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Psychological Beliefs and Financial Wellness in Developing Economy: The Mediating Role of Financial Behavior

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ABSTRACT

This study investigates the relationship between psychological beliefs and financial wellness in the context of developing economies, specifically focusing on Nepal. It examines how subjective financial knowledge, financial attitudes, and locus of control influence financial wellness, while also assessing the mediating effect of financial behavior. Utilizing a correlational and explanatory research design, data were collected through self-administered questionnaires from 221 financially independent working adults in Nepal. The analysis aimed to identify the associations between psychological beliefs and financial wellness. The findings indicate that positive psychological beliefs—particularly subjective financial knowledge, financial attitudes, and locus of control—are significantly associated with improved financial wellness. While financial behavior mediates the relationship between financial attitudes and financial wellness, it does not mediate the effects of subjective financial knowledge or locus of control. The results underscore the importance of psychological beliefs in shaping financial behavior and overall financial wellness. This study contributes to the limited literature on financial wellness in developing economies and offers valuable insights for policymakers, financial educators, and practitioners. Encouraging financial literacy and fostering positive financial attitudes are essential strategies for enhancing financial wellness among working adults in Nepal. The findings suggest that individuals with sound financial knowledge, a strong sense of control over their finances, and favorable attitudes are better equipped to manage their personal finances effectively.

Keywords: psychological beliefs, financial wellness, subjective financial knowledge, financial attitude, locus of control, financial behavior, developing economy

Introduction

Personal Financial Management (PFM) plays a vital role in enhancing overall well-being by enabling individuals to meet their financial obligations and responsibilities effectively. According to Riitsalu and Murakas (2019), the ability to manage finances is crucial for maintaining psychological health and productivity in the workplace. Financial concerns can significantly influence an individual's sense of fulfillment or disappointment, with the latter often leading to psychological distress and health deterioration, thereby affecting self-confidence and work performance (Charkhabi, 2018).

Financial Well-Being

Definition and Importance

Financial well-being is defined as an individual's attitudes toward their financial situation and the choices they make, which are essential for securing a stable future (Netemeyer et al., 2018). Alarmingly, nearly three-quarters of adults report experiencing financial stress, with about one-quarter facing high levels of stress due to difficulties in paying bills (American Psychological Association, 2022). The concept of financial well-being encompasses the ability to meet both present and future commitments while fostering confidence in one's financial future (Stromback et al., 2017). National Initiatives

In Western countries, there is a growing emphasis on national initiatives aimed at improving personal financial literacy and well-being (Xiao & Porto, 2017). Financial security is fundamental for achieving satisfaction and happiness, as highlighted by Porter and Garman (1993). However, the evolving social contexts and complexity of financial products pose challenges for effective financial planning. Governments worldwide, including those in developing economies, are increasingly reducing post-retirement payments, underscoring the necessity for personal retirement planning and enhanced financial literacy.

Impact of COVID-19 on Financial Wellness

The COVID-19 pandemic has further emphasized the critical nature of financial wellness. It has prompted individuals to prepare for unforeseen expenses and crises amid limited governmental support. The rising life expectancies coupled with increased dependents necessitate larger retirement funds, thereby highlighting the importance of prudent budgeting and pre-retirement investments. The intricate nature of contemporary financial products necessitates a robust understanding of financial literacy and supportive government initiatives.

Financial Literacy in Developing Economies

In the context of developing economies, a baseline survey conducted by the Nepal Rastra Bank reveals concerning statistics regarding financial literacy: only 27.5% of respondents met minimum targets across various components, with an overall financial literacy rating of 57.9% (Nepal Rastra Bank, 2022). This underscores a pressing need for enhanced focus on financial literacy within such contexts.

Problem Statement

While there is a growing body of literature examining the relationship between psychological beliefs and financial wellness, there remains a notable scarcity of studies specifically focusing on working adults in developing countries. This gap is significant, as the financial challenges faced by individuals in these contexts may differ markedly from those in developed nations. This study seeks to address this gap by investigating the interrelationships among subjective financial knowledge, financial attitudes, locus of control, financial behavior, and overall financial wellness within a developing economy.

This research not only fills a critical gap in the existing literature but also aims to provide valuable insights for policymakers, practitioners, and academics regarding the intricate dynamics between psychological beliefs and financial wellness. By informing the development of laws, standards, and educational initiatives centered on financial literacy, this study aspires to empower working adults in developing countries. The ultimate goal is to enable these individuals to take charge of their financial situations, cultivate positive attitudes toward money management, and enhance their financial knowledge, thereby securing a more stable and prosperous future.

Research Objective

The primary objective of this research is to investigate the interrelationships among psychological beliefs related to finance—specifically subjective financial knowledge, financial attitude, and locus of control—and their impact on financial wellness. Additionally, it will analyze how financial behavior mediates these relationships.

Literature Review

Psychological Beliefs

A belief is generally defined as the conviction that something is true. When an individual perceives a specific tenet as likely true, they are said to believe it; conversely, if they regard a doctrine as unlikely to be true, they exhibit mistrust. Human reasoning often relies on intuitive processes influenced by the connections formed during decision-making situations, which can lead to overconfidence and the "What You See Is All There Is" (WYSIATI) phenomenon—where individuals disregard information that is not readily available (Kahneman, 2011). Tversky and Kahneman (1973) introduced the availability heuristic, highlighting judgmental biases that arise when individuals evaluate probability based on easily accessible information. Financial institutions and advisors must acknowledge these psychological elements, particularly the roles of locus of control and financial literacy in shaping financial behavior (Mutlu & Ozer, 2021). It is recommended that comprehensive financial information be provided to mitigate confusion.

Donnelly et al. (2012) explored how money management tendencies can be predicted from Big Five personality traits and materialistic values. Their findings indicate that beliefs in material possessions as sources of happiness negatively impact money management, while conscientiousness positively predicts effective financial behavior, influencing wealth accumulation, debt management, and compulsive buying tendencies. Understanding the psychological variables that influence sound financial behavior and overall well-being is crucial (Stromback et al., 2017; Mishra, 2022). Their research reveals that individuals with high self-control tend to save consistently, exhibit better overall financial conduct, experience less financial concern, and possess greater confidence in their financial situations.

Within the realm of psychological beliefs, three key variables have been identified: subjective financial knowledge, financial attitude, and locus of control.

Subjective Financial Knowledge

Previous studies have demonstrated that an individual's subjective financial knowledge significantly affects their wealth accumulation (Rooij et al., 2012), investment behaviors in stock and derivatives markets (Tsai & Hsaio, 2018), as well as their financial planning for retirement and credit card management (Limbu & Sato, 2019). Garg and Singh's (2018) study highlights low financial literacy among global youth, influenced by factors such as age, gender, income, marital status, and education. This report investigates worldwide youth financial literacy levels while exploring the relationships between socioeconomic factors and financial knowledge, attitudes, and behaviors. Lind et al. (2020) examined the connections between individual differences in objective versus subjective financial knowledge, numerical ability, and cognitive reflection on various financial behaviors and emotions. Their findings suggest that both types of financial knowledge predict sound financial practices; however, subjective financial knowledge serves as a stronger predictor of positive financial conduct and subjective happiness than objective knowledge.

Financial Attitude

Financial attitude refers to an individual's disposition toward money management practices encompassing long-term planning, emergency savings, and future investments (Amagir et al., 2020). Indicators of a person's financial attitude include perceptions of power and prestige associated with finances, proactive financial preparation, thoughtful behavior regarding money management, and the quality of their monetary decisions. A responsible financial attitude is often reflected in how individuals manage cash inflows and outflows while making long-term investments aligned with their needs (Kholilah & Iramani, 2013). Financial attitude encapsulates the application of finance concepts to generate value through optimal resource allocation (Khairani & Alfarisi, 2019). Individuals' personal financial conduct is largely governed by their mindset toward finances (Djou, 2019; Sagoro, 2018) defines financial attitude as the mental state or judgment regarding one's finances. Qamar et al. (2016) describe it as an individual's perception of money's role in influencing their money management actions.

Research by Ameliawati and Setiyani (2018) indicates a positive correlation between favorable attitudes toward finances and effective resource management behaviors. Yong and Wee (2018) emphasize the significant relationship between financial attitudes and behaviors—particularly in monitoring spending habits and saving practices—suggesting that educating working individuals about achieving long-term financial objectives is essential. Mien and Phuong-Thao (2015) found a significant positive association between financial attitudes and both financial literacy or knowledge with personal finance management behaviors; furthermore, individuals with a strong internal locus of control are less likely to engage in poor personal finance management practices. Bapat's (2020) research identified an effect on the relationship between financial attitudes, internal locus of control, and young adults' financial management behaviors.

According to Nepal Rastra Bank (2022), the average score for financial attitudes in Nepal is 64.1 percent. Notably, there are minimal differences in scores across gender demographics or age groups; however, it was observed that individuals with lower income levels tend to have higher scores compared to those earning above the national average.

Locus of Control

Locus of control is a psychological construct that reflects an individual's belief regarding the extent to which they can influence events affecting them; it can be categorized into internal locus of control—where outcomes are attributed to personal efforts—and external locus of control—where outcomes are attributed to external factors such as luck or chance (Muhidia, 2019). The concept was introduced by Rotter (1996) based on his empirical law of effect. The locus of control is critical for understanding human behavior within organizational contexts; it can be assessed using tools like Rotter's scale.

Internals attribute outcomes to their personal efforts or qualities—viewing positive results as reflections of hard work—while externals attribute results to factors beyond their control (Carrim et al., 2006; Litturen & Storhammar, 2000). This distinction influences how individuals perceive their ability to manage their circumstances effectively.

Financial control serves as a measure for assessing whether an individual's management aligns with planned budgets. Factors such as peers' influences and spiritual intelligence were found to significantly impact self-control; however, they did not substantially affect overall financial management behavior (Nuryana & Wicaksono, 2020). Mien and Thao's (2015) research indicates a positive correlation among financial attitudes, knowledge, locus of control, and personal finance management behaviors.

The degree of empowerment in financial matters can serve as a form of psychological empowerment for employees within an organization, potentially leading to innovative behavior (Adhikari, 2023a) and enhanced performance (Adhikari, 2023b).

Financial Wellness

The framework for understanding financial wellness encompasses contextual factors, interventions related to finance, individual behaviors regarding finances, personal attributes influencing finance-related decisions, and the resultant consequences on overall well-being (Brüggen et al., 2017). Although achieving financial well-being is a common goal among governments and researchers alike, there remains no universally accepted definition or measurement for this construct (Aubrey et al., 2022; Brüggen et al., 2017). Financial well-being is recognized as a significant aim in an individual's life; its attainment correlates with increased happiness and satisfaction levels (Joo & Grable, 2004).

Sorgente and Lanzy (2017) highlight the dual nature of financial well-being—encompassing both objective elements like material resources alongside subjective elements related to emotional perceptions about one's finances. Research conducted by Arpana and Swapna (2020) identifies significant positive relationships between individual behaviors related to finances—such as saving habits—and overall perceptions of financial wellness.

Several studies underscore the influence of individual characteristics on achieving better financial wellness outcomes while also acknowledging gaps in predictive power concerning purely objective measures of financial knowledge. This suggests that psychological factors should be integrated into educational initiatives aimed at enhancing individuals' understanding of finance.

Financial Behavior

Personal Financial Management Behavior (PFMB) includes various aspects such as cash flow management practices, investment strategies, risk assessment approaches for retirement planning purposes alongside tax planning considerations (Altfest, 2004). Financial behavior encompasses decision-making processes related to budgeting practices alongside bill payments while also considering savings strategies employed by individuals as well as investment choices made over time (Bhushan & Medury, 2014).

Xiao and Porto's (2017) research emphasizes the mediating roles played by both literacy levels concerning finance along with behavioral tendencies in determining overall satisfaction derived from educational interventions focused on finance-related topics. Goyal et al. (2021) synthesis of literature highlights key mediators influencing PFMB's impact on overall wellness—including subjective literacy levels alongside desirable behavioral traits linked directly back towards educational experiences received throughout life stages.

Positive behaviors such as effective expenditure planning correlate strongly with improved literacy levels while negative tendencies like excessive reliance upon credit negatively impact overall wellness metrics observed within populations studied globally—including gender-specific differences noted regarding risk tolerance levels impacting decision-making capabilities observed within various cultural contexts.

Relationships Among Psychological Beliefs Financial Behavior and Financial Wellness

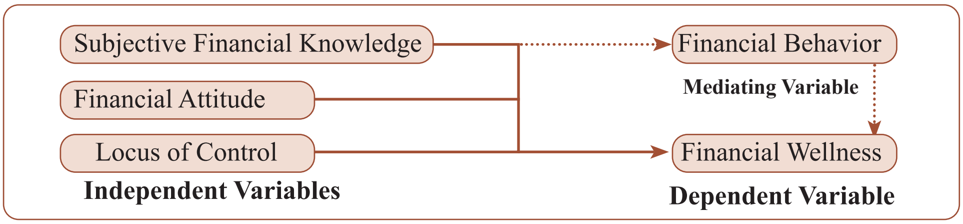
Research has produced mixed findings regarding the relationships among psychological beliefs surrounding finance alongside observable behavioral patterns exhibited within populations studied globally. Ethical capital formation needs in-depth analysis relating other variable would be future research scope using this research as base (Mishra, 2023; Mishra & Aitha, 2023). While some studies challenge assumed connections between knowledge gained through education versus actual behavioral changes observed post-intervention efforts aimed at improving literacy rates within communities examined previously conducted analyses support positive associations existing between these two constructs—highlighting critical areas requiring further exploration moving forward into future research endeavors aimed at enhancing understanding surrounding this complex interplay affecting overall wellness experienced by individuals navigating increasingly complex economic landscapes today.

Conceptual Framework

In this way, with the meticulous review of the various related literature, the study has conceptualized its research framework with subjective financial knowledge (Huston, 2010), financial attitude (Khairani & Alfarisi, 2019; Djou, 2019), and locus of control (Spector, 1982) as independent variables, financial behavior (Banjaree etl a., 2017) as the mediating variable, and financial wellness (Sorgente & Lanz, 2017) as the dependent variables, as reflected in Figure 1.

Figure 1

Conceptual Framework



Understanding how psychological beliefs interact with broader behavioral patterns provides valuable insights into enhancing initiatives designed specifically targeting improvements across multiple dimensions related directly back towards enhancing quality-of-life experiences observed among diverse populations globally navigating increasingly complex economic landscapes today through targeted interventions aimed specifically at improving outcomes associated directly back towards achieving sustainable levels concerning overall wellness experienced throughout life stages encountered along pathways leading towards successful navigation through modern economic realities faced daily by individuals everywhere striving towards achieving greater degrees concerning success achieved across various domains impacting day-to-day living experiences encountered regularly within society today.

The existing literature on financial behavior, literacy, and well-being in developing economy reveals a gap in understanding the relationships between subjective financial knowledge, financial attitude, locus of control, and financial wellness, along with the mediating role of financial behavior. Despite baseline surveys on financial literacy, these connections have not been explored. Previous research conducted in Nepal by Thapa and Nepal (2015) focused on financial literacy among college students but did not investigate the links between psychological beliefs and financial wellness. Despite stakeholders' emphasis on financial wellness in developing economies, taking Nepal as an instance, there is a lack of official data assessing how psychological beliefs, particularly among working adults, influence financial well-being. Addressing this gap is crucial for a comprehensive understanding, potentially informing policies and interventions.

Research Methodology

The research employed correlational and explanatory approaches to ensure accuracy, focusing on establishing significance and relationships among dependent, mediating, and independent variables. Self-administered questionnaires were distributed to diverse, financially independent Nepalese working adults. Various statistical tests, including mean, standard deviation, correlation, and regression, were applied using tools such as SPSS, Process Macro, and MS Excel. Collected data from a five-point Likert scale were coded for further analysis. Non-probability sampling, specifically purposive sampling, was used, targeting Nepalese working adults aged 18 to 60 with diverse demographics and income levels, although the exact population size is unknown. Primary data gathering through a questionnaire survey was employed, utilizing conventional methods and secondary data from reports, journal articles, books, and diverse sources.

The research employed a questionnaire divided into two sections: demographic profile and Five-point Likert scale measurement questions. The demographic section covered information like age, gender, academic qualifications, occupation, monthly income, and working duration. In the second part, the study adapted 26 items from established validated scales, including Shanmugam and Abidin (2013) for subjective financial knowledge, Davis and Hustvedt (2012) for financial attitude, Levenson's (1973) Locus of Control Scale validated by Sapp and Harrod (1993), Perrie and Morris's (2005) scale for locus of control, Dew and Xiao's (2011) financial management behavior scale, and Prawitz et al.'s (2006) scale for financial well-being. Respondents provided 226 replies, with 221 accepted with a valid response rate of 97.79%.

The study went through and passed a pilot test with a sample of 25 responses. The reliability analysis was conducted to measure how closely related the set of items in each variable was with the respective Cronbach's alpha values of 0.816, 0.68, 0.826, 0.826, and 0.812 for the variables Subjective Financial Knowledge, Financial Attitude, Locus of Control, Financial Wellness, and Financial Behavior. The overall Cronbach's alpha value was 0.908. All the Cronbach's alpha values exceeded 0.70, indicating the reliability of the items of the used variables as suggested by Nunnally and Bernstein (1994).

Research Hypothesis

The hypotheses have been constructed in this research to determine the relationship between psychological beliefs (subjective financial behavior, financial attitude, and locus of control) and financial wellness with the mediating role of financial behavior. The set hypotheses for the study are listed below:

H1: There is a significant relationship between subjective financial knowledge and financial wellness.

H2: There is a significant relationship between financial attitude and financial wellness.

H3: There is a significant relationship between locus of control and financial wellness.

H4: Financial behavior mediates the relationship between subjective financial knowledge and financial wellness.

H5: Financial behavior mediates the relationship between financial attitude and financial wellness.

H6: Financial behavior mediates the relationship between locus of control and financial wellness.

Data Analysis and Discussion

Correlational Analysis

The variable codes SF, FA, LC, FB, and FW have been used to represent the variables Subjective Financial Knowledge, Financial Attitude, Locus of Control, Financial Behavior and Financial Wellness respectively in this analysis section. This section examines correlations between dependent and independent variables, presenting and describing the relationships based on the level of significance and P-value.

Table 1

Correlations Among the Variables

Variables	Financial Wellness	
	Pearson Correlation	Sig. (2-tailed)
SF	.400**	.000
FA	.392**	.000
LC	.366**	.000
FB	.479**	.000
FW	1	

*Note: **Correlation is significant at the 0.01 level (2-tailed).*

Table 1 illustrates the correlations among independent, dependent, and mediating variables. Notably, Subjective Financial Knowledge exhibits a moderate positive correlation 0.400 with Financial Wellness, while Financial Attitude and Locus of Control display weak positive correlations of 0.392 and 0.366, respectively, with Financial Wellness. Among the independent variables, Subjective Financial Knowledge shows the strongest correlation with Financial Wellness. The mediating variable, Financial Behavior, demonstrates a moderate positive correlation 0.479 with Financial Wellness. Additionally, all independent variables are statistically significant, given their 2-tailed significance values (0.000<0.01, i.e., P value < α).

Regression Analysis

Regression analysis was used in this study to test the set hypothesis. This section identifies which independent variable best explains outcome variability, how much of the dependent variable's variability is explained by independent factors, and how well mediating variables carry out the interaction between independent and dependent variables.

Table 2

Multiple Regression Model Summary

R	R Square	Adjusted R-square	Se
.479[a]	.229	.218	0.7496

Note. *a=Predictors: (Constant), LC, FA, SF*

Table 2 shows the model summary of the factors contributing to financial wellness. The R-square, a measure of the variance in a linear regression model, indicates the strength of the relationship between independent and dependent variables, with higher values indicating better data fit. R-square in Table 2 is 0.229, which indicates that 22.29% variation in financial wellness is defined by subjective financial knowledge, financial attitude, and locus of control. The remaining 77.08% of variation is accounted for by other factors not present in the model. Further, the standard error of estimate is 0.7496, which shows that the variability of the observed value of financial wellness around the regression line is 0.7496 units. In this analysis, the adjusted R-square is 0.218, which means 21.8% of variation in financial wellness is defined by independent variables after adjusting with degree of freedom.

Coefficient of Regression Model

The coefficients of the regression model show the different contributing variables to measure the dependent variable. Different contributing variables in this study are subjective financial knowledge, financial attitude, locus of control, and dependent variable is financial wellness.

Table 3

ANOVA Table for Multiple Linear Regression Model: Factors Influencing Financial Wellness of Working Adults

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	35.382	3	11.794	21.482	.0001b
Residual	119.138	217	.549		
Total	154.520	220			

Note: a=Dependent Variable: FW; b =Predictors: (Constant), LC, FA, SF

Table 3 gives the description of the ANOVA table. The ANOVA table is a statistical tool used to analyze the significance of a model and its application in research, calculating the F value efficiently and providing a comprehensive understanding of the study's overall significance. The result shows that the p-value is less than α, i.e., 0.0001<0.05. The model is significant at 5% level of significance. So, a multiple linear model can be used to analyze the data. From this ANOVA table at 95% confidence, we can conclude that the sum of all three independent variables is best at contributing to the financial wellness of the working adults.

Table 4

Regression Coefficients: Relationship Between Subjective Financial Knowledge, Financial Attitude, Locus of Control, and Financial Wellness

Model	Unstandardized Coefficients		Standardized Coeff.	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.806	.305		2.643	.009		
SF	.221	.072	.222	3.067	.002	.678	1.475
FA	.253	.084	.214	3.016	.003	.703	1.422
LC	.175	.083	.154	2.124	.035	.678	1.474

Note: a. Dependent Variable: Financial Wellness

A coefficient table gives a thorough explanation of how the dependent variable is impacted by the independent variable. It also offers insight into the importance of factors taken collectively. The coefficient table aids in formulating an equation that accounts for all other independent variables in order to calculate the value of financial wellness.

Table 4 shows that the VIF of each independent variable subjective financial knowledge, financial attitude and locus of control is 1.475, 1.422 and 1.474 respectively. As per James et al. (2013), values between 5 and 10 indicate a moderate correlation, while VIF values larger than 10 are a sign for a high, not tolerable correlation. There exists no multicollinearity between the independent variables and the dependent variable of the study. Furthermore, it can be inferred that subjective financial knowledge with a significance value of 0.002, financial attitude with a significance value of 0.003, and locus of control with a significance value of 0.035 are lower than 0.05, which indicates that there is a statistically significant relationship between these independent variables and the financial wellbeing among the working adults of the developing economy.

The study found positive relationships between subjective financial knowledge, financial attitude, locus of control, and the financial wellness of working adults. The coefficients indicate that a one-unit increase in SF, FA, and LC corresponds to increases of 0.221, 0.253, and 0.175 units, respectively, in financial wellness, while holding other variables constant.

Similarly, higher standardized beta values indicate a higher dominant influence of independent variables on the dependent variable. It can be inferred that subjective financial knowledge has the highest dominant influence with a beta of 0.222, followed by financial attitude with a beta of 0.214 and locus of control with a relatively low beta of 0.154.

Direct Relationships

The direct effect between the variables is significant if the corresponding p value is lower than the level of significance, i.e., 0.05.

Table 5

Direct Effect of Subjective Financial Knowledge on Financial Wellness

Variables	Effect	se	t-ratio	p	LLCI	ULCI
SF-FW	0.1851	0.0697	2.6540	0.0085	0.0476	0.3225
FA-FW	0.0710	0.0903	0.7867	0.4323	-0.1069	0.2489
LC-FW	0.1290	0.0800	1.6131	0.1082	-0.0286	0.2866

In Table 5, the value of p (0.0085) is lower than the level of significance (0.05), so there is a direct effect of subjective financial knowledge on financial wellness. In the above table, the value of p (0.4323) is greater than the level of significance (0.05), so there is no direct effect of financial attitude on financial wellness. Similarly, the value of p (0.1082) is greater than the level of significance (0.05), thus there exists no direct effect of locus of control on financial wellness.

Mediating Relationships

Table 6

Indirect Effect of Subjective Financial Knowledge on Financial Wellness

Mediator	Effect	BootSE	BootLLCI	BootULCI	LLCI	ULCI
SF-FB-FW	0.0363	0.0238	-0.0048	0.0881	0.0476	0.3225
FA-FB-FW	0.1818	0.0503	0.0876	0.2827	-0.1069	0.2489
LC-FB-FW	0.0465	0.0296	-0.0036	0.1126	-0.0286	0.2866

If zero is not included in the confidence interval, upper limit (BootULCI), and lower limit (BootLLCI), then there is a significant indirect effect leading to mediation. But in case the confidence level includes zero, then there is a non-significant indirect effect leading to no mediation (Preacher & Hayes, 2004).

Table 6 shows that the indirect effect of subjective financial knowledge on financial wellness through financial behavior is not statistically significant, as the confidence interval includes zero. The indirect effect of financial attitude on financial wellness through financial behavior is statistically significant, as the confidence interval does not include zero. The indirect effect of locus of control on financial wellness through financial behavior is not statistically significant, as the confidence interval includes zero.

In summary, the mediating relationship is found to be significant for financial attitude, indicating that financial behavior fully mediates the impact of financial attitude on financial wellness among the working adults. However, for subjective financial knowledge and locus of control, the mediation through financial behavior is not statistically significant.

Hypothesis Testing

On the basis of the study of the significance or insignificance of the relationships among the variables, the acceptance and rejection of the set alternative hypothesis have been tested. Considering the confidence interval of 95% on a 0.05 significance level, the test of the hypotheses has been justified.

H1: There exists significant relationship between subjective financial knowledge and financial wellness

The study found a p-value of 0.002 for subjective financial knowledge, indicating statistical significance at the 5% level. As the p-value is less than the significance level ($0.002 < 0.05$), the alternative hypothesis is accepted, concluding a significant relationship between subjective financial knowledge and financial wellness.

H2: There exists positively significant relationship between financial attitude and financial wellness

The p-value for subjective financial knowledge is 0.003, signifying statistical significance at the 5% level. Given that the p-value is below the significance threshold ($0.003<0.05$), the alternative hypothesis is accepted at the 5% significance level, indicating a significant relationship between financial attitude and financial wellness.

H3: There exists significant relationship between locus of control and financial wellness

The analysis revealed a p-value of 0.035 for subjective financial knowledge, indicating statistical significance at the 5% level. As the p-value is less than the significance level 0.05, the alternative hypothesis is accepted at the 5% significance level, suggesting a significant relationship between locus of control and financial wellness.

H4: Financial behavior mediates relationship between subjective financial knowledge and financial wellness

Hypothesis H4 posited that the connection between subjective financial knowledge and financial wellness is influenced by financial behavior. However, analysis of Table 6 indicates that the indirect effect of subjective financial knowledge on financial wellness, mediated by financial behavior, is not statistically significant. This conclusion is drawn from the confidence intervals, where both the upper limit (0.0881 -- BootULCI) and lower limit (-0.0048 -- BootLLCI) include zero. Consequently, H4 is rejected, suggesting that financial behavior does not mediate the relationship between subjective financial knowledge and financial wellness among working adults in Nepal.

H5: Financial behavior mediates the relationship between financial attitude and financial wellness

Similarly, it can be seen from Table 6 that the indirect effect of financial attitude on financial wellness is significant with financial behavior as a mediator because both the upper limit with value

0.2827 (BootULCI) and lower limit with value 0.0876 (BootLLCI) do not have zero in between them. Hence, H5 is accepted, i.e., financial behavior mediates the relationship between financial attitude and financial wellness among Nepalese working adults.

H6: Financial behavior mediates the relationship between locus of control and financial wellness

Likewise, it is seen from Table 6 that the indirect effect of locus of control on financial wellness is insignificant with financial behavior as a mediator because both the upper limit with value 0.1126 (BootULCI) and lower limit with limit -0.0036 (BootLLCI) include zero in between them. Hence, H6 is rejected, i.e., financial behavior does not mediate the relationship between locus of control and financial wellness among Nepalese working adults.

Discussion

The study investigates the impact of psychological beliefs—specifically subjective financial knowledge, financial attitude, and locus of control—on financial wellness among Nepalese working adults, with financial behavior serving as a mediating variable. The findings confirm a positive association between psychological beliefs and financial wellness, consistent with previous research conducted by Kuknor and Sharma (2017) and Sabri and Zakaira (2015). Notably, subjective financial knowledge emerges as a significant predictor of financial wellness, indicating that individuals with higher levels of subjective financial knowledge tend to exhibit greater financial well-being. This correlation suggests that those with elevated subjective financial knowledge experience higher levels of financial wellness compared to their counterparts with lower levels. However, the study reveals insufficient evidence to support the mediating role of financial behavior in the relationship between subjective financial knowledge and financial wellness. Contrasting results were observed in the context of Portuguese working individuals, where financial behaviors, attitudes, and knowledge did not significantly contribute to their financial wellness. Despite facing obligations such as high-risk loans, Portuguese workers often overlooked financially responsible behaviors and attitudes, potentially due to a tendency to underestimate these aspects while exaggerating their financial status (Silva & Dias, 2013).Furthermore, the study affirms that a positive financial attitude positively influences financial wellness among Nepalese working adults, operating through its impact on financial behavior. The findings indicate that individuals with a positive financial attitude demonstrate greater responsibility in managing their personal finances. This aligns with the assertions made by Utkarsh et al. (2020), which emphasize the significant contribution of financial attitudes to success or failure in one's financial matters. Additionally, the outcomes support the research conducted by Abdullah et al. (2019), indicating that individuals with a positive financial attitude are more adept at managing their finances, leading to enhanced financial wellness. Individuals exhibiting positive financial attitudes are perceived to possess cognitive abilities that enable them to make better personal financial decisions even in complex and uncertain environments (Serido et al., 2013). Given the current trend of overspending and irresponsible financial behavior among working individuals, intentional efforts are crucial for transforming these attitudes. Equipping working adults with the necessary tools for success in their financial endeavors becomes imperative. Notably, those who maintain a positive attitude toward money throughout their careers are more likely to influence and shape a better financial future. Regarding locus of control, this study identifies a positive impact on the financial wellness of working adults, consistent with findings from She et al. (2021) and Mokhtar and Rahim (2017). These researchers revealed that individuals with a high level of locus of control perceive themselves as having control over events affecting their lives. However, this study did not find evidence supporting the mediating role of financial behavior on the relationship between locus of control and financial wellness. An internal locus of control serves as a psychological safeguard against various hardships encountered in the workplace (Kesavayuth et al., 2018). In developing economies characterized by high borrowing costs and irregular income streams, possessing an internal locus of control encourages individuals to persist in pursuing their objectives—including those related to finances. The study suggests that working individuals who feel in control of their finances are more likely to exhibit enhanced financial wellness. As identified by Thapa et al. (2025), an investor's psychological beliefs can matter a lot in determining the chances of obtaining business funds. While the study did not confirm the mediating role of financial behavior in the relationship between subjective financial knowledge and financial wellness, this may be attributed to its exclusive focus on subjective knowledge. Subjective financial knowledge represents an individual's self-assessment and may lead to underestimation or overestimation of one's actual expertise. Consequently, when considering behavioral aspects, subjective knowledge may not accurately reflect participants' understanding or actions regarding finance—diminishing its indirect impact on overall financial wellness. In essence, it appears that the self-assessed financial knowledge of working individuals is more closely tied to their perceptions of financial wellness than to their actual behaviors in managing finances.

Conclusion

The investigation into the impact of psychological beliefs—specifically subjective financial knowledge, financial attitude, and locus of control—on financial wellness among Nepalese working adults reveals significant insights into the interplay between these constructs. The findings underscore the importance of understanding how individual perceptions and attitudes toward finance can influence overall financial well-being, particularly in the context of developing economies. This study confirms a positive association between psychological beliefs and financial wellness, aligning with previous research that emphasizes the importance of subjective financial knowledge as a predictor of financial well-being. Individuals with higher levels of subjective financial knowledge tend to exhibit greater financial wellness, suggesting that enhancing self-perceptions of financial understanding could lead to improved financial outcomes. However, the study also highlights a critical gap in understanding the mediating role of financial behavior in this relationship. The lack of evidence supporting financial behavior as a mediator suggests that subjective financial knowledge may not directly translate into responsible financial actions, indicating a need for further exploration into how individuals apply their perceived knowledge in real-world contexts. Moreover, the findings regarding financial attitudes reveal that a positive outlook towards finances significantly contributes to enhanced financial wellness. Individuals with constructive financial attitudes are more likely to engage in responsible money management practices, which in turn fosters a greater sense of control over their financial situations. This aligns with existing literature that posits positive financial attitudes as essential for effective personal finance management. The study emphasizes the necessity for targeted educational interventions aimed at cultivating positive attitudes toward money management among working adults, which could ultimately lead to better financial outcomes. The role of locus of control further enriches our understanding of the psychological factors influencing financial wellness. The study indicates that individuals with a strong internal locus of control perceive themselves as having agency over their financial circumstances, which correlates positively with their overall financial wellness. This finding is particularly relevant in developing economies where external factors often complicate financial decision-making. Encouraging an internal locus of control among individuals may empower them to take proactive steps towards achieving their financial goals, despite external challenges.

In brief, this study contributes to the growing body of literature on personal finance by elucidating the complex relationships between psychological beliefs and financial wellness. It highlights the need for comprehensive approaches that not only enhance subjective financial knowledge but also foster positive attitudes and internal control among individuals. Policymakers and practitioners should consider these psychological dimensions when designing educational programs and interventions aimed at improving financial literacy and well-being. Future research should aim to explore the nuances of how subjective financial knowledge translates into actual behavior and decision-making processes. Additionally, longitudinal studies could provide deeper insights into how changes in psychological beliefs over time affect long-term financial wellness outcomes. By addressing these areas, we can better equip individuals in developing economies to navigate their financial landscapes effectively and achieve sustainable economic well-being.

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