12, the f^2 values for LOC → FB (0.004), LOC → FWB (0.032), SFK → FB (0.034), and SFK → FWB (0.016) all fall into the small category based on Cohen's (1988) criteria, indicating

that although these relationships were statistically significant, they were of relatively small magnitude. Furthermore, FA → FWB has an effect size of $f^2 = 0.494$, which is considered large; however, FA → FB has an effect size of $f^2 = 0.085$, which is considered medium/small. Lastly, FB → FWB demonstrated an effect size of $f^2 = 0.003$. This confirms that financial behavior is not significantly related to financial well-being in this sample.

Table 12
F-square Effect Size

	F-Square Effect Size	Sample Mean (M)	STDEV (STDEV)	T Statistics ($ O/STDEV $)	P Values	2.50%	97.50%
FA → FB	0.494	0.514	0.142	3.475	0.001	0.279	0.830
FA → FWB	0.085	0.091	0.036	2.377	0.017	0.032	0.171
FB → FWB	0.003	0.005	0.006	0.411	0.681	0.001	0.023
LOC → FB	0.004	0.007	0.008	0.475	0.635	0.001	0.027
LOC → FWB	0.032	0.037	0.025	1.316	0.188	0.003	0.097
SFK → FB	0.034	0.037	0.021	1.624	0.104	0.007	0.087
SFK → FWB	0.016	0.020	0.016	1.009	0.313	0.001	0.060

Mediation Analysis

The analysis examines how financial behavior mediates the relationships among SFK, FA, LOC, and FWB. The variance accounted for (VAF) method assesses mediation effects and indicates a direct relationship between two variables. The VAF results indicate that FB serves as a weak mediator between SFK and FWB, as its value falls below the threshold for moderate mediation. The path coefficient for the mediation path

SFK → FB → FWB is 0.0095, indicating that SFK produces a weak positive effect on FWB through the mediation of FB. The financial behavior relationship indicates that financial behavior serves as a mediator between the two variables, but its impact on WFB progress remains weak. The absence of significant mediation effects contradicts established models from developed economies, suggesting that unique mechanisms operate in Nepal's financial environment.

Table 13
Direct Effect

Path	Beta Coefficient	Path	Beta Coefficient	Path	Beta Coefficient
SFK → FB	0.161	FA → FB	0.581	LOC → FB	0.049
FB → FWB	0.059	FB → FWB	0.059	FB → FWB	0.059
SFK → FB	0.161	FA → FWB	0.341	LOC → FWB	0.170

Source: Survey data (2025)

The VAF value of approximately 0.091 indicates that FB is an ineffective mediator between FA and FWB, as it falls below the established range for moderate mediation (0.2-0.8). The path coefficient for the mediation path FA → FB → FWB is 0.0343, indicating that financial activity has a slight positive indirect effect on financial well-being through financial attitude. The relationship between the two variables is significant, but financial conduct serves only as a minor moderator.

The VAF of approximately 0.0167 indicates that FB is an unimportant mediator between LOC and FWB, as it falls below the 0.2-0.8 range typically considered moderate mediation. The path coefficient for the mediation path LOC → FB → FWB is 0.002891, indicating an extremely weak indirect effect of locus of control on financial well-being through FB. The direct connection between LOC and FWB is more important than the mediated pathway.

Hypothesis Testing

Table 14
Hypothesis Summary

Hypothesis	Path Coefficient	P Values	Hypothesis
H1: SFK → FWB	0.130	0.027	Supported
H2: FA → FWB	0.341	0.001	Supported
H3: LOC → FWB	0.170	0.004	Supported
H4: FB → FWB	0.059	0.315	Not Supported
H5: SFK → FB → FWB	0.010	0.361	Not Supported
H6: FA → FB → FWB	0.034	0.321	Not Supported
H7: LOC → FB → FWB	0.003	0.523	Not Supported

Source: Survey data (2025)

The hypothesis testing results, as presented in Table 14, show a pattern in which psychological beliefs directly affect financial well-being, excluding actual financial behaviors, contradicting existing assumptions about how people mediate their behavior.

The hypothesis summary in Table 14 indicates that three direct relationships (SFK to FWB, FA to FWB, and LOC to

FWB) are statistically significant and supported, with path coefficients of 0.130 ($p = 0.027$), 0.314 ($p = 0.001$), and 0.170 ($p = 0.004$), respectively. The direct effect of FB on FWB exists, but the evidence does not support it ($\beta = 0.059$, $p = 0.315$). The three indirect hypotheses, which use FB as a mediator to test SFK to FWB, FA to FWB, and LOC to FWB, do not receive support because their p -values remain above 0.05. The results show that skill, attitude, and control directly affect financial well-being, whereas financial behavior has no significant impact, either directly or as a mediator, in this study.

Discussion

The results indicate that locus of control, subjective financial knowledge, and financial attitude directly affect financial well-being, consistent with prior research (Dahal et al., 2024; Gurung et al., 2024; Sugiyanto et al., 2019; Wan Nawang et al., 2024). However, financial behavior does not significantly predict financial well-being, and the financial beliefs–well-being relationship is not mediated by financial behavior.

The decoupling of favorable financial behaviors from improved life outcomes may result from Nepal-specific challenges. Individuals who face volatile earnings, work in an unregulated informal sector, and lack access to regulated financial services have difficulty translating positive financial practices into improvements in their quality of life. Only a small percentage of respondents, who were the most highly educated at 92.8%, had achieved a bachelor's degree or higher and reported lower-than-average incomes, with 61.9% of these individuals earning less than NPR 40,000/month. In addition to cultural practices that prioritize group decision-making (e.g., making family financial decisions and participating in a dhukuti system), Nepali culture places greater weight on the individual's role in personal financial decision-making. Nepal has legislation such as the Consumer Protection Act of 2075 (2018), which sets out provisions for the protection of consumers of financial products/services. The above-mentioned act can provide a basis for developing programs to educate informal-sector workers on how best to protect themselves through more effective, targeted financial education.

Research findings indicate that the theory of planned behavior is not universally applicable in developing countries, and questions arise as to whether it can be applied directly to the conditions of the informal economy, inviting additional comparative studies across other developing economies. The implications are that the Government should establish an alternative method of their budget process with more focus on increasing confidence (financial) and Resilience (psychological), instead of just educating people using the traditional methods of education. Given the cross-sectional study design, it is too early to conclude whether alternative approaches will be successful or ineffective from a governmental perspective.

Conclusion

The financial well-being of Nepalese workers is more strongly influenced by psychological factors, such as financial attitude and locus of control, than by their actual financial practices. Proactive financial attitudes show the strongest link to well-being. People with an internal locus of control achieve better financial security because they take personal responsibility for their lives. The impact of subjective financial knowledge on financial outcomes remains limited yet important. People's financial behavior does not mediate the link between their psychological beliefs and their financial well-being, contrary to existing expectations. The study shows that people can achieve positive financial results when they combine responsible financial practices with a belief system that supports their ability to manage money.

Financial education programs need to include psychological elements, such as confidence-building, self-efficacy training, and campaigns that teach healthy financial habits and empower people to make informed financial decisions. Policymakers need to address structural obstacles, including income volatility and limited access to formal financial systems, that prevent people from achieving better life outcomes. Future research should use longitudinal designs and include objective financial measures.

Declarations

Conflict of Interest

The author declares that there are no conflicts of interest regarding the publication of this paper.

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Data Availability Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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