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Effect of Financial Stress and Behavior on Personal Financial Well-being: Mediating Role of Financial Satisfaction

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Abstract

Understanding the drivers of personal financial well-being (PFWB) is crucial in the current financial scenario. This study examines the impact of financial stress and behavior on PFWB, utilizing financial satisfaction as a mediator. Survey data from Kathmandu, Nepal, is used to quantitatively study behavioral finance and well-being theories. The hypothesized correlations were tested using PLS-SEM. Financial stress negatively impacts financial happiness and PFWB, but positive financial behavior greatly improves them. Financial satisfaction also partially mediated the effects of financial stress and behavior on PFWB. The study highlights the importance of adopting good financial behaviors and achieving financial happiness to alleviate financial stress and enhance financial well-being. These findings can help policymakers, financial educators, and practitioners develop initiatives that promote financial resilience and long-term well-being.

Keywords: financial satisfaction, financial stress, financial behavior, personal financial well-being, Kathmandu

Effect of Financial Stress and Behavior on Personal Financial Well-being: Mediating Role of Financial Satisfaction

Financial well-being (PFWB) is a crucial aspect of total well-being, encompassing money management stress and future financial security (Netemeyer et al., 2018). Recent scholarship converges on multidimensional, subjective constructs of PFWB and adjacent scales, building on prominent consumer research and policy agency measurement work (CFPB, 2017; Netemeyer et al., 2018; Sorgente & Lanz, 2019). Marketing and consumer research conceptual frameworks place PFWB within choice quality, capability, and life outcomes models (Brüggen et al., 2017; Garg et al., 2024). This literature emphasizes the theoretical and policy implications of understanding how financial experiences and behaviors affect well-being. A large longitudinal study in the Journal of Business Research (2024) examined representative U.S. household data and found that financial literacy and confidence improve financial behavior, which boosts financial well-being (Kim et al., 2024).

Another set of research shows that financial stress—measured by worries, stresses, and hardship—harms mental health and global well-being. Ryu et al. (2022) found that financial worries increase psychological suffering, especially in socioeconomically challenged populations, using nationally representative data. Financial difficulty and debt burdens are linked to negative mental health outcomes in epidemiological studies (Dackehag et al., 2019; Meltzer et al., 2013; Tsuchiya et al., 2020). The classic stress-and-coping theories explain how financial pressures affect perceptions and coping responses and well-being (Bartholomae & Fox, 2017; Jiang et al., 2021; Liu et al., 2022). These findings suggest that reducing financial stress may improve PFWB.

However, smart financial behaviors—budgeting, saving, paying on time, and planning—are consistently associated with higher financial happiness and improved life outcomes. Consumer and developmental research show that positive financial behaviors boost life satisfaction and success (Xiao et al., 2009; LeBaron et al., 2020). Marketing and consumer research frameworks also suggest that capability and behavior can increase PFWB (Brüggen et al., 2017; Garg, 2024). Complementary household finance research demonstrates that literacy and capacity influence subjective outcomes, including financial happiness through behavior (Lusardi & Mitchell, 2014; Xiao & Porto, 2017). This stream suggests behavioral pathways as possible causes of PFWB.

Although progress has been made, the pathways linking financial stress and behavior to PFWB remain unclear. Financial satisfaction—a cognitive assessment of one's financial situation—mediates the impact of objective and subjective financial conditions on well-being.

However, few studies explicitly test a joint model in which financial satisfaction mediates (a) the negative pathway from financial stress to PFWB and (b) the positive pathway from sound financial behavior to PFWB using contemporary, validated PFWB measures. Addressing this gap can help explain how stressors and actions affect subjective well-being, influence consumer behavior and household finance theory, and guide treatments that prioritize satisfaction-enhancing levers alongside stress reduction.

Literature Review and Hypothesis Development

Financial Behavior and Personal Financial Well-being

Financial behavior is often considered a key factor in financial well-being. Budgeting, saving, appropriate credit utilization, and long-term planning promote financial stability and subjective financial control (Xiao et al., 2009). Positive financial behaviors increase financial satisfaction and well-being, according to consumer and financial literacy research. Studies show that behavioral determinants explain greater variance in well-being than objective measurements of income or wealth, underlining the behavioral pathway as crucial to subjective outcomes.

Based on these findings, experts suggest that financial well-being is mostly determined by financial conduct rather than financial resources (Garg et al., 2024; Kim et al., 2024). Large-scale consumer surveys show that people who routinely save for emergencies and avoid excessive debt have greater PFWB. Thus, this study suggests that financial action positively predicts personal financial well-being.

(H1): *Financial behavior has a positive and significant effect on personal financial well-being.*

Financial Stress and Personal Financial Well-being

Financial stress—the impression of pressure from the inability to satisfy financial obligations or preserve financial security—is a primary cause of poor personal financial well-being (PFWB) (Netemeyer et al., 2018). High debt, income instability, and insufficient savings can cause financial stress, affecting individuals' sense of control and long-term security (Dackehag et al., 2019). Financial stress negatively impacts subjective financial well-being and life satisfaction in developed and emerging countries (Ryu et al., 2022; Tsuchiya et al., 2020). Financial stress is a persistent stressor that causes anxiety, lowers financial contentment, and impairs decision-making (Lazarus & Folkman, 1984; Li et al., 2023). Even after controlling for income and education, longitudinal investigations show that those with persistent financial hardship have reduced well-being (Li et al., 2023; Netemeyer et al.,

2018). These findings support the theoretical and empirical consensus that financial stress negatively impacts PFWB.

(H2): *Financial stress has a negative and significant effect on personal financial well-being.*

Financial Behavior and Financial Satisfaction

Daily financial behaviours greatly affect financial contentment, an individual's subjective assessment of their financial condition (Xiao & Porto, 2017). Budgeting, saving, debt repayment, and long-term planning increase financial security and reduce uncertainty, which boosts financial satisfaction. Even after controlling for income and wealth, positive financial behaviors increase financial pleasure (Kim et al., 2024; Netemeyer et al., 2018). Financial happiness is also increasingly seen to mediate financial behavior and well-being (Xiao et al., 2014). Responsible credit management, active saving, and financial planning boost self-confidence and accomplishment, according to cross-cultural and large-scale consumer studies. Additionally, positive financial behaviors boost objective financial outcomes and subjective financial pleasure.

(H3): *Financial behavior has a positive and significant effect on financial satisfaction.*

Financial Stress and Financial Satisfaction

Stress negatively affects financial contentment, a subjective financial assessment. Individuals with high financial stress, such as difficulty meeting expenses, debt burden, or economic uncertainty, report lower financial satisfaction due to reduced perceptions of control and security (Dackehag et al., 2019; Netemeyer et al., 2018). Even with sufficient financial means, stress can cause anxiety and concern, which lower contentment (Ryu et al., 2022; Tsuchiya et al., 2020). Studies show this unfavorable association across many populations. longitudinal analyses show that persistent financial stress considerably affects financial contentment over time, while stress reductions improve satisfaction and well-being (Li et al., 2023; Kim et al., 2024). These data show that financial stress directly damages well-being and indirectly lowers subjective financial assessments. Thus, financial stress may significantly reduce financial contentment.

(H4): *Financial stress has a negative and significant effect on financial satisfaction.*

Financial Satisfaction and Personal Financial Well-being

Financial satisfaction, an individual's subjective assessment of their financial condition, is a key factor of PFWB (Netemeyer et al., 2018). Financially secure people report higher well-being, life satisfaction, and lower financial concern. Financial satisfaction is a major psychological connection between objective financial conditions and subjective well-being because it includes both cognitive and emotional responses to perceived adequacy

(Brüggen et al., 2017). Financial contentment is positively associated with PFWB across varied demographics. Independent of income, longitudinal and cross-sectional research show that higher financial contentment predicts better financial stability, stress reduction, and life satisfaction (Kim et al., 2024; Li et al., 2023). These findings imply that financial happiness directly improves PFWB and is a result of excellent financial conduct or low stress. Thus, financial satisfaction may improve financial well-being.

(H5): *Financial satisfaction has a positive and significant effect on personal financial well-being.*

Financial Satisfaction as a Mediating Role between Financial Behavior and Personal Financial Well-Being

Financial behavior affects financial well-being directly and indirectly through satisfaction. Budgeting, saving, timely debt repayment, and long-term financial planning increase financial pleasure by giving one a sense of control and stability (Joo & Grable, 2004; Xiao & Porto, 2017). Individuals who perceive their financial situation as adequate have higher subjective well-being, reduced stress, and greater life satisfaction, which predicts PFWB. According to research, money happiness influences the behavior-well-being link. Longitudinal and cross-sectional analyses show that responsible financial behavior improves well-being by increasing financial satisfaction, highlighting its psychological and evaluative importance. Financial satisfaction mediates the relationship between financial activity and well-being.

(H6): *Financial satisfaction mediates the positive relationship between financial behavior and personal financial well-being.*

Financial Satisfaction as a Mediating Role between Financial Stress and Personal Financial Well-Being

Financial stress, characterized by the impression of strain, uncertainty, or inability to satisfy responsibilities, negatively affects personal financial well-being (PFWB) (Dackehag et al., 2019; Netemeyer et al., 2018). Financial satisfaction, the cognitive and emotional assessment of one's financial situation, mediates how financial stress affects well-being (Li et al., 2023; Xiao & Porto, 2017). High financial stress lowers financial satisfaction, which lowers PFWB, demonstrating the psychological mechanism by which stress impacts financial well-being.

Empirical research suggests that financial satisfaction mediates. Longitudinal studies show that financial stress reduction increases financial satisfaction and subjective financial well-being, even after controlling for objective financial indicators. Financial satisfaction

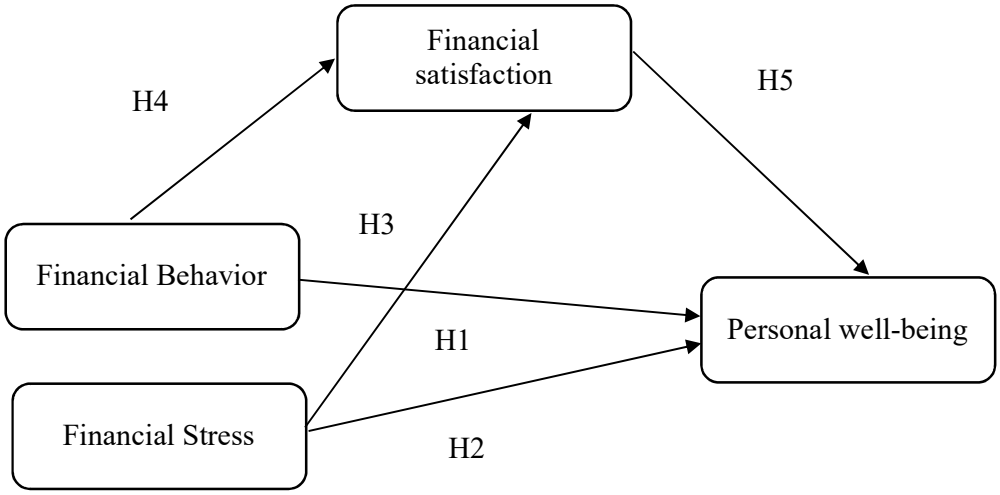
buffers stress-related reductions in financial well-being, as seen by its partial or full mediation of the negative effects of financial stress on PFWB.

(H7): *Financial satisfaction mediates the negative relationship between financial stress and personal financial well-being.*

For presentation purposes, the research model guiding this work has been displayed in Figure 1.

Figure 1

Hypothesis Model



Note. Adapted from Fan and Henager (2022)

Methodology

Measurement Instrument

A structured questionnaire was used as the main instrument for gathering data for this investigation. The majority of the items on the self-administered questionnaire were closed-ended. Twenty items on a Likert scale were used to collect data in order to investigate the factors that influence individual financial well-being in Kathmandu.

Five items taken from Joo and Grable (2004) were used to evaluate financial behaviour, including the statement, "I have set aside emergency funds," with a Cronbach's alpha of 0.897; the construct's dependability was validated. Using five items from (Prawitz et al., 2006), such as the example, " I am satisfied with my current personal financial condition," the Cronbach alpha was recorded to be 0.914 for financial satisfaction. Financial stress consisted of five items, returned an alpha of 0.899, with an example such as "I feel worried about the loans I have right now (Personal vehicle, housing, etc.). Likewise, to assess

financial well-being, five items were taken from Cohen et al. (2015) with a Cronbach's alpha of 0.932, including the statement, "I am becoming financially secure."

Table 1

Study Variables' Measurement Sources

Construct	Source of measurement
Financial behavior (FB)	Joo and Grable (2004)
Financial stress (FST)	Heckman, Lim & Montalto (2014)
Financial satisfaction (FSF)	Prawitz et al, (2006)
Personal financial well-being (PFWB)	Cohen, et al. (2015)

Sample and Data Collection

Finding out how financial attitude affects well-being through financial behaviour is the main objective of this study. A standardized questionnaire was given to all Kathmandu residents, including men and women, those with jobs, university students, and others, for this purpose. Using a non-probability purposive sampling technique, participants were chosen. According to Godden's rule (2004), only 384 valid replies remained in the final analysis after excluding incomplete or invalid data pertaining to important variables. A five-point Likert scale was used in the survey to measure participants' answers. Males accounted for 46.9 percent of the legitimate responses, whereas females accounted for 53.1 percent.

$$N = \frac{Z^2 \times P \times (1-P)}{M^2}$$

Where:

SS=SampleSizeforinfinitepopulation(morethan50,000) Z = Z value (e.g. 1.96 for 95% confidence level)

P=population proportion (expressed asdecimal) (assumed to be 0.5 (50%) since this would provide the maximum sample size).

M=Margin of Error at 5% (0.05)

Now,

$$N = \frac{1.962 \times 0.5 \times C1 - 0.5)}{0.05^2}$$

N =384.16 respondents

Table 2

Background Information

Items		Frequency	Percent
Gender	Male	204	53.1
	Female	180	46.9
Age	20- 30 years	209	54.4
	30-50 years	143	37.2
	Above 50 years	32	8.3
Education	SEE	111	28.9
	Bachelors	162	42.2
	Masters	106	27.6
	Others	5	1.3
Marital status	Single	220	57.3
	Married	164	42.7
	Divorce		
Occupation	Government	346	90.1
	Non- government	16	4.2
	Private business	5	1.3
	Others	17	4.4
Monthly income	Below 25,000	38	9.9
	25,000- 50,000	141	36.7
	Above 50,000	205	53

The table 2 shows demographic profile of the respondents including various factors such as Gender, Age, education qualification and monthly income etc. The demographic profile of the respondents has been very crucial in understanding the personal traits of the respondents. Of the total 384 respondents, 53.1% were male and 46.9% were female, showing a relatively balanced gender distribution.

The age distribution revealed that the majority (54.4%) were between 20 and 30 years old, 37.2% fell within the 30-50 age group, and only 8%were above 51 years, indicating that most participants were young professionals in their early to mid-career stages. Regarding marital status, 57.3% were single and 42.7 % were married. In terms of academic qualification, the largest group held a bachelor's degree (42.2%), followed by 27.6% with a

master's degree, 1.3% with others, and (28.9%) with a school level of education (SEE). These demographic distributions suggest that the study sample comprised well-educated and predominantly young professionals across Kathmandu, providing a reliable basis for assessing perceptions and behaviors relevant to the study. Similarly, occupation includes government with the most (90.1%), along with the least number of entrepreneurs (1.3%), followed by non-government, i.e., (4.2%), and others, including only (4.4%).

Results and Analysis

The research design used in this work is hypothetico-deductive, which makes it easier to generate preliminary hypotheses that are then converted into mathematical models (Holden & Lynch, 2004; Ponterotto, 2005). When examining social and economic problems that have a numerical expression, this design works very well (Broadbent & Unerman, 2011; Holden & Lynch, 2004). Accordingly, a Likert scale was employed in the current study to collect quantitative information on the factors being studied.

Partial Least Squares Structural Equation Modelling (PLS-SEM) was used to analyse the data using SmartPLS 4.1.1.4 software in order to test the hypotheses that were developed. The study initially evaluated the measurement model to verify the validity and reliability of the survey instrument, following the two-step evaluation process suggested by Chin (1998). The structural model was then examined in order to evaluate the suggested theories.

Since PLS-SEM does not rely on conventional parametric inference techniques, a bootstrapping resampling strategy was used to estimate the PLS-SEM parameters (Wold, 1982). This approach was chosen because it facilitates in-sample prediction, which researchers like Hair et al. (2014) have found to be quite beneficial for studies of this kind, in addition to relaxing assumptions of multivariate normality (Chin et al., 2003). Several criteria were employed to evaluate the outer measurement model and the inner structure model recommended by Hair et al. (2021), as shown in Table 2.

Measurement Model Assessment

We used reliability, convergent validity, and discriminant validity to check the measurement model's appropriateness, as suggested by the literature. We used Cronbach's alpha, Composite Reliability (CR), and pa to check for reliability. According to Henseler et al. (2016), all constructions had values above the suggested threshold of 0.7 for these metrics, as seen in Table 3.

Table 3

Recommended Threshold Values for the Outer and Inner Models

Inner measurement model					Outer model			
Criteria	SFL	α	CR	AVE	R^2	Q^2	SRMR	NFI
threshold value	>0.70	>0.60	>0.70	>0.50	> 0.10	>0.0	<0.08	>0.90

SFL: Standardized Factor Loading; a: Cronbach's alpha value; CR: Composite reliability; AVE: Average Variance Extracted; R2: Co-efficient to determination; Q2: Stone–GeisserQ2; SRMR: Standardized root means error; NFI: Normed Fit Index.

We used the Average Variance Extracted (AVE) to check for convergent validity. Hair et al. (2014) say that convergent validity is reached when the outer loadings of each piece are higher than 0.7 and the AVE of each concept is higher than 0.5. Table 2 shows that all item loadings are over 0.7 and all AVE values for each construct are over 0.5, which shows that there is enough convergent validity.

Data Analysis Results

Evaluation of the Outer Measurement Model

To find out how reliable and valid the outer model was, we looked at composite reliability (CR), internal consistency reliability (Cronbach's alpha), convergent validity, and discriminant validity. The Cronbach's alpha values in Table 4 were between 0.897 and 0.932, which suggests that the scale was quite trustworthy on the inside. The results of the evaluation of the measuring model for the four key constructs—financial behavior (FB), financial satisfaction (FSF), financial stress (FST), and personal financial well-being (PFW)—are shown in Table 4. The research looks at diagnostics for multicollinearity, convergent validity, internal consistency reliability, and factor loadings.

Table 4

Factor loadings, Constructs validity and VIF

Constructs	Items	Factor Loadings	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)	VIF
	FB1	0.806					2.518
	FB2	0.873					3.06
FB	FB4	0.849	0.897	0.914	0.923	0.706	4.433
	FB43	0.887					2.976
	FB5	0.779					3.204
FSF	FSF1	0.817	0.899	0.906	0.925	0.711	3.137

	FSF2	0.858					2.621
	FSF3	0.828					2.852
	FSF4	0.829					4.382
	FSF5	0.882					4.287
	FST1	0.881					3.415
	FST2	0.867					3.042
FST	FST3	0.935	0.938	0.947	0.953	0.801	4.952
	FST4	0.867					3.481
	FST5	0.925					4.378
	PFW1	0.896					3.74
	PFW2	0.904					4.121
PFW	PFW3	0.889	0.932	0.941	0.948	0.785	3.695
	PFW4	0.861					2.969
	PFW5	0.88					3.879

Table 4 shows construct validity, factor loadings, and multicollinearity statistics (VIF) for the research constructs. All components have factor loadings of 0.779 to 0.935, exceeding the recommended threshold of 0.7, confirming the indication dependability (Hair et al., 2022). Cronbach's alpha values for all constructs (FB = 0.897, FSF = 0.899, FST = 0.938, PFW = 0.932) indicate high internal consistency, and composite reliability values (rho_a and rho_c) exceed the recommended threshold of 0.7 (Henseler et al., 2015). Average variance extracted (AVE) values of 0.706–0.801 exceed the 0.5 requirement, proving convergent validity.

The Variance Inflation Factor (VIF) showed no major multicollinearity issues with values from 2.518 to 4.952, all below the cautious limit of 5 (Kock, 2015). These findings corroborate the measurement devices' reliability and validity for structural equation modeling analysis.

Table 5

Factors' Cross Loadings

Items	FB	FSF	FST	PFW
FB1	0.806			
FB2	0.873			
FB4	0.849			
FB43	0.887			

FB5	0.779			
FSF1		0.817		
FSF2		0.858		
FSF3		0.828		
FSF4		0.829		
FSF5		0.882		
FST1			0.881	
FST2			0.867	
FST3			0.935	
FST4			0.867	
FST5			0.925	
PFW1				0.896
PFW2				0.904
PFW3				0.889
PFW4				0.861
PFW5				0.88

Measurement item cross-loadings on constructs are shown in Table 5. Hair et al. (2022) found that each item loaded greatest on its construct, showing indicator reliability and discriminant validity. All FB items load highest on the FB construct (0.779–0.887), FSF items on FSF (0.817–0.882), FST items on FST (0.867–0.935), and PFW items on PFW. Importantly, none of the items had higher loadings on non-designated constructs, indicating that the constructs are conceptually separate and cross-loading-free. These results demonstrate that the measurement model meets Hair et al. (2022) and Henseler et al. (2015) discriminant validity standards. This guarantees that the constructs represent unique model dimensions and supports their usage in structural equation modeling analysis.

Table 6

HTMT (Heterotrait-Monotrait Ratio)

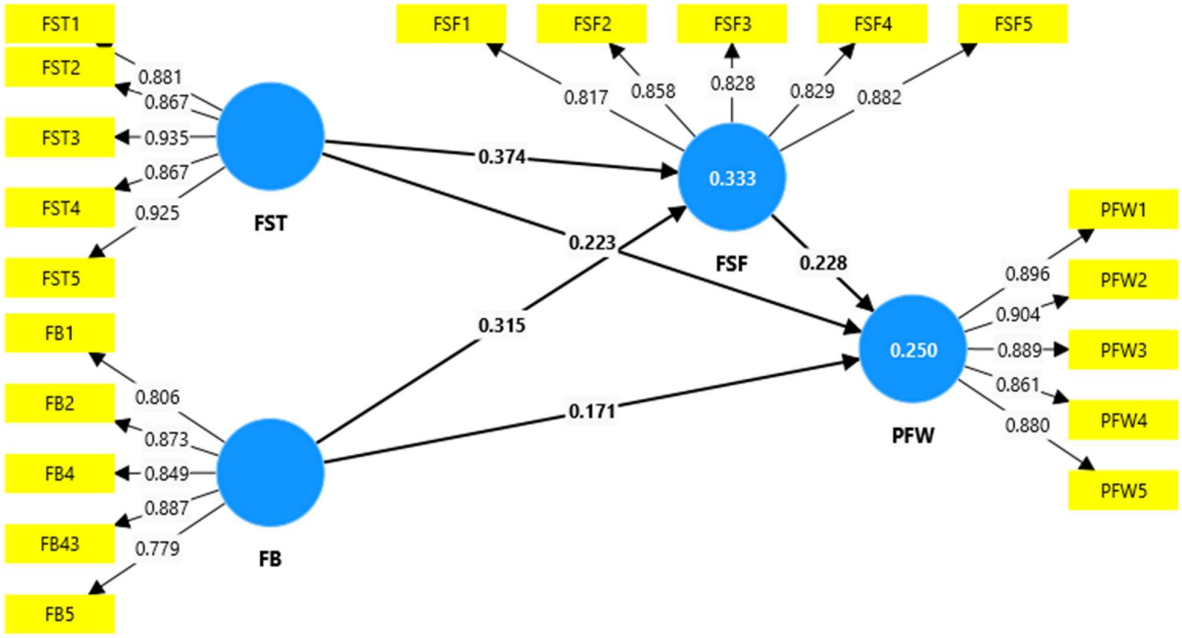
Constructs	FB	FSF	FST	PFW
FB				
FSF	0.482			
FST	0.431	0.528		
PFW	0.407	0.439	0.427	

Table 6 shows the Heterotrait-Monotrait Ratio (HTMT) values, which are used to check the constructs' discriminant validity. The highest HTMT value between FSF and FST is 0.528, which is lower than the specified threshold of 0.85. The model's discriminant validity is good because each of the constructs—Financial Behavior (FB), Financial Satisfaction (FSF), Financial Stress (FST), and Personal Financial Well-being (PFW)—is different from the others in terms of ideas.

The structural model shows how financial stress, behavior, satisfaction, and well-being are related. All constructs are measured reflectively with item loadings from 0.779 to 0.937, exceeding 0.70 (Hair et al., 2019) and showing strong reliability. The study found that both FST (β = 0.374) and FB (β = 0.315) positively impact FSF, indicating that stress and financial practices together impact financial contentment. FSF strongly predicts PFW (β = 0.228), indicating its mediation function in stress and behavior links to overall well-being. The direct impacts of FST (β = 0.223) and FB (β = 0.171) on PFW are weaker than the indirect pathways, highlighting the importance of financial satisfaction as an evaluative bridge. The model explains 33.3% of FSF and 25.0% of PFW variance, moderate behavioral research values (Chin, 1998). These findings support earlier findings that satisfaction is an evaluative mechanism that shapes perceptions of financial outcomes (Joo & Grable, 2004; Xiao et al., 2009).

Figure 1

Measurement Model



Financial stress and behavior directly affect well-being, but satisfaction amplifies their effects. The results support the idea that PFW is a dual-facet outcome that reflects both immediate stress and future security, while emphasizing the need for policies and interventions that target financial behaviors and improve satisfaction to improve financial well-being.

Table 7

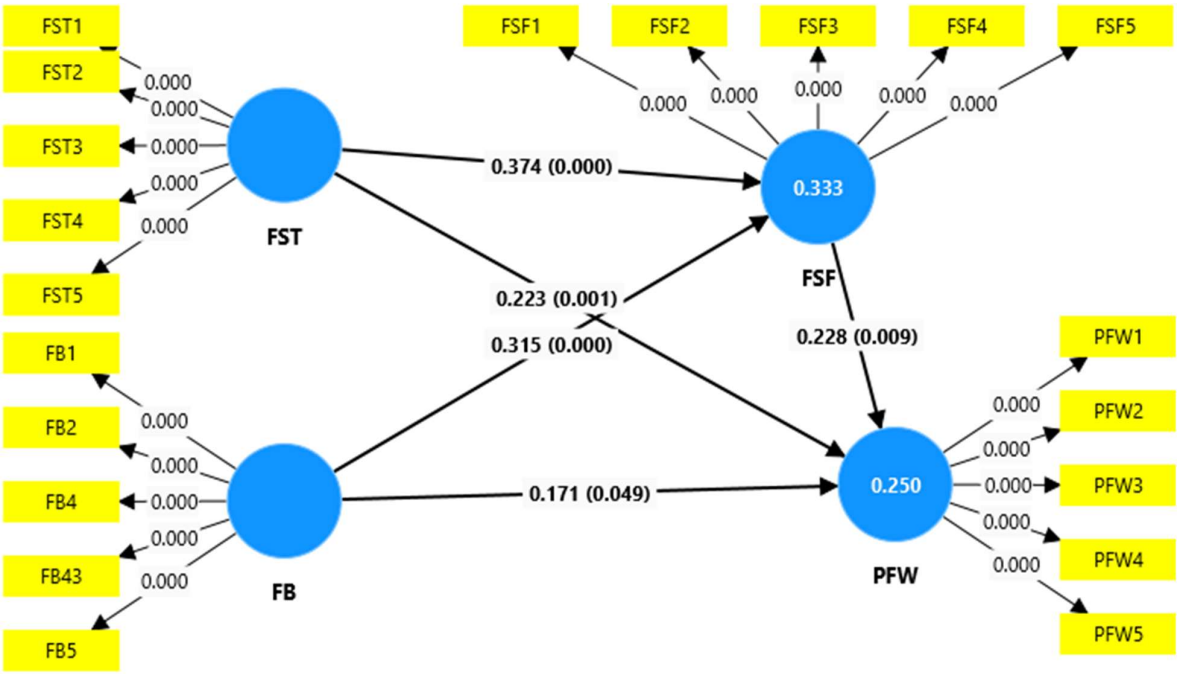
Path Analysis

Constructs	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
FB -> FSF	0.315	0.319	0.068	4.598	0.000
FB -> PFW	0.171	0.162	0.087	1.965	0.049
FSF -> PFW	0.228	0.24	0.088	2.6	0.009
FST -> FSF	0.374	0.377	0.076	4.888	0.000
FST -> PFW	0.223	0.224	0.068	3.27	0.001
FB -> FSF -> PFW	0.072	0.077	0.035	2.069	0.039
FST -> FSF -> PFW	0.085	0.09	0.037	2.295	0.022

The path analysis's findings, which assess the direct and indirect connections between Financial Behavior (FB), Financial Satisfaction (FSF), Financial Stress (FST), and Personal Financial Well-being (PFW), are shown in Table 7.

Figure 2

Path Analysis



Significant influences among these variables are suggested by the statistical significance of the direct routes from FSF to PFWB (β = 0.228, p < 0.009), FB to PFW (β = 0.171, p = 0.049), FB to FSF (β = 0.315, p = 0.000), FST to FSF (β = 0.374, p = 0.000), and FST to PFW (β = 0.223, p = 0.001). The indirect effects, FB → FSF→ PFW (β = 0.072, p = 0.039) and FST → FSF → PFW (β = 0.085, p = 0.022), meanwhile, are not statistically significant at the 0.05 level, suggesting that in this model, financial satisfaction significantly mediate the effects of stress and financial behavior on individual financial well-being. The path analysis generally confirms the importance of stress and financial pleasure in directly influencing financial behavior and well-being.

Table 8

Hypothesis Testing

Hypothesis	Path	Path co-efficient	T statistics (|O/STDEV|)	P values	Result
H1	FB -> FSF	0.315	4.598	0.000	Accepted
H2	FB -> PFW	0.171	1.965	0.049	Accepted
H3	FSF -> PFW	0.228	2.6	0.009	Accepted
H4	FST -> FSF	0.374	4.888	0.000	Accepted
H5	FST -> PFW	0.223	3.27	0.001	Accepted
H6	FB -> FSF -> PFW	0.072	2.069	0.039	Accepted
H7	FST -> FSF -> PFW	0.085	2.295	0.022	Accepted

Discussion

First, personal financial well-being (PFWB) is best understood as a two-part, subjective state—(a) current money-management stress and (b) expected future financial security. Robust consumer research shows that PFWB strongly predicts overall life satisfaction and well-being, even after accounting for other domains (Brüggen et al., 2017; Netemeyer et al., 2018). This framing helps explain why both day-to-day strain and forward-looking security are highly sensitive to financial stressors and individual financial behaviors.

Consistent with that view, desirable financial behaviors (budgeting, saving for emergencies, debt management, and planning) are reliably associated with higher PFWB, partly because they reduce present stress and enhance perceived future security. Large-scale and meta-analytic studies demonstrate that financial capability and confidence lead to better financial behaviors, which in turn elevate PFWB (Riitsalu & Murakas, 2019; Strömbäck et al., 2017). Experimental findings also confirm that financial education strengthens knowledge, encouraging prudent behaviors that positively impact validated PFWB measures (Xiao et al., 2009). In this pathway, financial satisfaction functions as a proximal appraisal of "how I am doing," mediating between behaviors and broader well-being (Joo & Grable, 2004).

By contrast, financial stress—especially debt strain, income volatility, and inadequate savings—erodes both financial satisfaction and PFWB. Health and social-science research documents that higher financial debt and strain are linked to psychological distress and poor physical health outcomes (Drentea & Reynolds, 2012; Sweet et al., 2013). Recent evidence further identifies unstable income and limited financial buffers as predictors of heightened financial stress, which maps directly onto the *current money-management stress* facet of PFWB (Hojman et al., 2016). These findings illustrate the damaging effect of financial stress on both subjective and objective financial well-being.

Evidence supporting the mediating role of financial satisfaction in the behavior → PFWB relationship has been well established. Foundational studies confirm that financial behaviors and attitudes influence satisfaction, which subsequently enhances well-being (Joo & Grable, 2004; Prawitz et al., 2006). More recent research shows that financial satisfaction not only predicts subjective well-being but also mediates the link between literacy, behavior, and PFWB across diverse economic contexts (Mahdzan et al., 2019; Sorgente & Lanz, 2017). This suggests that financial satisfaction is the evaluative mechanism through which prudent behaviors translate into greater financial well-being.

The practical implication is twofold: interventions should (1) reduce financial stressors, such as debt burdens and income instability, and (2) promote constructive financial behaviors that individuals can adopt relatively quickly, including building emergency savings, automating savings plans, and structured debt repayment. Programs designed to increase financial knowledge and confidence have shown downstream effects on PFWB (Riitsalu & Murakas, 2019), while strategies that enhance financial satisfaction—for example, feedback on progress toward goals—further strengthen the mediating pathway (Netemeyer et al., 2018). Taken together, targeting both the "headwinds" (stress) and the "sails" (behavior), while leveraging satisfaction, is the most effective route to improving PFWB.

Implications

Personal financial well-being (PFWB) includes current money-management stress and predicted future financial security. These aspects react to external pressures and financial self-regulation. Consumer finance and well-being research increasingly confirms that PFWB predicts life well-being even after controlling for other areas. Accordingly, contemporary household finance theories should view financial stressors like debt obligations and income volatility as concurrent drivers of PFWB, alongside positive financial behaviors like budgeting, saving, and debt repayment.

Financial contentment and PFWB increase with sensible financial activity, according to empirical research. Financial contentment may be an evaluative link between "what individuals do" financially and "how they feel" about their well-being. Thus, measuring models in this domain should explicitly include financial satisfaction as a mediator, reflect indirect effects between behaviors and PFWB, and test robustness across varied populations and circumstances. This causal formulation is supported by foundational research on financial satisfaction and verified PFWB measurement instruments (SpringerLink; SSRN; Society for Judgment and Decision Making).

Policymakers know that debt and income volatility cause financial stress, which lowers PFWB. Thus, hardship forbearance rules, income-smoothing systems, and matched or incentivized emergency savings schemes are likely to enhance PFWB significantly. Health economics shows that higher debt levels damage mental and physical health, demonstrating the social and economic benefits of stress-reducing financial measures (PMC; IDEAS/RePEc).

Practical financial interventions that improve financial knowledge and confidence and use fast-acting behavioral scaffolds to make sensible decisions routine and easy work best.

Example: defaulting people into savings plans, automating emergency fund contributions, and creating debt repayment schedules. Such program designs consistently enhance financial behaviors and validated PFWB indicators through financial satisfaction. Programs should encourage habits and boost happiness by providing progress feedback and financial security indicators (ScienceDirect; IDEAS/RePEc; ResearchGate).

This discipline should move away from cross-sectional structural equation modeling (SEM) to methods that stress-test causal assumptions and increase predictive validity. Scholars should pre-register mediation theories with theoretically ordered paths, evaluate alternative models like reciprocal behavior-stress linkages, and use longitudinal or experimental designs to clarify directionality. SEM findings must also be reported on measurement quality, discriminant validity, and predictive ability toward larger life outcomes to ensure robustness and contribute to PFWB literature (Oxford Academic; ScienceDirect).

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