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FINANCIAL LITERACY AND FINANCIAL WELL-BEING: THE MEDIATING ROLE OF FINANCIAL ANXIETY AMONG BUSINESS GRADUATES

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Abstract
Financial well-being among university graduates has become a major concern due to certain economic factors. This study investigates how financial literacy relates to financial well-being; while also looking at how financial anxiety of graduates might act as a mediator. Financial literacy and financial well-being represent one's capacity to manage finances and the ability to maintain and feel satisfied with the state of finances. Financial anxiety represents stress and worries one might feel regarding the state of one's finances. The study also considers the fact that financial anxiety might contribute to financial well-being and that students with financial literacy might also have less financial anxiety. This study employs a cross-sectional survey with a sample of 340 graduates using a convenience sampling technique. SPSS and structural equation modeling were used to evaluate the data. Financial literacy positively impacts financial well-being, whereas financial anxiety negatively impacts financial well-being. The study also found that financial literacy and financial anxiety are positively related. This study attempts to build upon the existing financial behavior literature with a focus on the psychology of financial literacy. This study offers universities, policymakers, and financial institutions an opportunity to reduce graduates' financial anxiety by increasing students' financial literacy and student financial well-being.

INTRODUCTION

The contemporary economic climate has made financial well-being one of the most important factors of individual stability and quality of life. Increased inflation, unemployment, financial instability, and rising cost of living poses a number of challenges to students across the globe. Students need to strike a balance between the mounting pressure of tuition fees, the cost of education and materials, the burden of debt, and financial uncertainty regarding employment post graduation. This negatively impacts students financially (Brown & Yang, 2023).

Financial well-being is the state in which an individual is able to fulfill their financial obligations, is financially secure, and has full confidence and belief in their financial future (CFPB, 2023). Individuals that are financially well are generally less stressed, manage their finances better, and are more content in their life.

Financial literacy is one of the most important determinants for financial well-being for students, graduates and young adults. Financial literacy is the broad knowledge of various financial concepts and the ability to make informed financial decisions (Lusardi et al., 2023). This encompasses budgeting, saving, investing, financial debt, and planning. Higher financial literacy casts better insight and understanding on spending and saving decisions (Morgan & Long, 2024). This improves financial security and strengthens one's ability to face financial challenges.

Research shows that people who possess financial literacy are extremely likely to budget and save and thus avoid financial obligations that are beyond their reach (Xiao & Porto, 2023). All of these mechanisms construct a more robust financial stability. Despite the surge of understanding for financial literacy, students experience the most financial related stressors and the inability to manage their finances. This is a result of the lack of financial experience and various poor financial management practices (Rahman & Khan, 2024).

Financial anxiety is the condition of being fearful, irritable, and emotionally exhausted stemming from financial obligations and situations (Archuleta & Dale, 2023). Financial anxiety is widespread among students because they are burdened with the costs of education, the unpredictability of their income, and the uncertainty of their employment in the future. Students facing financial anxiety struggle to make financially sound decisions, undermining their financial well-being (Lim et al., 2024).

The connection between financial literacy and financial well-being is not completely linear since there are psychological factors that can affect financial behaviors. For example, financial literacy has less of a positive impact on individuals experiencing financial anxiety and emotional distress as they struggle to implement their knowledge (Kim & Chatterjee, 2023). Students who have a good grasp of financial literacy can manage their financial concerns better and have an overall sense of well-being. Many contemporary studies have focused on financial literacy and financial well-being, however, few have analyzed financial anxiety as a mediator in this connection among university graduates in developing nations (Ahmed et al., 2025). Most of the existing research studies are concerned with tangible financial outcomes while the psychological aspects of financial behavior are largely neglected. For this reason, analyzing financial anxiety as a mediator of financial literacy and financial well-being is significant and can help shine a light on gaps in the existing research. The purpose of this study is to examine the impacts of financial literacy on the well-being and the role of financial anxiety as a mediator in this context among university students. The objective of this study is to provide a unique and an integrated perspective toward the existing body of financial literacy research to gain insight into psychological and behavioral dimensions of financial literacy. The results will be articulated in the form of recommendations to help policymakers and universities in the development of financial education targeted to mitigate financial anxiety and enhance financial well-being among students.

Review of Literature

Financial Literacy and Financial Well-Being

Financial literacy becomes increasingly important regarding financial well-being and how it affects young adults as well as university students. Being financially literate allows individuals to comprehend and utilize financial concepts for making sound financial decisions (Lusardi et al., 2023). People with financial literacy have a greater ability to manage their finances and make informed decisions regarding planning their financial future needs and goals. Numerous studies have shown that financial literacy positively influences financial well-being. This is due to the fact that individuals with a good level of financial literacy tend to display more positive financial behaviors like saving and not spending money on things that they don't need (Morgan & Long, 2024). Additionally, financial literacy enhances one's self control and confidence which allows individuals to overcome financial difficulties more easily (Zhang & Saurabh, 2023).University students that have good financial literacy have a greater ability to manage their finances by sticking to financial budgets, managing their cash flows, and making good financial decisions with the money that they borrow (Rahman & Khan, 2024). Financial literacy also improves one's financial situation by lowering financial risks that one is exposed to due to a lack of understanding of the possible financial opportunities that one can benefit from (Ahmed et al., 2025).Additionally, having financial literacy helps individuals to improve their financial planning and investing behavior which in turn improves their long-term financial stability and well-being (Kim & Chatterjee, 2023). Thus, financial literacy will most likely improve the financial well-being of university students.

H1: Financial literacy has a significant positive impact on financial well-being among university students.

Financial Literacy and Financial Anxiety

Financial literacy positively impacts financial anxiety. Having financial literacy helps to cope with financial anxiety better since there is decreased uncertainty and increased financial confidence. Financial anxiety occurs when there is a feeling of stress and discomfort when thinking about financial obligations and deficits (Archuleta & Dale, 2023).

Inadequate financial literacy contributes to the inability to manage budgets and debt and the inability to make plans to achieve financial goals and adds financial stress (Brown & Yang, 2023). In contrast, financially literate people are secure in their ability to make good financial decisions and feel in control of their finances. Emotional stress resulting from financial insecurity is alleviated by financial literacy, which gives people confidence and control over their finances (Lim et al., 2024). Students with financial literacy are less anxious because they are able to manage their finances, plan their expenditures, and control their debt. Financial literacy allows people to better assess financial services and financial products, and reduces apprehension and doubt in financial decisions (Xiao & Porto, 2023). Thus, financial literacy predicts lower financial anxiety among university students.

H2: Financial literacy has a significant negative impact on financial anxiety among university students.

Financial Anxiety and Financial Well-Being

Financial anxiety opposes financial well-being. Emotional instability caused by financial anxiety disrupts prudent financial decision-making and behaviors that ensure financial stability and control. Prudent financial decision-making and management become impossible, and, as a result, financial stability is threatened (Kim & Chatterjee, 2023). Financial anxiety is related to poor financial management, 'shopping' with no purpose and flight from financial accountability and planning (Rahman & Khan, 2024). Financially anxious students feel there is no escape from their financial obligations which leads to poor financial well-being and greater dissatisfaction. Research supports the idea that financial anxiety correlates with the lowest levels of life satisfaction, the lowest levels of emotional peace, and the lowest levels of self-assuredness regarding one's approach to finances (Lim et al., 2024). The anxiety worsens psychological stress and negatively impacts college students' academic output and productivity. Financial anxiety also erodes the perception of financial safety and future well-being (Ahmed et al., 2025). As a result, financial anxiety prevents students from attaining financial well-being.

H3: Financial anxiety has a significant negative impact on financial well – being among students.

Financial Anxiety as a Mediator

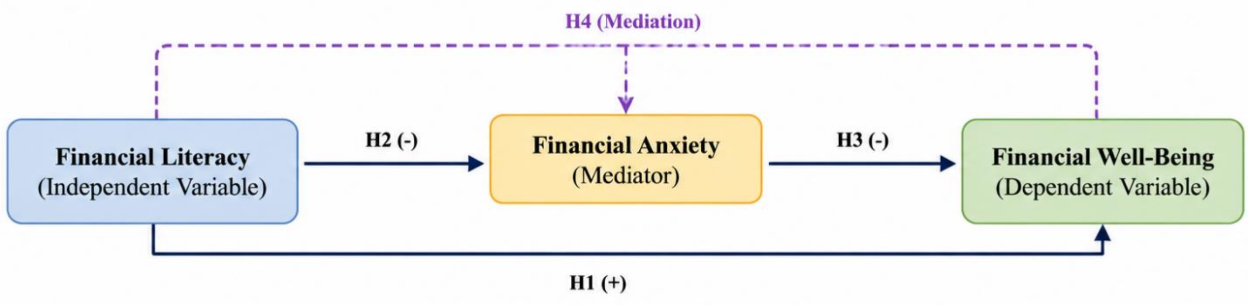
Financial anxiety may be the bridge that connects financial literacy to financial well-being as psychology determines how individuals implement financial skills. Financial literacy elevates one's understanding and confidence, which diminishes financial anxiety and bolsters financial well-being (Morgan & Long, 2024). Students with developed financial literacy have the capability to manage both personal and societal financial obligations and uncertainties to a greater degree. When anxiety is alleviated, individuals are freed to adopt more prudent financial practices and to experience a greater degree of financial satisfaction (Zhang & Saurabh, 2023).

Recent research found that emotional factors and financial anxiety are the mediators of the relationship between one's financial knowledge and the resulting financial practices (Brown & Yang, 2023). Financial anxiety is the emotional conduit that financial literacy must traverse to enable financial well-being.

H4: Financial anxiety mediates the relationship between financial literacy, and financial well-being.

Figure 1

Conceptual Framework



Methodology

The research approach of the proposed study was based on the cross-sectional quantitative research method to examine the relationship between financial literacy and financial well-being with university graduate level of financial anxiety as a mediating variable.

The quantitative approach was adopted since it offers the opportunity to measure variables objectively and test the hypotheses statistically. The focus was on the graduates in the public and private universities in our target area. Due to constraints of availability and time, I was able to sample only 340 students using the convenience sampling technique. Data collection was done using a structured questionnaire that contained close-ended questions. These questions were measured using a 5-point Likert scale from which respondents could select if they strongly disagreed to strongly agreed. The study adapted recent financial literacy studies published between 2023 and 2025 to measure financial literacy. The study also adapted recent tools that were validated to measure financial anxiety and financial wellbeing. The questionnaire was structured to contain the demographic characteristics of the respondents, followed by the measurement of the study variables. A pilot study was done to check the clarity of the items. The study also adopted Cronbach's Alpha to measure the internal consistency of the variables and a threshold of 0.70 for adequate consistency was accepted. SPSS and Structural Equation Modeling (SEM) was used to analyze the data. The demographic characteristics of the study sample were analyzed using descriptive statistics. The relations among the variables were analyzed using correlation and regression analysis. The mediation of financial anxiety between financial literacy and financial wellbeing was analyzed using the PROCESS Macro model. Respecting the ethics of research was of importance to the study, as it ensured that respondents were assured of their rights to confidentiality, that they were consenting to participate, and that their participation was not coerced.

Results

Table 1

Reliability Analysis

Variable	Cronbach Alpha
Financial Literacy	0.88
Financial Anxiety	0.84
Financial Well-Being	0.90

Interpretation

The reliability analysis indicates that all variables have acceptable internal consistency as all Cronbach alpha values are greater than 0.70. Of all the variables, Financial well-being has the highest reliability value of 0.90. Thus, it offers the best consistency among the measurement items. Also, Financial literacy and Financial anxiety, sustained strong reliability values, and thus, it can be concluded that the measurement scales used in the study are likely to be valid measures for the constructs of the study of university students.

Table 2
Correlation Analysis

Variables	FL	FA	FWB
Financial Literacy (FL)	1		
Financial Anxiety (FA)	-0.52**	1	
Financial Well-Being (FWB)	0.61**	-0.58**	1

$p < 0.01$

Interpretation

The financial literacy and financial well-being analysis shows that the more financially literate a student is, the more financially well they are. There is also a positive relationship between financial literacy and financial anxiety. This means that as financial literacy increases, so does financial anxiety, and therefore, the lower the financial literacy, the lower the financial anxiety. There is a negative correlation between financial anxiety and financial well-being. In other words, the more financial anxiety a student is feeling, the less financial satisfaction and financial stability they are experiencing, and as such, the more emotionally distressed a student is, the less financial satisfaction and financial stability they are experiencing.

Table 3
Regression Analysis

Hypothesis	Beta	t-value	p-value
FL → FWB	0.49	8.12	0.000
FL → FA	-0.44	-7.35	0.000
FA → FWB	-0.39	-6.88	0.000

Interpretation

According to the results from the regression analysis, financial literacy is not only a predictor of financial well-being, but also of financial anxiety. A heightened sense of financial well-being is correlated to decreased financial anxiety. Furthermore, financial anxiety and financial well-being have a direct negative relationship. The results of the regression analysis confirmed all direct relationship hypotheses of the study. These results indicate that the presence of financial literacy has a positive net effect on the financial outcomes of university students by indirectly decreasing financial anxiety.

Meditation Analysis
Table 4
Indirect Effect Analysis (Mediation Test)

Relationship	Indirect Effect (β)	t-value	p-value	Decision
Financial Literacy → Financial Anxiety → Financial Well-Being	0.172	4.86	0.000	Supported

The mediation effect was assessed through the bootstrapping procedure in PLS-SEM. The results indicate that the indirect effect of Financial Literacy on Financial Well-Being through Financial Anxiety is significant ($\beta = 0.172$, $t = 4.86$, $p < 0.001$). Since the indirect effect is significant, Financial Anxiety mediates the relationship between Financial Literacy and Financial Well-Being. Therefore, H4 is supported. The findings suggest that financially literate graduates experience lower levels of financial anxiety, which subsequently enhances their financial well-being.

Discussion
This study's results indicate that university graduates become more financially well-off with greater financial literacy. They are more likely to keep their finances in order, make the right financial decisions, and remain financially secure. This also parallels more recent studies that support the idea that financial literacy not only strengthens financial confidence, but also improves financial behaviors. This study also concluded that financial literacy reduces financial anxiety. A financially literate student who has the financial skills to reduce financial anxiety also has greater control of their financial situation. The more financial control a student has, the less stress they will have. This indicates that emotional stress will in turn reduce financial satisfaction and financial stability. The results of the mediation analysis support the idea that the relationship between financial literacy and financial well-being is partially mediated by financial anxiety. This implies that financial literacy and financial well-being are interconnected with financial anxiety in between. It also supports the psychological and behavioral theory with an emphasis on the role of emotions in the financial decision-making process. This study illustrates the need for financial education in order to enhance financial literacy and reduce financial anxiety for university students.

Practical Implications
Financial institutions may tailor and develop their products and services in a more student-friendly manner and also develop more student-friendly financial education campaigns around the concepts of incremental financial confidence and responsible financial behavior. The combination of decreasing financial apprehension on the part of the student body through exposure programs and counseling services has the potential to create a larger positive impact on the financial well-being and quality of life of the student population as a whole.

Limitations and Future Directions
This study is not without limitations. Convenience sampling has an unavoidable impact on the degree to which the findings can be considered to apply to the entire university student population. The nature of a cross-sectional research study, by definition, has an effect on the extent to which inter-variable relationships may be considered causal. The study, by design, considered only business graduates, university

students, and extended no consideration to other societal demographic groups, such as the employed worker population and various household groupings. Future research studies should be constructed on the basis of a longitudinal research methodology. In addition to the above, research studies should be more considerate of the potential roles of financial self-efficacy and financial behavior, as well as various dimensions of social support in their research. This research should also consider IFB constructs on a number of social comparative and inter-country educational and financial well-being research initiatives.

Conclusion

The current study explored the relationship between financial literacy and the resultant financial well-being of university graduates, and examined the impact of financial anxiety on this relationship. The results of the study confirm that university graduates who possess a higher degree of financial literacy experience a greater sense of financial well-being. The study results also indicate that those graduates experience lower levels of financial anxiety. Moreover, financial anxiety should be viewed in the context of its adverse impact on financial well-being. Finally, financial anxiety should be viewed as a partial mediator in the relationship of financial well-being and financial literacy. The current study has established the critical and important role that financial education and the improvement of the psychological well-being of students has in the positive enhancement of the financial well-being of students. University students who experience higher levels of financial well-being also experience lower levels of financial anxiety. University students who possess a higher degree of financial literacy experience greater levels of financial well-being.

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