Determinants of Financial Well-being Among Micro Finance Members: Evidence from Members in Salyan District, Nepal

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ABSTRACT

This study examined the influence of financial literacy, financial behavior, financial knowledge, and financial attitude on the financial well-being of microfinance members in the Salyan district. Using a causal research design, primary data were collected through structured questionnaires from 271 active members selected via convenience sampling. Multiple regression analysis revealed that the predictors collectively explained substantial variance in financial well-being [$F(4, 266) = 54.811$, $p < .001$)]. Financial behavior emerged as the strongest determinant ($\beta = .600$, $p < .001$), followed by financial knowledge ($\beta = .202$, $p < .001$), highlighting the importance of practical financial practices and informed decision-making. Financial attitude showed a modest negative effect ($\beta = -.104$, $p = .025$), suggesting over-optimism may hinder well-being, while self-assessed financial literacy was not significant. The findings imply that interventions should prioritize behavior-focused strategies complemented by financial education to enhance members' financial well-being.

Keywords: Financial well-being, microfinance members, financial behavior, financial knowledge

INTRODUCTION

Financial well-being is a key element in the disciplines of financial management, behavioral finance, and development economics. It captures the degree to which people can satisfy their financial obligations in the present, their sense of financial security in the future, and their ability to make decisions that improve their circumstances (Brüggen et al., 2017). With the growing financial complexity, the increasing availability of financial products, and an increasing sense of financial insecurity among the poor, the significance of financial well-being is increasing. In developing countries, financial well-being is a means of addressing poverty, financial inclusion, and economic growth.

Microfinance institutions (MFIs) have promoted financial services inclusivity by offering microcredit, savings, insurance, and financial literacy to previously unserved clientele. Microfinance members, who typically come from low-income or marginalized segments of the population, rely on microfinance services to facilitate their livelihood activities, cover financial risks, and enhance the welfare of their households. Despite the proliferation of microfinance services globally, many microfinance members lack financial well-being and remain financially insecure. Thus, studying the determinants of financial well-being among members of microfinance institutions is becoming critical.

Many factors influence personal financial well-being such as financial behavior, financial knowledge, financial literacy, and financial awareness. Financial literacy is the understanding of the various aspects of personal finance, such as saving, investing, budgeting, and the management of debts. It is the ability to make informed decisions in any of these areas (Rehman & Mia, 2024). More financially literate individuals tend to make better resource allocation decisions, thus improving their financial position. Numerous studies have shown that better financial literacy results in improved financial well-being due to better decisions and planning (Choowan et al., 2025; Rahman et al., 2021).

Financial behavior is another of the main factors that determine a person's financial well-being. It refers to the financial habits that people engage in, such as budgeting, saving, investing, and borrowing (Sabri et al., 2021). Financial stability and the attainment of long-term financial objectives are a result of adopting constructive financial habits. Financial well-being is highly influenced by financial behavior and individuals that consistently employ sound budgeting, saving, and borrowing habits (Rahman et al., 2021, Widjayanti et al., 2025).

Financial knowledge refers to an individual's comprehension of financial products and services, along with strategies for managing and controlling finances. People with decisive financial knowledge are capable of balancing financial options, controlling financial risks, and using financial services with precision. Sabri and others (2021), state that financial knowledge is an important determinant of one's behavioral finance and an improvement of one's financial wellbeing. A case in point, when financial well-being model is analyzed, the outcome of the study is that financial knowledge enhances one's ability to make financial cognitions and is an instrumental contributor to profound financial satisfaction and stability (Prakash & Hawaldar, 2024).

Another important contributor to an individual's financial well-being is financial awareness. Financial awareness is an understanding of the financial risks, services, products, and opportunities that are present. Financially aware people can avoid the various traps that lead to financial losses and are more able to utilize the services that the finances offer. Financial awareness is an important factor that enhances an individual's financial resource management, and the decisions that result are better.

For members of microfinance institutions, the above-mentioned factors of financial capability become even more critical. Clients of microfinance typically engage in resource-restricted and financially precarious small-scale business or income-generating activities. Managing loans, savings, and financial risks is contingent on the client's financial literacy, behavior, knowledge, and awareness. Without financial capability, microfinance services do not ensure an improvement in financial well-being (Rahman et al., 2021).

A robust relationship exists between financial capability and financial well-being, as evidenced in the literature. For instance, the relationship between financial literacy and financial behavior on one side and financial well-being on the other is positive, as they facilitate the ability to manage one's finances and alleviate financial stress (Choowan et al., 2025). Furthermore, the knowledge and awareness of an individual regarding finances can improve their ability to assess the financial opportunities available to them and make sound financial decisions (Prakash & Hawaldar, 2024; Sabri et al., 2021), ultimately resulting in better financial outcomes.

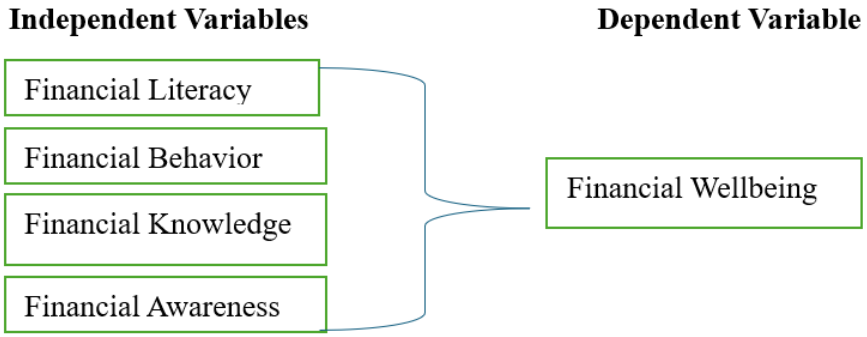
In countries like Nepal, microfinance programs have increased rapidly over the past 20 years to achieve financial inclusion and poverty reduction. Many microfinance members depend on microcredits and other financial services to assist with small businesses, household consumption and livelihood activities. Even with access to microfinance services, members continue to struggle with financial management, debt repayment and financial security. Given these circumstances, it is imperative to consider whether the issue lies in the effort to participate in microfinance programs or whether the issue lies in other external factors, such as a lack of financial literacy, deficient financial behaviors, depleted financial knowledge, and absent financial awareness.

Studies on financial well-being, especially in microfinance, have focused on the outcomes of growing financial capability. With this growing financial capability, these programs have an impact on the financial literacy, financial capability, and financial well-being complex of clients, and how these factors assist in eliminating barriers of access to financial services and microcredit.

The purpose of this study is to examine financial literacy, financial behavior, financial knowledge, and financial awareness as the main contributors to the financial well-being of microfinance members. In doing so, this study serves as a reference to the existing body of knowledge that the study prefers to examine, namely, financial capability and financial well-being, in the context of microfinance and financial inclusion.

This research is based on Financial Capability Theory and Behavioral Life-Cycle Theory. Financial Capability Theory states that financial knowledge and the application of that knowledge in decision-making lead to positive financial outcomes (Sherraden, 2013). Financial capability is comprised of financial literacy, behavioral and skill-based, and access to financial services. Stronger financial capability increases the likelihood of individuals managing money better and achieving financial safety and security.

Behavioral Life-Cycle Theory posits that psychological factors, self-control issues, and behavioral biases impact decision-making (Shefrin & Thaler, 1988). Individuals who face knowledge and awareness barriers tend to create biases which negatively impact decision-making and detract from financial well-being (Rahman et al., 2021; Widjayanti et al., 2025). These theories largely encapsulate the most important variables that create and support well-being, financial literacy, knowledge, awareness, and behavior of microfinance members. The relationship between independent and dependent variables is as follows.



Although financial well-being has received increasing attention in academic research, most studies focus on general populations such as students, employees, or households in developed economies (Brüggen et al., 2017; Prakash & Hawaldar, 2024). Limited research has examined the determinants of financial well-being among microfinance members, particularly in developing countries.

Previous studies identify financial literacy and financial behavior as important determinants of financial well-being (Choowan et al., 2025; Rahman et al., 2021). However, the combined influence of financial literacy, financial knowledge, financial awareness, and financial behavior has rarely been examined within a single framework. Moreover, many studies are conducted in developed or middle-income countries, creating a gap in understanding how these factors influence financial well-being among low-income microfinance clients in developing economies (Sabri et al., 2021).

In addition, microfinance programs often emphasize financial access rather than strengthening members' financial capability. Consequently, clients may obtain credit but lack the knowledge and behavioral skills necessary to manage financial resources effectively (Rahman et al., 2021). Therefore, this study examines the combined effects of financial literacy, financial behavior, financial knowledge, and financial awareness on the financial well-being of microfinance members, providing insights for policymakers, microfinance institutions, and development organizations.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Financial well-being has been conceptualized in microfinance literature as the capacity of individuals to manage their financial commitments and worries, and to make trade-offs to improve their quality of life (Netemeyer et al., 2018). For microfinance members, who are usually poor people without access to financial resources, financial well-being is exemplified in the economic empowerment and poverty alleviation potential of microfinance services. The empowerment products of microfinance services are the complementary services needed to develop a client's financial skills and capabilities. Economic health, particularly for women, is a core element of development and the reduction of poverty (Riro et al., 2024). Thus, comprehending the drivers of financial well-being of microfinance members is increasingly relevant to both scholars and practitioners.

The Financial Literacy and Financial Well-Being of Microfinance Members

The meaning of financial literacy is understanding and applying financial skills in any of the activities that involve budgeting, saving, borrowing, and investing. Financial literacy improves the individual's ability to make sound financial decisions and sustain long-term fiscal health. It helps microfinance members to effectively harness financial services and manage scarce financial resources, which is further supported by research, showing that financially literate individuals have a higher propensity to save and demonstrate better borrowing and financial planning, thereby achieving better financial well-being (Lusardi & Mitchell, 2014).

The importance of financial literacy is evident in the effects it has on microfinance. With data from 384 respondents, Riro et al. (2024) evaluated the impact of financial literacy and microfinance services on the financial well-being of women members of microfinance in Kenya. The study concluded that financial literacy positively impacts microfinance services and financial health. Financially literate members were capable of better and improved utilization of services such as credit, savings, and insurance, thereby enhancing their financial health. Financial literacy helps individuals make informed financial decisions and reduce the likelihood of over-indebtedness.

Likewise, Riro (2025) studied the relationship between financial literacy and the financial health of women clients of microfinance. It was found that financially literate clients enjoy better financial outcomes than clients who are not financially literate. The study concluded that the financial literacy of microfinance clients is key to improving financial well-being. Thus, it is suggested that financial literacy be made a core element of microfinance.

The significance of financial literacy may be better illustrated by the theory of human capital, which argues that knowledge and skills translate into higher productivity and better outcomes (Becker, 1993). Financial literacy is an important type of human capital that enables the individual to make wise and sound financial decisions. In the case of microfinance, the financially literate borrower is able to manage the loan, record transactions, and budget appropriately. The above competencies make it easier to avoid financial pitfalls and enhance the repayment rate, which is crucial for sustainable economic activity and improved financial well-being. New studies show that the understanding of finance becomes even more important in the context of rapidly expanding digital finance tools. Ramadani and Goso (2025) studied financial literacy and its components and the financial welfare of micro, small, and medium enterprises (MSMEs) actors. They found that digital financial literacy enhances the financial welfare of MSME actors. As financial services become digitized, financially literate people are in a better position to use and manage digital financing services. This is important for micro finance as it promotes the use of digital financing and improves financial management.

From the studies available, it can be shown that financial literacy is important for a microfinance member's financial welfare. People with stronger financial literacy find it easier to manage a loan, save, and make economically sound decisions.

H_1: There is a positive correlation between financial literacy and financial welfare of microfinance members.

Microfinance Members' Financial Behavior and Financial Well-Being

Financial behavior is the way someone acts and how they manage their financial resources, including spending, saving, borrowing, and investing. This is directly linked to how financial knowledge and attitudes are applied to the situational context. Members of microfinance institutions face financially constricted situations, so financial behavior is of utmost importance since it can make them more susceptible to financial shocks. Certified financial planners often encourage budgeting, saving, and borrowing, and this would most likely result in the individual being financially stable (Xiao & O'Neill, 2016).

Financial behavior influences an individual’s financial well-being, which is the ability of an individual to meet financial obligations and how they maintain their financial security and make good financial choices. Positive financial behavior has been linked to saving, use of credit and paying debts on time. No matter the level of income, positive financial behavior among individuals manifests itself as increased financial well-being. Responsible financial behavior has been proven to predict financial well-being (Netemeyer et al 2018). This is also the case, aside from income and demographic variables.

In microfinance institutions, financial behavior encompasses the practices associated with group lending. This may include keeping a savings account, punctual repayment of loans, participation in group meetings, and adherence to group rules. These behaviors enable members to gradually build their financial capacity. Savings act as a financial buffer in the case of an emergency, and timeliness in the repayment of loans enhances one’s creditworthiness and the ability to obtain additional financial services. In addition, participation in group meetings enhances social capital and solidarity, thus increasing financial resiliency (Ledgerwood, Earne, & Nelson, 2013).

Research in financial capability shows that financial behavior frequently explains the financial knowledge-financial outcomes relationship. Individuals may grasp a financial principle but may not express that knowledge

in practice. This can be due to behavioral biases, societal expectations, or immediate availability of money. An individual may understand the principle of saving but due to a pressing need in the household, may spend the money rather than saving. This knowledge-action gap demonstrates the need to study financial behavior rather than assume that financial literacy will result in better financial outcomes (Xiao & Porto, 2017).

The relationship between certain behaviors and their eventual economic results has been previously stated and empirically tested. As an example, in an appraisal of various studies, financial behaviors were noted as key determining factors regarding financial capability. Individuals that demonstrate positive financial behaviors like planning, saving, and borrowing responsibly tend to practice behaviors that elevate their financial standing.

The practice of financial behavior over time and its resultant impact on an individual's financial situation is worth studying. Rather than relying on individual financial actions to create a secure financial future, financial stability can often be derived from a pattern of behaviors that result in deposit creation at a microfinance institution. As noted by Kunt et al. (2022), the creation of savings over a period in a microfinance institution can result in increased financial stability and the ability to draw on savings to mitigate financial shocks. If an individual demonstrates a pattern of paying back their loans on time, a microfinance institution can create a lending pool that they can draw from because of the trust they have created by their behavioral actions

From a behavioral economics perspective, there are a multitude of reasons financial behavior may not occur. Factors like mental accounting, present bias, and loss aversion can strongly dictate financial behaviors. As an example, loss aversion may discourage savings, as an individual would rather purchase a product immediately than wait. Understanding that behaviors can be the basis for the creation of an effective financial product by microfinance institutions, which may be illustrated by the use of behavioral nudges (Thaler and Sunstein, 2008) to alter financial behavior.

Group lending systems also influence the financial behavior of borrowers, more specifically, the misconduct of financial discipline through mechanisms such as peer surveillance and joint liability. The members' social pressure in the lending groups increases the likelihood of repayment. Financial discipline, however, can create a need to borrow more than necessary, and can discourage the appetite for entrepreneurial risk, meaning the net effects of these systems really depend on group dynamics (Armendáriz & Morduch, 2010).

Taking the available literature into account, it is reasonable to assume that microfinance members' positive financial behavior is correlated with financial well-being.

H_2: Positive financial behavior and the financial well-being of microfinance members are positively correlated.

Financial Literacy and Financial Well-Being of Microfinance Members

Financial knowledge refers to individuals' understanding of the various components of the financial world. These include understanding interest, the concept of compound interest, inflation, risk and its diversification, and financial instruments. The better understanding one has of the aforementioned concepts, the better one is at making sound financial decisions, which in turn enhance one's financial situation as well as overall well-being (Lusardi & Mitchell, 2014; Huston, 2010).

While financial knowledge and financial literacy are related, they are independent concepts. Financial literacy encompasses the knowledge, skills, attitudes, and other psychosocial elements necessary to make informed decisions about finances, while financial knowledge is concerned solely with the comprehension of financial concepts. Distinguishing between the two, financial knowledge and financial literacy may shape financial outcomes through varying means and may necessitate distinct policy approaches (Huston, 2010; Remund, 2010).

Within the realm of microfinance, the role of financial knowledge is critical to optimizing the impact of financial inclusion. Yumna et al. (2025) studied Waqf-based microfinance institutions in Indonesia and reported that financial inclusion led to greater impact on the improvement of well-being of those who understood and interacted with the financial services offered. The implication of the study is that the impact of financial services on financial outcomes is determined by the knowledge acquired through engagement.

Batista and Ayu (2023) concluded that financial knowledge has both a direct and indirect impact on financial well-being. Financial knowledge, directly, leads to feelings of financial safety and self-confidence. Indirectly, it

motivates individuals to adopt desirable financial practices, particularly budgeting, saving, and borrowing within their means. These are particularly important for microfinance clients, as they have to balance the use of loans, micro-enterprise investments, and household financial management.

An individual's financial knowledge improves their financial well-being by decreasing the information gap between lenders and borrowers. Individuals understand better the conditions of loans and their repayment responsibilities. Financial knowledge also prevents poor financial decisions and allows for better financial planning. Financial knowledge also fosters the entrepreneurial potential of individuals by enhancing the financial managerial and financial investment decision-making abilities about micro-enterprises (Lusardi & Mitchell, 2014; OECD, 2020).

In terms of context-embedded financial knowledge versus general financial knowledge, it can be noted that the former can be more powerful. Knowledge of microfinance products, group lending, and repayment systems is more specific and thus enables better financial decisions for members. In many rural areas, financial knowledge circulates within social networks and communities rather than through formal education. Therefore, communal and cultural dimensions are critical when it comes to the adaptation of financial knowledge and the effect of financial knowledge on financial well-being (Klapper, Lusardi, & Van Oudheusden, 2015). All the evidence undeniably affirms that the more financial knowledge individuals possess, the better their financial well-being.

H_3: There is a significant positive relationship between financial knowledge and the financial well-being of microfinance members.

Microfinance Members and Financial Awareness and Well-Being

Being financially aware means knowing one's own situation financially, understanding the opportunities and the risks in finance, as well as knowing the different financial products and services available and the responsibilities and rights consumers have. Financial knowledge is about the information one has, while financial awareness is about the active daily engagement with finances. People who are financially aware are likely to make decisions and plans about their finances in a timely manner (Lusardi & Mitchell, 2014; Xiao & Porto, 2017).

Research in the microfinance field has reiterated the critical role financial awareness plays in enhancing one's financial situation. Yumna et al. (2025) state that microfinance clients experienced greater financial well-being than non-clients. This means that microfinance clients develop a better understanding of the financial opportunities and services available and can use the financial products offered to them more efficiently.

Creating awareness is especially important for women in microfinance programs. Riro et al. (2024) have identified a gap in financial literacy for women, which is a barrier to the awareness of micro-savings services, and has other consequences. Even with available financial services, a lack of awareness can lead to under-utilization of offered services. Therefore, the goal is to raise awareness to gain the optimum benefits of the microfinance services offered.

Riro (2025) states that financial awareness is relevant for micro-insurance, but in his case, financial awareness has many gaps as many microfinance members are unaware of their insurance coverage, how to claim benefits, and what steps are involved to protect themselves through insurance products, which in turn cause members to not renew their policy or fail to claim benefits when there is an emergency. Therefore, financial awareness of insurance products is equally important in ensuring financial protection and stability (Riro, 2025; Giné, Townsend, & Vickery, 2008).

The channels of financial awareness and its subsequent development include training, peer learning, direct interaction with the financial products, and information gleaned from the internet and other media sources. Multiple channels of information - especially when forming an awareness framework for financially vulnerable or economically active but low-income groups - have been shown to enhance financial awareness and promote desirable financial practices (Atkinson & Messy, 2012; Kaiser & Menkhoff, 2017). Microfinance institutions that create an awareness framework for their customers find that their customers use financial products and services, and their financial situation improves. From the above, tested literature, financial awareness has a positive level of impact on financial well-being.

H_4: Financial awareness and the financial well-being of microfinance members are positively correlated.

RESEARCH METHODS

The study is based on the positivistic research philosophy, meaning that the philosophy assumes social reality is measurable and objective. The researcher took an independent and neutral stance, focusing on the observable and measurable, and balanced the approach by focusing on empirically measurable variables. Considering the circumstances, this was the only approach that would determine the measurable variables that affect the financial status of members of microfinance institutions.

A causal research design was used to determine the cause-and-effect relationship among the independent variables and the dependent variable, which is financial well-being. The independent variables were financial literacy, financial knowledge, financial awareness, and financial behavior. This research design offered hypothesis testing and provided the researcher with considerable insight into the influence of the determinants, which is why it was a better choice than exploratory and descriptive research designs.

This study used only primary data that was collected directly from the respondents. This was a guarantee that the data was original, current, and specific to the microfinance members of the Salyan district. The target population consisted of all active members of microfinance institutions in the district, as they were the most focused on grassroots financial services. Due to the time and geographical spread of the participants, a convenience sampling method was used to get 271 respondents who were accessible and willing to take part in the study.

To measure attitudes regarding financial behaviours and the perception of financial well-being, the researcher developed an instrument with closed-ended and Likert scale questions. Along with trained volunteers, the researcher administered questionnaires in person at microfinance institutions and community meeting sites. Potential subjects were informed of the study's purpose and prompted to provide signed consent; their participation was fully voluntary and informed.

Data was collected and analyzed in two steps using the Statistical Package for Social Sciences (SPSS). Using descriptive methods, step one outlined the demographics and general trends using frequency, percentage, mean, and standard deviation methods. In step two, multiple regression was used to test the hypothesized relationships and financial well-being determinants. In line with the code of ethics, the study is honour-bound to secrecy and confidentiality. Therefore, participants were informed of their right to voluntary participation and to withdraw from the study at any time without being punished.

RESULT ANALYSIS

Table 1: Demographic Information

Age of the Respondent		
Categories	**Frequency**	**Percent**
Up to 25 Years	51	18.8
26 to 35 Years	144	53.1
36 to 45 Years	66	24.4
More than 46 Years	10	3.7
Total	**271**	**100.0**
Education of the Respondent		
Categories	**Frequency**	**Percent**
Illiterate	123	45.4
Secondary	128	47.2
Bachelor	18	6.6
Master and above	2	.7
Total	**271**	**100.0**

Source: Survey Data 2025

Based on the provided data, the typical microfinance member is predominantly young to middle-aged, as the membership is heavily concentrated in the economically active age bracket of 26 to 45 years. Specifically, more than half of the respondents (53.1%) are between 26 and 35 years old, while those aged 36 to 45 account for an additional 24.4%, cumulatively representing over three-quarters of the total clientele. The youth segment under 25 years makes up 18.8%, whereas individuals older than 46 years comprise a minimal portion of the sample at just 3.7%.

In terms of education, the vast majority of members have limited formal schooling, with the clientele being almost evenly split between those who are illiterate (45.4%) and those who have completed a secondary education (47.2%). Higher education levels are rare within this group, as only 6.6% hold a bachelor's degree and a negligible 0.7% possess a master's degree or higher, indicating that the microfinance institution primarily serves a demographic with low educational attainment, consistent with a focus on financial inclusion.

Table 2: Reliability Analysis

Cronbach's Alpha	N of Items
.758	37

Source: Survey Data 2025

The internal consistency of the scale was assessed using Cronbach's alpha to determine the reliability of the instrument. As shown in Table 2, the 37-item scale produced a Cronbach's alpha coefficient of $\alpha = .758$, indicating an acceptable level of internal consistency. In research instrument development, alpha values between 0.70 and 0.80 are generally considered acceptable, suggesting that the items are sufficiently interrelated and measure the same underlying construct (Cohen et al., 2018).

The obtained alpha value of .758, therefore, indicates that the instrument demonstrates satisfactory reliability and that the items collectively form a reliable composite scale. Although a high Cronbach's alpha does not necessarily confirm one-dimensionality, it does indicate that the items are adequately correlated and suitable for measuring the intended construct (Cronbach, 1951). Similar interpretations are also supported in methodological literature, where values above 0.70 are widely regarded as acceptable for social science research (McEntarffer & Schlicht, 2021).

Table 3: Collinearity Statistics

Constructs	Collinearity Statistics	
	Tolerance	VIF
FL	.886	1.128
FB	.785	1.274
FK	.863	1.158
FA	.972	1.029
a. Dependent Variable: FWB		

Source: Survey Data 2025

Table 3 shows the collinearity tolerance and the Variance Inflation Factor (VIF) for each of the independent variables: financial literacy (FL), financial behavior (FB), financial knowledge (FK), and financial attitude (FA) used in the study to predict financial well-being (FWB). According to Hair et al (2019), multicollinearity is the presence of independent variables that are almost the same as each other to the extent that the regression estimates are distorted and the model becomes unreliable. The tolerance for each of the variables is from 0.785 to 0.972 and the VIF from 1.029 to 1.274. Common standards say that to avoid serious cases of multicollinearity, tolerance values should be greater than 0.10, while VIF values should be less than 5 (Field, 2018, Hair et al., 2019). Given the results listed in Table 4, we can ascertain that multicollinearity does not exist in the regression model.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.672a	0.452	0.444	0.32547
a Predictors: (Constant), FA, FL, FK, FB				
b Dependent Variable: FWB				

Source: Survey Data 2025

The model has an Adjusted R Square value of 0.444. This means that, out of the variance in the dependent variable (FWB), given the number of predictors (FA, FL, FK, and FB) in the model, the predictors explain 44.4% (or 0.444) of FWB, the dependent variable. The adjusted value is different from the standard R square value in that it will be less than the standard value due to the possible inflation from the number of predictors. In this case, the model fit is explained rather than overexplained. That is, the adjusted value of 0.444 indicates the model explains 44.4% of the variance in FWB due to the four predictors, and less than 44.4% of the variance in FWB is caused by influences not specified in the model.

Table 5: ANOVA Analysis

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	23.225	4	5.806	54.811	.000[b]
Residual	28.178	266	.106		
Total	51.404	270			
a. Dependent Variable: FWB					
b. Predictors: (Constant), FA, FL, FK, FB					
Source: Survey Data 2025					

Table 5 shows the ANOVA results for the overall validity of the multiple regression model assessing the impact of financial attitude (FA), financial literacy (FL), financial knowledge (FK), and financial behavior (FB) on financial well-being (FWB). The model produced an F-value of 54.811 and a p-value of less than .001, showing that the combined predictors explain a statistically significant portion of the variance in financial well-being. This result reaffirms the strength of the model in identifying the predictors of FWB for the study participants.

Table 6: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.780	.496		3.589	.000
FL	.137	.082	.081	1.679	.094
FB	.385	.033	.600	11.712	.000
FK	.231	.056	.202	4.132	.000
FA	-.138	.061	-.104	-2.261	.025
a. Dependent Variable: FWB					

Source: Survey Data 2025

The results of the multiple regression analyses for financial literacy (FL), financial behavior (FB), financial knowledge (FK), and financial attitude (FA) as they pertain to financial well-being (FWB) can be seen in Table 7. FB ($B = 0.35$, $\beta = 0.600$, $t = 11.712$, $p < 0.001$) and FK ($B = 0.231$, $\beta = 0.202$, $t = 4.132$, $p < 0.001$) were each found to positively influence and impact FWB in a statistically significant manner. FA was found to negatively influence FWB ($B = -0.138$, $\beta = -0.104$, $t = -2.261$, $p = 0.025$), and FL was found to have a statistically insignificant impact as well as a positive influence FWB ($B = 0.137$, $\beta = 0.081$, $t = 1.679$, $p = 0.094$). The general trends indicated that knowledge and behaviour of a person regarding finances are the most statistically significant determinants of their financial well-being.

DISCUSSIONS

The purpose of this study was to determine the effects of financial literacy, financial behaviors, financial knowledge, and financial attitude on financial well-being. The regression model was significant [F (4, 266) = 54.811, p < .001], and the predictors together offer explanations for the financial well-being, supporting the complexity of the financial well-being construct (Field, 2018).

Among the predictors, financial behavior (H2) was the most significant (β = .600, p < .001; B = 0.385), and this means that practical financial behaviors, such as budgeting and saving, lead to positive financial well-being. This further affirms past findings that state financial knowledge and positive attitudes lead to a positive financial state (Xiao et al., 2014; Perry & Morris, 2005). Financial knowledge (H3) also had a positive influence on financial well-being (β = .202, p < .001), but to a lesser extent, and this further emphasizes the importance of having knowledge to make the right decisions (Huston, 2010). Financial attitude had a small negative impact (β = -.104, p = .025). This could mean that a person could be overly optimistic or indifferent to the effects of their behavior, thus this result needs further study. Financial Literacy (H1), which is financial literacy measured by self-assessment, was also not significant, and this is because past studies have shown that self-assessment financial literacy does not predict financial well-being (Lusardi & Mitchell, 2014).

It appears that while further behavioral strategies need to be developed that focus on either automatic savings or commitment devices, as well as knowledge, attitude, and behavior related to the direction of the financial attitude focus, more behavioral strategies need to be developed. Limitations include cross-sectional design, self-report bias, the attitude effect being negative, and adding longitudinal studies with objective financial activities.

The behavioral part of financial knowledge and self-perceived financial knowledge, and attitude, is complex, but it still draws the most behavioral focus, while adding financial knowledge policy and financial education to the behavioral aspect of financial knowledge still leaves the self-perceived financial knowledge and financial attitude aside, and the behavioral part of financial knowledge reinforces the complexity.

CONCLUSION

The research explains that microfinance members most likely to experience financial well-being show the most positive financial behavioral and knowledge attributes. Because behavior demonstrates the greatest impact, the study posits that members who practice positive financial behaviors and demonstrate good decision-making skills, both of which are informed by financial knowledge and concepts, experience enhanced financial well-being. The study demonstrated that the financial attitude component exhibited a small negative effect, which suggested that being optimistic could impede positive financial behaviors. The self-evaluative component of financial literacy was found to be an insignificant indicator. However, the study noted that the tendency to lack financial literacy demonstrated positive behavior, as well as knowledge, that was unattainable. To improve microfinance members' financial well-being, behavioral and knowledge-based financial literacy interventions, accompanied by balanced financial attitude interventions, are encouraged.

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